



MEDIOBANCA

**Annual statement on corporate governance  
and  
ownership structure**



Mediobanca adheres to the code of conduct for listed companies operated by Borsa Italiana, issued in December 2011 and available at [www.borsaitaliana.it](http://www.borsaitaliana.it), on the following terms.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors and a Statutory Audit Committee, both of which are appointed by shareholders in general meeting, considering this model to be better suited to combining maximum efficiency in terms of operations with effective control, at the same time satisfying shareholders' interests and leveraging fully on the Bank's management. In particular, the Articles of Association now in force provide for a significant number of executives (five) to be represented on the Banking Group's Board of Directors, in a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up by a majority of executive members) and the Managing Director for the day-to-day running of the company. This allows the management's professional capabilities to be leveraged, and ensures their independence with respect to situations of potential conflicts of interest with shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision via the traditional, non-delegable powers, based on primary regulations (approval of draft financial statements, rights issues pursuant to Article 2443 of the Italian Civil Code, etc.) and secondary regulations (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager, etc.).

The Statutory Audit Committee is responsible for supervising control activities.

## Company

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. Its core businesses are lending and investment banking, helping its clients, which include leading Italian corporates as well as numerous medium-sized businesses and international groups, to grow by providing them with professional advisory services in addition to traditional medium-term bank credit. In the meantime a footprint has developed on non-Italian markets, with branch offices opening in Paris, Frankfurt, Madrid, and London and subsidiaries in New York, Luxembourg and Istanbul.

## The Mediobanca Group

Mediobanca is the parent company of the Mediobanca Banking Group, which has operations in consumer credit (through the Compass group), retail banking (through CheBanca!), leasing (through the SelmaBipiemme group), and private banking (through Compagnie Monégasque de Banque and Banca Esperia).

The Board of Directors of Mediobanca has approved a set of Group Regulations covering the activities of management, governance and control of the companies forming part of the Banking Group, activities which are performed by the parent company. In particular the Regulations define the Group's organizational architecture, the co-ordination mechanisms and governance instruments, and the areas of competence and responsibility of the parent company's central functions.

In the exercise of its management, governance and control activities, Mediobanca seeks to promote value creation for both the individual Group companies and the Group as a whole, directing its policies for growth and management according to objectives of operating efficiency and profitability which is sustainable over time. The Group companies' management contributes to the achievement of the Group's objectives. The governance rules contained in the Regulations are intended to guarantee the unity of the Group as a whole.

The Regulations have also been approved by the Boards of Directors of the respective Group companies.



## Share capital and ownership

The Bank's share capital at 30 June 2013 totalled **€430,564,606 made up of 861,129,212 par value €0.50 shares**. The shares are registered shares, and entitle shareholders to one vote per share in general meeting.

Pursuant to Article 2443 of the Italian Civil Code, the Board of Directors was authorized by shareholders in a general meeting held on 28 October 2011 to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in an amount of up to €100m via the issuance of 200 million new ordinary shares, to be offered in option or otherwise allotted to shareholders, and to establish the issue price and ranking of such new shares from time to time; and to issue bonds convertible into ordinary shares in a nominal amount of up to €2bn also to be offered to shareholders; provided that exercise of such resolution should not lead to the issue of a total number of ordinary shares in excess of 200 million.

At an annual general meeting held on 27 October 2012, the shareholders of Mediobanca adopted a resolution empowering the Board of Directors, under Article 2443 of the Italian Civil Code, to increase the company's share capital, in one or more tranches, on or prior to the fifth anniversary of the date of said resolution in a nominal amount of up to €40m, including via warrants, through the issue of up to 80 million par value €0.50 ordinary shares, set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein.

Following resolution adopted in a general meeting held on 27 October 2007, Mediobanca bought back a total of 16,200,000 shares which were booked at an average price of €13.17 per share, for a total outlay of €213.4m. In September 2009, following a bonus issue, the number of treasury shares increased to 17,010,000.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to company chief executives and to Mediobanca Group management (cf. Article 4, paras 5 and 6 of the company's Articles of Association). As at 1 July 2013 the number of stock options still available for allocation totalled 23,734,000 stock options in respect of a like number of shares (press releases regarding schemes in force and awards made are available at [www.mediobanca.it](http://www.mediobanca.it)). The stock option scheme approved by shareholders in general meeting and subsequently amended as a result of the Bank of Italy's instructions issued in March 2011 and renamed performance stock option scheme has been published on the Bank's website at [www.mediobanca.it](http://www.mediobanca.it).

At a general meeting held on 28 October 2010, the shareholders of Mediobanca authorized the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the company's share capital free of charge in a nominal amount of up to €10m, via the award, as permitted under Article 2349 of the Italian Civil Code, through the issue of no more than 20 million ordinary par value €0.50 shares, ranking for dividends *pari passu*, to be reserved to Mediobanca Group employees through the award of performance shares, as well as up to 17,010,000 treasury shares owned by the Bank. As at 1 July 2013, a total of 11,686,506 performance shares were available for award to Group staff. The performance share scheme approved by shareholders in general meeting, as subsequently amended in line with the Bank of Italy's instructions issued in March 2011, and the various press releases regarding the existing schemes and awards made, are published on the Bank's website at [www.mediobanca.it](http://www.mediobanca.it).

According to the company's register of shareholders, as amended in the light of statements received pursuant to Article 120 of the Italian Consolidated Finance Act, as at 30 June 2013 the following shareholders own more than 2% of the subscribed and paid share capital of Mediobanca, either in their own right or through subsidiaries:



Shareholder	No. of shares	% of share capital
Unicredito group	75,442,078	8.76
Bolloré group	51,668,175	6.00
Groupama group	42,430,160	4.93
Finsoe/Unipol (*)	33,358,121	3.87
Mediolanum group	30,195,110	3.50
Fondazione Ca.Ris.Bo	25,368,135	2.95
Italmobiliare group	22,568,992	2.62
Benetton group	18,625,029	2.16
Fininvest group	17,713,785	2.06

\* As a condition of the merger between Unipol and the Fondiaria-SAI group, the Italian antitrust authority has ordered the former to sell its 3.83% stake in Mediobanca, and to deposit the shares in the meantime in a restricted fiduciary account, with “permanent and irrevocable instructions to refrain from participating in annual general meetings of Mediobanca shareholders and exercising the relevant voting rights”.

Mediobanca has approximately 60,000 shareholders. Shareholders representing approximately 42%<sup>1</sup> of the Bank’s share capital have entered into an agreement expiring on 31 December 2013. The agreement is filed with the Milan companies’ register, and an excerpt from it may be found on the Bank’s institutional website ([www.mediobanca.it/CorporateGovernance](http://www.mediobanca.it/CorporateGovernance)).

## Governing bodies

- ◆ Shareholders in general meeting
- ◆ Board of Directors
- ◆ Chairman of Board of Directors
- ◆ Executive Committee
- ◆ Managing Director
- ◆ General Manager
- ◆ Head of Company Financial Reporting
- ◆ Statutory Audit Committee

## General Meetings

The general meeting gives expression to the wishes of the body of the company’s shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company’s Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders in general meeting include the following:

<sup>1</sup> On 17 September 2013, the Unipol Fondiaria-SAI group desyndicated its 33,019,886 Mediobanca shares in advance from the agreement; hence the aggregate percentage now syndicated totals 38.19%.



- ◆ approval of financial statements and allocation of profits;
- ◆ appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- ◆ responsibilities of members of the Board of Directors and Statutory Audit Committee;
- ◆ engagement of, and termination of agreements with, external legal auditors;
- ◆ transactions required by law to be approved by shareholders in extraordinary general meeting;
- ◆ remuneration policies and compensation schemes based on financial instruments adopted for Directors, Group employees and collaborators.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), which stipulate that shareholders for which the issuer has received notification by the end of the third business day prior to the date set for the meeting from an authorized intermediary based on the evidence at the end of the accounting day of the seventh business day prior to the date set for the annual general meeting in the first or only instance; Authorization to take part and vote in cases where the notice is received by the issuer after the deadline may still be granted provided such notice is received before proceedings at the specific session of the meeting commence.

Persons authorized to take part and vote may choose to be represented in the general meeting under a proxy issued in writing or electronically where this is permitted by the regulations in force and in accordance with them, without prejudice to grounds of incompatibility and within the limits provided by law.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

The Board of Directors reports to shareholders in general meetings on the activity performed in its review of operations, and prepares the reports on the various items of agenda within the timeframe set by the regulations in force.

## **Board of Directors: composition and role**

The Board of Directors consists of between fifteen and twenty-three members, with one place reserved for minority shareholders. Of the Directors thus appointed, five are managers with at least three years' experience of working for the Mediobanca Banking Group, three qualify as independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98, and one-third, who may coincide with the three qualifying as independent referred to above, qualify as independent based on the Code of Conduct for Listed Companies. No person may be appointed director if they are aged seventy-five or over.

In order to incorporate the changes introduced by Italian law 120/11 which supplements Articles 147-ter and 148 of the Italian consolidated finance act (Italian legislative decree. 58/98) on the matter of gender representation in the composition of the Board of Directors, at an annual general meeting held on 27 October 2012 the shareholders of Mediobanca introduced provisions to the company's Articles of Association regarding the composition of the governing bodies, to ensure that the least represented gender accounts for at least one-fifth (in the current term of office) or one-third (of future terms of office) of the total number of directors. The new criteria become effective from the first occasion when the governing bodies are reappointed subsequent to 12 August 2012, which for Mediobanca will be when

the governing bodies' term of office expires with approval of the financial statements for the year ending 30 June 2014.

The Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2011 for the 2012-14 three-year period. In accordance with the Articles of Association, Directors are appointed on the basis of lists of candidates who are in possession of the requisite professional credentials, qualify as fit and proper persons to hold such office and as independent in accordance with the law and the company's Articles of Association. Such lists are submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the time (currently 1%). Please see Article 15 of the Articles of Association for the procedures relating to the appointment and dismissal of Directors, which may be found on the Bank's website at [www.mediobanca.it/investor-relations/corporate-governance/governance-documents](http://www.mediobanca.it/investor-relations/corporate-governance/governance-documents)).

The Board of Directors appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, as amended on 27 October 2012 following the resignations which ensued from application of Article 36 of Italian decree law 201/11 (restrictions on representatives of banks, insurances and financial companies from holding similar positions in companies which operate in the same sectors), and following the resignation of Fabio Roversi Monaco in April 2013, now consists of 21 members, 16 of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, 9 of whom also qualify as independent pursuant to the Code of Conduct:

Members	Post held	Date of birth	Indep.*	Indep.**	Manager
Renato Pagliaro ♦	Chairman	20/02/1957			x
Dieter Rampl ♦	Deputy	05/09/1947	x	x	
Marco Tronchetti Provera ♦ §	Deputy	18/01/1948		x	
Alberto Nagel ♦	CEO	07/06/1965			x
Francesco Saverio Vinci ♦	GM	10/11/1962			x
Tarak Ben Ammar ♦	Director	12/06/1949	x	x	
Gilberto Benetton ♦	Director	19/06/1941		x	
Pier Silvio Berlusconi •	Director	28/04/1969		x	
Roberto Bertazzoni ♦	Director	10/12/1942	x	x	
Angelo Casò ♦	Director	11/08/1940	x	x	
Maurizio Cereda ♦	Director	07/01/1964			x
Christian Collin •	Director	11/05/1954		x	
Alessandro Decio •	Director	10/01/1966		x	
Massimo Di Carlo ♦	Director	25/06/1963			x
Bruno Ermolli •	Director	06/03/1939	x	x	
Anne-Marie Idrac ♦	Director	27/07/1951	x	x	
Vanessa Labérenne •	Director	08/01/1978	x	x	
Elisabetta Magistretti ♦	Director	21/07/1947	x	x	
Alberto Pecci •	Director	18/09/1943			
Carlo Pesenti ♦	Director	30/03/1963		x	
Eric Strutz ♦	Director	13/12/1964	x	x	

\* Independent as required in Code of conduct for listed companies.

\*\* Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

• Appointed by shareholders at the annual general meeting held on 27 October 2012

♦ Taken from the list submitted by shareholder UniCredit S.p.A., owner of 8.655% of the company's share capital.

§ Suspended on 18/7/13 as required by Italian Ministerial Decree 161/98, until the next annual general meeting scheduled to take place on 28 October 2013.



*The shareholders who submitted the minority list have issued a statement to the effect that no links exist, as defined in Article 144-quinquies of Consob regulation 11971/99, with shareholders owning, including jointly between themselves, a controlling or majority shareholding in Mediobanca.*

The Board includes prominent figures from the banking, insurance and industrial sectors, which ensures an appropriate degree of professionalism as required by the complexity of the Bank's operations, and given the Board's role in strategic supervision.

All the Directors have made statements to the effect that no cause exists for them to be disqualified from office under legislation currently in force on the grounds of their being incompatible, ineligible or otherwise having lapsed from office, and further statements to the effect that they are fit and proper persons in possession of the requisite qualifications to hold such office and that they qualify as independent where this is required by legislation currently in force and in particular Article 148, paragraph three of the Italian Consolidated Finance Act, which the Board has duly noted. The Articles of Association do not provide for any further requirements in terms of professional qualifications than those stipulated by Article 26 of the Italian Consolidated Banking Act.

The independence of each Director is assessed annually on the basis of information provided by him/her, and any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly.

At a meeting held on 20 December 2012, the Board of Mediobanca established that the following directors qualify as independent under the terms of the Code of conduct in respect of listed companies: Tarak Ben Ammar, Roberto Bertazzoni, Angelo Casò, Bruno Ermolli, Anne Marie Idrac, Vanessa Labérenne, Elisabetta Magistretti, Dieter Rampl, Fabio Roversi Monaco and Eric Strutz. With reference to the status of Angelo Casò as independent, the Board of Directors shared the arguments and conclusions of an independent opinion confirming his independence. In particular it was noted and agreed that the position of Chairman of the Parties to the Mediobanca Shareholders' Agreement involved being vested with powers that are fundamentally administrative and organizational in nature, as confirmed by the duties and powers of the Steering Committee of the Agreement and governed by it.

With reference to the fact that certain independent directors are members of the Executive Committee, under the governance model adopted by the Bank members of the Executive Committee do not become "executive" merely by the simple fact of their belonging to this body, as a result in particular of its composition, given that the Executive Committee includes the Chairman plus four members of the Bank's senior management, including the Chief Executive Officer and General Manager, who are responsible for the day-to-day running of the Bank. The Chairman and the other non-managerial members of the Committee do not have individual powers of management, and the governance model also includes managerial committees with broad powers of approval in respect of the Bank's ordinary operations.

The Statutory Audit Committee then checked that the criteria and procedures adopted by the Board of Directors had been applied correctly with respect to the ascertaining of its members' independence. The Committee's activities were principally aimed at ensuring that the Board expressed its opinion on the basis of adequate information and material, that the proper procedural process was followed for decisions made by the Board, and that the criteria stipulated by the regulations (the Code of conduct and Article 148 of the Italian consolidated finance act) regarding the requirements for independence were correctly applied.

The independent Directors meet at least twice a year on their own without the other Directors present.

*Curricula vitae* for individual Board members submitted in conjunction with lists for appointments to the Board of Directors and a list of posts held by them in other companies as at 30 June 2011 are available on the Mediobanca website ([www.mediobanca.it/CorporateGovernance](http://www.mediobanca.it/CorporateGovernance)).





As approved by shareholders in a general meeting held on 28 October 2011, Directors holding posts in other banking companies are allowed to serve as Directors pursuant to Article 2390 of the Italian Civil Code. Article 36 of Italian decree law 201/11 has instituted a ban on representatives of banks, insurance companies and financial institutions from holding equivalent positions in companies which operate in the same sectors. The Board will assess the position of individual directors annually, as these may change on the basis of changes in the activities or size of the other companies in which they hold posts. To this end, each director is bound to inform the Board of any changes in the positions which he/she might have taken on in the course of his/her term of office.

The Board of Directors delegates management of the Bank's current operations to the Executive Committee and the Chief Executive Officer who exercise such powers in accordance with the strategic guidelines and direction formulated by the Board itself. The following matters, however, are the sole jurisdiction of the Board of Directors:

- 1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
- 2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
- 3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over €500m or otherwise of investments worth in excess of €750m;
- 4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
- 5) appointment and dismissal of the Executive Committee with the powers provided for in the Articles of Association and establishment of any additional powers to be vested in it;
- 6) appointment and dismissal of the Managing Director with the powers described in the Articles of Association, and establishment of any additional powers to be vested in him as well as his remuneration;
- 7) appointment and dismissal of the General Manager and establishment of any additional powers to be vested in him as well as his remuneration;
- 8) appointment of the Head of Company Financial Reporting and of persons responsible for internal audit and compliance duties;
- 9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
- 10) approval of or amendment to an internal regulations;
- 11) ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite professional credentials and qualify as fit and proper persons and as independent as required by regulations in force and the Articles of Association.

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

The Board normally adopts resolutions on proposals from the Executive Committee or Managing Director, with a majority of those in attendance voting in favour, while a majority of all Directors in office is





required for resolutions on appointments to the Executive Committee or to the posts of Managing Director or General Manager. The same majority is required where the Board is to take resolutions in respect of transactions which fall within the jurisdiction of the appointed governing bodies.

Meetings of the Board of Directors are called by the Chairman or Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule, the Board of Directors meets at least five times a year, and a quorum is established when a majority of the Directors in office is in attendance. Board meetings may also be called by the Statutory Audit Committee or one of its members, provided the Chairman has been notified to such effect in advance.

The Chairman is responsible for ensuring that the directors receive adequate information on the various items on the agenda in good time for the meeting, and ensures that sufficient room is given for discussing the individual items. The Chairman regularly invites Board members to indicate issues of interest to them which require further analysis or explanation. The secretary to the Board is available to arrange training sessions or further analysis for the individual directors.

Non-Board members who are responsible for individual company units also take part in Board meetings on occasion, to provide the appropriate depth of information on the various items included on the agenda.

A total of eleven meetings took place in the period from 1 July 2012 to 30 June 2013.

The average duration of Board meetings was roughly two hours and fifteen minutes.

Twice a year the Board of Directors also assesses the adequacy of the Bank's administrative and accounting structure, with particular attention being paid to the internal control system and risk management based on the enquiries made by the Control and risks committee and the report presented by the Head of company financial reporting on the adequacy and application of administrative and accounting procedures required by Italian law 262/05.

The Board of Directors continuously appraises the adequacy of the company's organizational structure on the basis of the information it receives from the management.

## **Self assessment of Board of Directors**

The process of self assessment of the size, composition and functioning of the governing bodies required *inter alia* by the Bank of Italy's instructions issued on 11 January 2012 had duly been completed by the date on which this statement was approved.

The self assessment was conducted in the months of June and July 2013, with the assistance *inter alia* of an external specialist advisor.

The process was structured in three different phases:

- ◆ obtaining indications from each director, following the outline of a questionnaire;
- ◆ analysis of the main indications and comments to emerge by the non-executive directors, including the Chairman of the Board of Directors;
- ◆ approval of a summary report, including the main results obtained and proposals for improvement, by the Board of Directors at the meeting held on 17 September 2013, subject to a favourable opinion being expressed by the Appointments Committee.

The self assessment process, in which twenty of the directors participated, revealed a positive situation.



In particular it emerged that the strategic direction of the Group is clear, and that the climate within the Board itself is satisfactory, as are the flow of information, the way in which the proceedings are chaired and the items discussed on the agendas that are set. It was felt that the relationship between the independent and non-independent directors is appropriate, and it was felt that there was no need to appoint a Lead Independent Director. Based on the comments to emerge from the process, the Board agreed in principle to the idea of a possible reduction in the number of directors, dealing more frequently with issues which impact on the Bank's strategy, expressed a desire for even livelier internal debate and to continue with the initiative of inviting the management of the individual Group companies to take part in Board meetings on occasion.

The Executive, Control and risks, Appointments and Remunerations committees were felt to be excellent in terms of role, functioning, composition and size.

## Plans for succession

In the course of the 2012/13 financial year, Mediobanca has formalized succession plans for the positions of Chief Executive Officer (including in the event of replacement before the ordinary term of office expires), and key managers (business areas, control units, and staff and support roles).

At Group level 17 key positions have been identified, which include the executive directors, for which positions internal staff have been earmarked as able to ensure they are replaced smoothly, without, however, ceasing to monitor the market constantly. The skills and capabilities which candidates for the various leadership profiles must possess have also been defined and formalized.

The Chief Executive Officer and General Manager, with the help of Human Resources, annually select the staff who will make up the senior talent pool to ensure key positions can be replaced in the short and medium term. Career development paths will be identified for these staff members, including in terms of involvement in specific strategic projects, exposure to Board/committee meetings, and international and intra-group rotation. As far as regards coverage of the role of Chief Executive Officer, particular attention will obviously be paid to individuals who play senior and/or key roles in Mediobanca. Selection is based on an assessment of professional and technical characteristics, as shown by the candidates' CVs and track record in Mediobanca, performance over time, and possession and development of key leadership capabilities.

The results of this process are presented to the Appointments committee and to the Board of Directors.

## Directors' and Strategic Management's remuneration

The executive Directors' and Chairman's remuneration is structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

- ◆ fixed salary;
- ◆ a variable annual component which accrues only if the annual company bonus pool itself accrues, as established in the Remuneration policies approved by shareholders in general meeting. The amount of the individual bonuses will depend on certain specific quantitative and qualitative performance criteria being met, which are assigned annually by the relevant governing bodies. When the individually assigned quantitative and qualitative objectives are met, the amount of the bonus may still only reach a maximum of twice the fixed gross annual salary of the person concerned. Payment



of the bonus will be made in accordance with the terms, conditions and methods stipulated in the Remuneration policies;

- ◆ when the Group's three-year plans are approved, the Board of Directors may choose to pay a further extraordinary bonus by way of a long-term incentive, as recognition for achievement of the targets set in the plan. Payment of the bonus will be made in accordance with the terms, conditions and methods stipulated in the Remuneration policies.

The Chairman is entitled to fixed remuneration only. However, a bonus may be paid at the end of his term of office, at the Board's discretion.

Directors who are also members of the Group's senior management also receive a fee for their position as directors, but do not receive any remuneration in respect of their participation in committees, and in cases where such directors hold posts on Mediobanca's behalf in Group or investee companies, any emoluments due are paid to Mediobanca itself as the persons concerned are members of the Bank's staff. Non-executive Directors' remuneration is set by shareholders in annual general meeting, and does not include incentives linked to the Bank's performance.

The general policy in respect of the remuneration of directors and management with strategic responsibilities is illustrated in the "Remuneration policy" which at the Remuneration Committee's proposal is approved by the Board of Directors and submitted to shareholders in general meeting. The policy for the financial year 2012/2013, which was approved by shareholders in general meeting, is available on the Bank's website at ([www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance)).

## Chairman of Board of Directors

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings, Board and Executive Committee meetings, and ensures that all the other Directors are provided with adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman of the Board of Directors, Renato Pagliaro, also chairs the Executive and Appointments committees.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; he supervises the Group Audit Unit, and co-ordinates with the Managing Director in supervising relations with externals and institutions.

The Board of Directors has not tasked the Chairman with specific duties or vested him with special powers; his participation in Board meetings reflects the provisions contained in the Articles of Association.

In addition to the duties associated with his role, the Chairman of Mediobanca, as a member of its senior management as well, also retains - without decision-making powers in respect of the taking of possible risks - certain links and relations with customers, and monitors the performance of certain investments. He participates in internal committee meetings without having voting rights.

## Committees

The Board of Directors has established three committees:



## Control and risks committee

Control and risks committee	Auditor◊	Independent (Code)*	Independent (Finance Act)**
Angelo Casò	x	x	x
Roberto Bertazzoni		x	x
Vanessa Labérenne		x	x
Elisabetta Magistretti	x	x	x

◊ Registered auditor.

\* Independent as defined in Code of conduct for listed companies.

\*\* Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up of four Directors who qualify as independent as defined by the Code of Conduct for Listed Companies, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

In particular, the committee:

- ◆ performs duties of monitoring, instruction and support to the Board of Directors in respect of:
  - ◆ defining the guidelines for the internal control and risk management system, in such a way as to ensure that the principal risks facing the Bank and its Group companies are properly identified and adequately measured, managed and monitored;
  - ◆ reviewing, at least once a year, the adequacy of the internal control and risk management system vis-à-vis the Bank's characteristics and the risk profile assumed;
- ◆ expressing non-binding opinions on the appointment and dismissal of the heads of the internal control units (Group Audit, Compliance and Risk Management), their salaries and powers, and the means guaranteed for them to exercise their functions;
- ◆ examining the regular reports and work plans of the Group Audit, Compliance and Risk Management units;
- ◆ reporting to the Board, at least once every six months, on the activities performed and the adequacy of the internal control and risk management system;
- ◆ reviews plans for calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP) reporting back to the Board on this issue.

With reference to the structure of the Bank's IT and financial reporting organization, the Internal control committee assesses the compliance of decisions taken by the Head of Company Financial Reporting, the external auditors and the Board of Directors in respect of the correct application of accounting standards with primary and secondary regulations, their consistency for purposes of drawing up individual and consolidated financial statements, and generally serves in an advisory capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents. The Statutory Audit Committee takes part in Committee meetings.

In addition, under the procedure for transactions with related parties approved by the Board of Directors on 23 November 2010 as amended subsequently in June 2012 to reflect the provisions issued by the Bank



of Italy on this subject ([www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance)), the Control and risks committee was assigned also the duties of the Related party committee which are as follows:

- ◆ expressing opinions in advance on the adoption and possible amendments to the procedure;
- ◆ participating in negotiating and processing the most significant transactions with related parties;
- ◆ expressing reasoned opinions in advance (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of their terms, including with the help of independent experts.

The Committee met on a total of eleven occasions in the period from 1 July 2012 to 30 June 2013 and on thirteen occasions as the Related parties committee.

The average duration of Committee meetings was roughly two hours and thirty minutes.

## Remunerations committee

Remunerations committee	Independent (Code)*	Independent (Finance Act)**
Angelo Casò	x	x
Roberto Bertazzoni	x	x
Anne Marie Idrac	x	x
Vanessa Labérenne	x	x
Renato Pagliaro		
Carlo Pesenti		x

\* Independent as defined in Code of conduct for listed companies.

\*\* Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up six non-executive members, the majority of whom qualify as independent under the terms of the Code of conduct for listed companies. The Committee has duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the proposals formulated by the Chief Executive Officer regarding the guidelines for the remuneration system for senior management and Group staff remuneration, loyalty retention and incentivization schemes.

In particular the Committee:

- ◆ regularly assesses the adequacy, overall consistency and practical application of the remuneration policy for directors and managerial staff with strategic responsibilities;
- ◆ formulates proposals and/or opinions regarding the remuneration of directors who are members of the Group's senior management, and verifies the achievement of their performance;
- ◆ proposes the allocation of the fixed emolument approved by the shareholders in general meeting among the various directors.

The Chairman of the Statutory Audit Committee, the Managing Director and the General Manager take part in meetings of the Remunerations Committee (the latter two in an advisory capacity).

The Committee met three times in the period from 1 July 2012 to 30 June 2013, chiefly to formulate proposals to the Board of Directors in respect of the staff remuneration policies. For further information



on the issue of remuneration, please see the Report on remuneration available on the Bank's website under [www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance).

The average duration of Committee meetings was roughly one hour.

## Appointments committee

Appointments committee	Independent (Code)*	Independent (Finance Act)**
Renato Pagliaro (Chairman)		
Alberto Nagel (CEO)		
Francesco Saverio Vinci (GM)		
Angelo Casò	X	X
Elisabetta Magistretti	X	X
Roberto Bertazzoni ♦	X	X
Anne Marie Idrac ♦	X	X

\* Independent as defined in Code of conduct for listed companies.

\*\* Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

♦ Independent as defined in the Articles of Association, who takes part in committee meetings for certain resolutions.

The Appointments committee is made up of five members and includes *de jure* the Chairman, who chairs the committee, the Managing Director and General Manager, and at least two other members appointed by the Board of Directors from among its own number who qualify as independent under the Code of conduct.

The Appointments committee adopts resolutions based on proposals made by the Chief Executive Officer, having first sought the Chairman's opinion, regarding appointments to be made to positions in the governing bodies of the Bank's investee companies;

The Committee - with the addition in this case of two directors qualifying as independent under the Code of conduct - also:

- ♦ has duties of enquiry in respect of proposals of submission of lists for the Board of Directors, co-opting of new directors to replace those who have left their post, and for the appointment of the Executive Committee, Chief Executive Officer and, at the CEO's proposal, the General Manager;
- ♦ performs advisory duties in respect of identifying the optimal qualitative/quantitative composition of the Board of Directors;
- ♦ has duties of enquiry with reference to the plans of succession for the directors who are members of the Bank's management.

The Committee met seven times in the period from 1 July 2012 to 30 June 2013 to adopt resolutions on appointments to positions in investee companies, the Board of Directors' self-assessment process and on the plans of succession.

The average duration of committee meetings was roughly 40 minutes.

Minutes are taken of committee meetings which are kept in specific registers.



## Executive committee: role and composition

The Board of Directors appoints an Executive Committee to comprise up to nine members, establishing their powers in accordance with the provisions of the Articles of Association.

The Executive Committee presently has eight members.

The Chairman of the Board of Directors and the other Directors who are members of the management of Mediobanca Group companies are members of the Executive Committee *de jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups. Members of the Executive Committee are disqualified from the office of Director in the event of any breach of this restriction. Disqualification is pronounced by the Board of Directors.

Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Executive Committee is currently made up as follows:

Members	Post	Executive
Renato Pagliaro	Chairman	x
Alberto Nagel	CEO	x
Francesco Saverio Vinci	General Manager	x
Maurizio Cereda	Director	x
Massimo Di Carlo	Director	x
Angelo Casò*	Director	
Vanessa Labérenne *	Director	
Eric Strutz *	Director	

\* Independent as defined in Code of conduct for listed companies and Article 148 of Italian Legislative Decree 58/98.

Under the Bank's Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the bank and for co-ordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction. In particular the Executive Committee is responsible, usually via the Chief Executive Officer's proposals and in conjunction with him, for the Bank's operating performance, approving resolutions, in accordance with the guidelines and general directives adopted by the Board of Directors, to grant loans and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco as well as other shareholdings for amounts and percentage values not to exceed those for which the Board of Directors itself has jurisdiction. It also draws up internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of the Group companies in execution of the strategic





guidelines approved by the Board of Directors. The Committee regularly assesses the general operating performance, including on the basis of information received from the Chief Executive Officer.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Executive Committee meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of ten meetings were held in the period from 1 July 2012 to 30 June 2013.

The average duration of committee meetings was roughly one hour.

### **Managing Director**

The Board of Directors appoints a Managing Director from among the Directors who have been members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:

- 1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and - in accordance with the powers attributed to him - the plans and strategic directions established by the Board of Directors and Executive Committee;
- 2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;
- 3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
- 4) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;
- 5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

The Managing Directors is Mr Alberto Nagel.

### **General Manager**

The Board of Directors may, at the Managing Director's proposal, appoint a General Manager from among the Directors who have members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in the Articles of Association in respect of powers to sign on behalf of the company, and thereby vest him with powers to carry out the day-to-day business of the company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.



The General Manager is Mr Francesco Saverio Vinci, who heads up the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

## Head of company financial reporting

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. Currently the post is held by Massimo Bertolini who was appointed Head of Company Financial Reporting on 4 July 2007.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting which is financial in nature. The appointed bodies and the Head of Company Financial Reporting issue the statements on the company's capital, earnings and finances required by law.

The Board of Directors has assigned a budget to this office in terms of funding and staff, and exerts supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers to audit the company's full-year financial statements and interim accounts, and to perform other activities provided for under Article 155 of the Italian Consolidated Finance Act for the 2013/2021 period.

## Statutory Audit Committee

The Statutory Audit Committee consists of three standing auditors and two alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law and the Articles of Association. The Articles in particular provide that, without prejudice to the provisions of the law, members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy, hold the post of managing director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further provide that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the date of the general meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

In order to incorporate the changes introduced by Italian law 120/11 which supplements Articles 147-ter and 148 of the Italian consolidated finance act (Italian legislative decree. 58/98) on the matter of gender representation, with reference to the Statutory Audit Committee, at an annual general meeting held on 27 October 2012 the shareholders of Mediobanca introduced provisions to the company's Articles of



Association regarding the composition of the governing bodies, to ensure that the least represented gender accounts for at least one-fifth (in the current term of office) or one-third (of future terms of office) of the total number of standing auditors. The new criteria become effective from the first occasion when the governing bodies are reappointed subsequent to 12 August 2012, which for Mediobanca will be when the governing bodies' term of office expires with approval of the financial statements for the year ending 30 June 2014.

The Statutory Audit Committee, appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, is currently made up as follows:

Members	Position
Natale Freddi *	Chairman
Maurizia Angelo Comneno ♦	Standing auditor
Gabriele Villa ♦	Standing auditor
Guido Croci ♦	Alternate auditor
Mario Busso *	Alternate auditor

♦ Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.655% of the company's share capital.

\* Appointed from the minority list submitted by a group of investors owning 1.066% of the share capital.

The CVs of the Statutory Auditors deposited along with the lists for appointments to the Statutory Audit Committee may be found on the Bank's website ([www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance)).

In particular, the Statutory Audit Committee:

- ♦ is responsible for monitoring compliance with the provisions of the law, regulations and the Company's memorandum of incorporation, with the principles of proper management, and in particular the adequacy of the organizational, administrative and accounting arrangements set in place by the company and their functioning in practice, as well as the effectiveness of the financial reporting process;
- ♦ monitors the effectiveness and adequacy of the risk management and control and internal audit system, assessing the effectiveness of all units and departments involved and their co-ordination;
- ♦ checks at least twice a year that the plan of activity established by the head of the internal audit unit has been implemented;
- ♦ monitors the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);
- ♦ expresses its opinion on the appointment and dismissal of the company mandated to serve as the Bank's external auditor;
- ♦ assesses the plan of work submitted by the external auditor for audit of the Bank's results as shown in the auditors' report and their letter containing suggestions;
- ♦ monitors the effectiveness of the external auditing process of the annual and consolidated accounts;
- ♦ monitors the independence of the external legal auditors, in particular with respect to the provision of non-auditing services;



- ◆ gives its opinion on the appointment and dismissal of the heads of internal audit and compliance;
- ◆ gives its opinion on appointments to the role of Head of Company Financial Reporting;
- ◆ reports any operating irregularities or breaches of regulations noted to the supervisory authorities.

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, through participating in the meetings of the Board of Directors and Executive Committee.

Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the internal control units, i.e. Group audit, Risk management and Compliance, takes part in all Control and risks committee meetings, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, the supervisory unit established pursuant to Italian Legislative Decree 231/01, and with other Group companies' Statutory Audit Committees.

The Statutory Audit Committee checks that the provisions regarding the external legal auditors' independence are complied with, in particular regarding the services other auditing provided to Mediobanca and the Mediobanca Group companies by it and other entities forming part of the same network.

As part of their duties, the Statutory Auditors may ask the Group audit unit to perform specific checks on areas of activity or the company's operations.

The Statutory Audit Committee checks that the criteria and procedures adopted by the Board of Directors for assessing the independence of its members are applied correctly.

Any Statutory Auditor who has an interest, either in his/her own right or via third parties, in a particular transaction in which Mediobanca is involved informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

The heads of the various areas of the company hold regular meetings with the Statutory Audit Committee to provide further analysis or training on issues that are of interest to them.

A total of thirty-two meetings of the Statutory Audit Committee were held in the last financial year, eleven of which jointly with the Control and risks committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to Italian Legislative Decree 39/10.

The average duration of committee meetings was roughly two hours and fifty minutes.

## **Related Party Transactions**

At a Board meeting held on 27 June 2012, following the unanimous favourable opinion of the Control and risks committee and the Statutory Audit Committee, the Directors of Mediobanca approved the Procedure



in respect of transactions with related parties and their associates adopted in pursuance of Consob resolution 17221/10 and the Bank of Italy provisions on this subject, which set out the provisions with which the Bank must comply to ensure that transactions with related parties carried out directly or also via Group companies are executed transparently, fairly in terms of both substance and form, objectively and impartially, and also that the prudential limits on risk assets vs related parties are complied with.

The procedure uses 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. The scope of the definition of related parties to which the prudential limits set by the Bank of Italy and the transparency regulations set by Consob apply remains distinct.

The procedure is activated every time the Bank intends to implement a Transaction with a related party (as defined in Annex 1 of the regulations). It involves an initial classification between “Most significant transactions” and “Transactions of minor significance”, which determines the respective responsibilities and approval procedures. The procedure does not apply to transactions which qualify as “Exemptions” (which include “Ordinary transactions of minor significance carried out on market terms” and “Transactions involving negligible amounts”).

The procedure also prescribes a specific “transparency regime” which defines the reporting requirements and deadlines versus both the public and the company’s governing bodies. This procedure is published on the Bank’s website at [www.mediobanca.it/CorporateGovernance](http://www.mediobanca.it/CorporateGovernance).

## **Internal Dealing**

The Directors of Mediobanca have approved a code of conduct for reporting requirements in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca (shares, convertible bonds, warrants, equity derivatives, etc.) carried out by persons defined as “relevant”. Such relevant persons (chiefly Directors, statutory auditors and key management) have all subscribed to the code, and notify Mediobanca of each such transaction involving said equity instruments within three days of their completion. Transactions involving sums of less than €5,000 in the course of the year are not considered (the underlying amount is used in the case of linked derivative products). Mediobanca then discloses all such information to the market and Consob by the next successive day, according to the methods laid down under regulations in force. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Management Board’s approval of the Bank’s annual and interim accounts is made public, or in the fifteen days prior to approval of the quarterly results. Disclosure is not required for exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed. The code is published on the Bank’s website at [www.mediobanca.it/CorporateGovernance](http://www.mediobanca.it/CorporateGovernance).

## **Personal Transactions**

In accordance with the provisions of Article 18 of the Bank of Italy-Consob combined regulations issued on 29 October 2007, Mediobanca has adopted a procedure for identifying personal transactions made by relevant persons (or transactions recommended, solicited or divulged to third parties) which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure, relevant persons must be made aware of and comply with the restrictions and reporting requirements on personal transactions.

## **Organization Model instituted pursuant to Italian Legislative Decree 231/01**

At a Board meeting held on 20 June 2013, the new organizational model instituted pursuant to Italian Legislative Decree 231/01 was approved.

The organizational model consists of:

- ◆ a general part, comprising:
  - ◆ map of the activities at risk, with the addition or rationalization of existing measures;
  - ◆ indication of the requirements for the supervisory body and its members;
  - ◆ revised references to organizational procedures, *ordini di servizio* and/or internal regulations;
  - ◆ new staff remuneration and incentivization system;
  - ◆ indication of information flows and reports addressed to the supervisory body.
- ◆ **Special parts:**
  - ◆ mapping of activities at risk: these involve in particular crimes against the public administration, money-laundering, white-collar crimes and instances of market abuse, crimes committed in breach of the law on health and safety in the workplace, and bribery and corruption between private individuals, for which specific preventative measures have been adopted;
  - ◆ protocols, summarizing the principles of conduct and operating procedures for each sensitive area: in particular the protocols contain the methods to be followed in conducting relations with the public administration, in compliance with the principles of accountability and transparency;
  - ◆ information flows from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective. In execution of the powers and duties assigned to it under the organizational model, the supervisory body prepares an annual report to the Board of Directors via the Control and risks committee, and the Statutory Audit Committee on the controls carried out with a view to preventing the crimes to which the model refers;
  - ◆ form for reporting suspected breaches of the model to the supervisory body;
  - ◆ the Group Code of ethics, which has been adopted by all Group companies, constitutes an integral part of the model, and contains references and principles which are complementary to the legal obligations and self-regulation requirements for directors, advisors, outside staff and suppliers, and are continuous and consistent with the Group's mission and its basic values. The document is available on the Bank's website at [www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance).

Pursuant to Italian legislative decree 231/01, the supervisory body is responsible for monitoring the functioning of and compliance with the model and the functioning of the disciplinary system. It maintains and ensures flows of information to the Board of Directors, including:

- ◆ presenting an annual report on the activity carried out and on management of the financial resources utilized;
- ◆ reporting on serious breaches of the Model, informing the Chairman of the Control and risks committee and also the Chairman of the Statutory Audit Committee without delay.

It also maintains relations with the external auditors and with the Statutory Audit Committee with a view to appraising all data and information regarding the decree and the model.





As well as the heads of the Group Audit, Legal and Compliance units, the Supervisory body includes two external professionals (a chartered accountant and a criminal lawyer who is its chairman).

## Internal Control Units

As required by Bank of Italy regulations, Mediobanca maintains a Group audit unit which is organized so as to monitor and ensure on an ongoing basis that the company's internal control system functions effectively and efficiently. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit has direct access to all useful information, and has adequate means to perform all its duties. The head of Group audit is also part of the supervisory committee set up as part of the internal control system established pursuant to Italian Legislative Decree 231/01, and takes part in meetings of the Control and risks committee to report on the activities carried out and to support the committee in its own supervisory activities. The unit prepares a six-monthly report on the activities carried out by it, which it submits to the Control and risks committee and the Board of Directors, and presents an update on the critical issues encountered to the Control and risks committee, again twice a year.

The planned audits are conducted in accordance with the unit's own Regulations and with the audit plan approved by the Board of Directors for the year in course.

Centralizing internal audit activities in this way allows Mediobanca's role of co-ordination of the internal controls system to be strengthened and make the whole control structure more efficient by:

- ◆ centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;
- ◆ defining a Banking Group audit plan, which includes the Group companies, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
- ◆ sharing specialist skills (e.g. IT auditing, Basel II, regulations) and audit methodologies, technical skills and reporting standards vis-à-vis the governing bodies and senior management.

The head of the Group Audit Unit is Piero Pezzati, who reports to the Chairman of the Board of Directors.

A suitable budget is made available to the head of the Group Audit Unit each year, subject to the approval of the relevant governing bodies.

## Compliance Unit

Mediobanca has had a compliance unit in operation since 2001. On 27 October 2007 this unit took up the responsibilities required of it by Bank of Italy: to manage the regulatory and reputational risks of the Bank, and to monitor in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank. As required by the joint Consob-Bank of Italy resolution issued on 29 October 2007, the Compliance unit also manages risks of non-compliance linked to the provision of investment services and activities and ancillary services governed by the MiFID directive.

The compliance unit reports to the Control and risks committee, the Board of Directors and the Statutory Audit Committee twice a year. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer.





A suitable budget is made available to the head of the Compliance unit each year, subject to the approval of the relevant governing bodies.

## **Anti-money-LAUNDERING UNIT**

The Anti-money-laundering unit was established in 2011, and again is headed up by Massimiliano Carnevali. As required by the instructions issued by the Bank of Italy on 10 March 2011, the unit is responsible for ongoing monitoring of the company's procedures to prevent and tackle breach of the regulations on money-laundering and terrorist financing.

## **Risk Management Unit**

The Risk Management unit reports to the Chief Executive Officer under the leadership of the Chief Risk Officer, Mr Gino Abbruzzi.

In the exercise of his duties of control, the Chief Risk Officer is the person responsible for identifying and implementing an efficient risk management process through developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group level.

A suitable budget is made available to the head of the Risk Management unit each year, subject to the approval of the relevant governing bodies

## **Shareholders and Investor Relations**

Mediobanca seeks to maintain good relations with its shareholders, encouraging them to attend general meetings, and sending shareholders with a record of recent attendance copies of annual reports and other relevant information. Material of this kind is also available on the company's website at [www.mediobanca.it](http://www.mediobanca.it), in English and Italian. Relations with institutional investors, financial analysts and journalists are handled by the relevant units (Paola Schneider - Corporate Affairs, Jessica Spina - Investor Relations and Lorenza Pigozzi - Media Relations).

## **Other information required under article 123 bis of the Italian consolidated finance act on severance pay agreements**

In the event of the directors in the employ of Mediobanca ceasing to work for the company for any reason, the provisions of the law and the national collective labour contract alone.

Save in the case of dismissal for just cause, such directors will be allowed to retain any stock options and/or other financial instruments that have been awarded to them up to the date on which their employment by Mediobanca ceases.

## **Change of control clauses**

Mediobanca is a party to shareholder agreements in respect of listed and unlisted companies. Such agreements may make provision, in the event of substantial changes to the controlling structure of party, for the other parties to exclude it from the agreement and oblige it to sell its shareholding.



## Risk Management and Internal Control systems for financial reporting process

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework).<sup>2</sup> The system provides for:

- ◆ company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force at Group level. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.
- ◆ administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.

General IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting:

- ◆ test of controls, for non-accounting processes (chiefly relating to the support areas) IT processes, which are carried out by the process-owners using a self assessment methodology and checked by the heads of their respective organizational areas;
- ◆ test of controls for accounting processes, carried out in part using a self assessment methodology and in part by the Group Audit unit.

The Group Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

Any gaps that emerge from the testing activity are analysed in conjunction with the heads of the organizational units responsible for the process, and possibly also with the areas that will be involved in resolving the problems. With the Head of company financial reporting, a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Based on this model, the relevant administrative bodies and the Head of Company Financial Reporting attest, by means of a declaration attached to the annual report, the condensed interim report and the consolidated financial statements, that the procedures in force are adequate and have been effectively applied during the period to which the documents apply, and that the documents correspond to the data recorded in the company's books and accounts ledgers, and are adequate for the purpose of providing a truthful and adequate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

Milan, 17 September 2013

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<sup>2</sup> The COSO Framework has been drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, a US organization whose objective is to improve corporate reporting, via the definition of ethical standards and a system of corporate governance and effective organization; the COBIT Framework-Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, another US organization whose objective is to set and improve corporate standards in the IT sector.

**Table 1: Board of Directors/Committees as at 30 June 2013**

Board of Directors							Executive Committee		Control and Risks Committee		Remunerations Committee		Appointments Committee	
Member****	Exe- cutive	Non exe- cutive	Indep. Code	Ind. Fin. Act	*** §	No. of other posts*	**	*** §	**	*** §	**	*** §	**	*** §
Renato Pagliaro ♦		x	NO	NO	100%		x	100%			x	100%	x	100%
Dieter Rampl ♦		x	YES	YES	100%									
Marco Tronchetti Provera ♦ •		x	NO	YES	82%									
Alberto Nagel ♦	x		NO	NO	100%		x	100%					x	100%
Francesco Saverio Vinci ♦	x		NO	NO	91%		x	100%					x	100%
Tarak Ben Ammar ♦		x	YES	YES	91%									
Gilberto Benetton ♦		x	NO	YES	82%									
Pier Silvio Berlusconi <sup>1)</sup>		x	NO	YES	91%									
Roberto Bertazzoni ♦		x	YES	YES	82%				x	73%	x	67%	x	100% Ø
Angelo Casò ♦		x	YES	YES	100%		x	90%	x	100%	x	100%	x	100%
Maurizio Cereda ♦	x		NO	NO	100%		x	100%						
Christian Collin <sup>1)</sup>		x	NO	YES	73%									
Alessandro Decio <sup>1)</sup>		x	NO	YES	91%									
Massimo Di Carlo ♦	x		NO	NO	100%		x	100%						
Bruno Ermolli <sup>1)</sup>		x	YES	YES	100%									
Anne Marie Idrac ♦		x	YES	YES	82%						x	100%	x	100% Ø
Vanessa Labérenne <sup>1)</sup>		x	YES	YES	100%		x	100%	x	91%	x	100%		
Elisabetta Magistretti ♦		x	YES	YES	100%				x	100%			x	100%
Alberto Pecci <sup>1)</sup>		x	NO	YES	100%									
Carlo Pesenti ♦		x	NO	YES	73%						x	67%		
Fabio Roversi Monaco □		x	YES	YES	100%									
Eric Strutz ♦		x	YES	YES	91%		x	90%						

\* Indicates number of positions held in other companies listed on regulated markets in Italy and elsewhere, in financial services companies, banks and insurances, or large corporates.

\*\* "X" indicates that the director belongs to the relevant committee.

\*\*\* Percentage indicates the director's attendance record at Board and committee meetings.

\*\*\*\* The curricula vitae of the directors are available on the Bank's website at [www.mediobanca.it/corporate governance](http://www.mediobanca.it/corporate-governance).

♦ Taken from list submitted by shareholder Unicredit S.p.A., which owns 8.655% of the Bank's share capital.

Ø Only for fees payable pursuant to point i) of Article 19 of the Bank's Articles of Association.

§ Reference period is from 1/7/12 to 30/6/13.

• Suspended pursuant to Italian Ministerial Decree 161/98, until the next AGM due to be held on 28/10/13.

□ In office since 16/4/13.

1) Appointed by shareholders in general meeting on 27/10/12.



## Number of meetings held during the year

Board of Directors:	11	Executive Committee:	10	Control and Risks Committee:	11	Remunerations Committee:	3	Appointments Committee:	7
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**Table 2: Statutory Audit Committee**

Position held	Member	Percentage attendance record at Statutory Audit Committee meetings	No. of other posts held*
Chairman	Natale FREDDI	100%	-
Standing Auditor	Maurizia ANGELO COMNENO	100%	-
Standing Auditor	Gabriele VILLA	97%	-
Alternate Auditor	Guido CROCI		
Alternate Auditor	Mario BUSSO		

No. of meetings held during the reference period §:

32\*\*

Quorum for submission of lists by minority shareholders to appoint one or more standing auditors:

at least 1% of the share capital

\* Indicates number of positions as director or statutory auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere.

§ Reference period is from 1/7/12 to 30/6/13.

\*\* Eleven of which held in conjunction with the Control and Risks Committee.



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

	YES	NO	Reasons for any departures from recommendations made in the code
<b>Power to represent the Bank and related party disclosure</b>			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	x		
b) methods for exercising such powers	x		
c) regular reporting requirements?	x		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	x		
Has the Board of Directors set guidelines and established criteria for identifying "significant" transactions?	x		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	x		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	x		
If so, have such procedures been set out in the statement on corporate governance?	x		
<b>Procedures for most recent appointments to Board of Directors/Statutory Audit Committee</b>			
Were candidates' applications for the post of director lodged at least twenty-five days in advance?	x		
Were they accompanied by appropriately detailed documentation?	x		
Were they accompanied by statements regarding the candidates' eligibility to stand as independent Board members?	x		
Were candidates' applications for the post of statutory auditor lodged at least twenty-five days in advance?	x		
Were they accompanied by appropriately detailed documentation?	x		
<b>General meetings</b>			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		x	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company's Articles of Association.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where they may be obtained or downloaded?		x	
<b>Internal control</b>			
Has the company designated staff to take charge of internal control?	x		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	x		
Organizational unit responsible for internal control pursuant to Article 9.3 of the code)	x		Group audit unit
<b>Investor relations</b>			
Has the company appointed a head of investor relations?	x		
If so, what are the head of the IR unit's contact details?			Jessica Spina Tel. no.: (0039) 02-8829.860 - Fax no.: (0039) 02-8829.819 Email: <a href="mailto:investor.relations@mediobanca.it">investor.relations@mediobanca.it</a>



## Annex

Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca

Name	Position held in Mediobanca	Post held in other companies
Renato PAGLIARO	Chairman of Board of Directors and Executive Committee	Director Telecom Italia Director Pirelli & C.
Dieter RAMPL	Deputy Chairman	Chairman of Supervisory Board Koenig & Bauer Member of Supervisory Board FC Bayern München Director KKR Management LLC Chairman of Management Board Hypo-Kulturstiftung
Marco TRONCHETTI PROVERA	Deputy Chairman	Chairman and Chief Executive Officer Pirelli & C. Chairman Camfin Chairman Pirelli Tyre Director Eurostazioni Director F.C. Internazionale Milano
Alberto NAGEL	Chief Executive Officer and Executive Committee member	=
Francesco Saverio VINCI	General Manager and Executive Committee member	Director Banca Esperia Director Perseo
Tarak BEN AMMAR	Director	Director Telecom Italia Chief Executive Officer Quinta Communications Chairman and Director Delegato Prima TV Chief Executive Officer Carthago Film Chief Executive Officer Andromeda Tunisie S.A. Chairman Promotions et Participations International S.A.
Gilberto BENETTON	Director	Chairman Edizione Chairman Autogrill Director Sintonia Director Pirelli & C. Director Atlantia
Pier Silvio BERLUSCONI	Director	Chairman and Chief Executive Officer Reti Televisive Italiane Deputy Chairman Mediaset Director Arnoldo Mondadori Editore Director Mediaset Espana Comunicacion Director Medusa Film Director Publitalia '80
Roberto BERTAZZONI	Director	Chairman Smeg Chairman and Chief Executive Officer Erfin - Eridano Finanziaria
Angelo CASO'	Director and Executive Committee member	Chairman of Statutory Audit Committee Benetton Group Chairman Osvaldo Chairman of Statutory Audit Committee Edizione Chairman of Statutory Audit Committee Bracco Chairman of Statutory Audit Committee Bracco Imaging Chairman of Statutory Audit Committee Alchera





Name	Position held in Mediobanca	Post held in other companies
		Chairman of Statutory Audit Committee Bic Italia Standing Auditor Italmobiliare Standing Auditor Padis Investimenti Standing Auditor Pasidis Investimenti Standing Auditor Sidis Investimenti
Maurizio CEREDA	Director and Executive Committee member	Director Ansaldo STS Director Enervit
Christian COLLIN	Director	General Manager Groupama Director Société Tunisienne d'Assurances et de Réassurances Director La Banque Postale Assurances Iard
Alessandro DECIO	Director	Member of Supervisory Board Bank Pekao Member of Supervisory Board Unicredit Bank Austria Member of Supervisory Board Zao Unicredit Bank
Massimo DI CARLO	Director and Executive Committee member	=
Bruno ERMOLLI	Director	Chairman Promos Chairman Sinergetica Director Arnoldo Mondadori Editore Director Mediaset Director Pasticceria Bindi Director S.I.P.A.
Anne Marie IDRAC	Director	Director Total Director Bouygues Director Compagnie de Saint Gobain Member of Supervisory Board Vallourec
Vanessa LABERENNE	Director and Executive Committee member	=
Elisabetta MAGISTRETTI	Director	Director Luxottica Group Director Pirelli & C.
Alberto PECCI	Director	Chairman E. Pecci & C. Chairman Pecci Filati Chairman and Managing Director Pontoglio Director El.En.
Carlo PESENTI	Director	General Manager and Director Italmobiliare Director Delegato Italcementi Deputy Chairman Ciments Français Director RCS MediaGroup
Eric STRUTZ	Director and Executive Committee member	Member of Board of Partners Group Holding