



Ordinary business

Board of Directors' report on item no. 2 on the agenda

Appointment of Board of Directors for 2021-23 three-year period:

- a. Establishment of number of Board members**
- b. Appointment of Directors**
- c. Establishment of their annual remuneration**

Dear shareholders,

The mandate of the Board of Directors currently in office expires with this Annual General Meeting: accordingly, you are invited to appoint the new Board of Directors in accordance with the provisions of the company's Articles of Association and the applicable regulations. In this connection, it should be noted that the appointments will be made in accordance with the provisions of the new Articles of Association that will be submitted to the approval of shareholders at the extraordinary general meeting to be held on the same date. For the proposed changes to the Articles, see the relevant Board of Directors' Report, which has been published on the Bank's website at www.mediobanca.com (in the section entitled Governance/General Meetings/General Meeting 2020).¹

In particular shareholders in Annual General Meeting are called to:

- a) Establish the number of members for the governing body;
- b) Proceed to appoint the Directors according to the list voting mechanism instituted pursuant to law and the provisions of the new Articles of Association;
- c) Establish the annual remuneration payable to the Board.

The duration of the term of office is three years and said term will therefore expire on the date of the Annual General Meeting held to approve the Group's financial statements for the twelve months ending 30 June 2023.

According to the new art. 15 (9) of the Articles of Association, lists containing a number of

¹ It should be noted that the Report on Proposed Changes to the Articles of Association is being published at the same time as this report.



candidates equal to or above two-thirds of the Directors to be appointed shall contain three candidates, or two if the number of Directors to be appointed is equal to or less than thirteen, numbered consecutively starting from the first in possession of the requisites stipulated under Article 15(4) (employees with at least three years' experience of working for Mediobanca Banking Group companies at management level).

No director aged seventy-five or over may be elected.

Lists containing a number of candidates equal to or above three must ensure that the balance between male and female candidates complies with at least the minimum requirement stipulated by the regulations in force, which at present is two-fifths (the number of candidates is round up, except for lists containing three candidates, which are rounded down), and must contain a majority of candidates qualifying as independent according to the definition provided in the new Article 19.

In view of the significant responsibilities which the Directors will be called to assume, in submitting their lists shareholders are invited to take due consideration of the recommendations made in the Report on the qualitative and quantitative composition of the Board of Directors approved by the Board of Directors and published on 3 September 2020, which defines the individual qualifications and the qualitative and quantitative profile that the Board should collectively reflect. The Report is available on the company's website at www.mediobanca.com (in the section entitled Governance/General Meetings/General Meeting 2020). Without prejudice to the need to read the whole of the above document with due care, as already stated, in this report we shall confine ourselves to highlighting the need, for each Director, for the following:

- i) Professional qualifications in terms of basic knowledge of the banking sector (as shown by the specific experiences described in their respective CVs) in the following areas:
 - ◆ Banking and financial markets;
 - ◆ Regulatory framework and legal requirements;
 - ◆ Strategic planning, and an understanding of a credit institution's direction or business plan and implementation thereof;
 - ◆ Risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a credit institution), including experience expressly regarding the powers actually held by the candidate;



- ◆ Accounting and auditing;
 - ◆ Assessing the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight and controls;
 - ◆ Interpreting a bank's financial information, identifying key issues based on this information and appropriate controls and measures;
 - ◆ Knowledge, including strategic, of the banking businesses in which the Mediobanca Group operates (Corporate and Investment Banking, Wealth Management, Consumer Banking); Risk governance and control systems; compliance and internal audit; banking governance; planning, including in terms of strategic allocation of regulatory and economic capital and risk measurement; managerial capabilities and entrepreneurial experience; bank accounting and reporting; legal and regulatory competences; macroeconomic/international economics; sustainability; information technology and security;
- ii) Need to ensure that the candidates have the appropriate amount of time available to be able to perform the duties required of them properly, taking into consideration the possibility of taking part in Board committees as well as the Board itself. Reference is made to the Report on the Qualitative and Quantitative Composition of the Board of Directors for details of the number of meetings held in 2017-20 three-year period;
- iii) The numerous personal characteristics and fundamental qualifications (along with the Fit and Proper Person questionnaire), described separately in the Report;
- iv) The need for careful assessment of the potential conflicts of interest which could compromise the Directors' independence. In particular our hope is that no Directors would be appointed who: (i) hold, or have held in the last six months, a position as member of the body with duties of strategic supervision, the body with management duties, the senior management or the advisory board of companies belonging to competitor groups or insurance groups; and (ii) are, whether directly or indirectly via fiduciary companies, subsidiaries or another person, a significant shareholder (i.e. with a stake of above 10%) in such groups.

Appointment to the Board of Directors is made, as already mentioned, on the basis of a list voting mechanism; the means by which lists for appointment to the position of Director should be submitted are illustrated in detail in the Notice of Meeting.

Shareholders are reminded that under Article 15(6) of the Articles of Association, lists may be



submitted by the Board of Directors and/or by shareholders representing in the aggregate at least 1% of the Company's share capital or by the Board of Directors itself. The outgoing Board has availed itself of this possibility, identifying, based on the "Report on the Qualitative and Quantitative Composition of the Board of Directors" referred to above, its own list of candidates for appointment. The list is available on the Bank's website at www.mediobanca.com (in the section entitled Governance/General Meetings/General Meeting 2020) and published on 16 September 2020. The number of Directors is again fifteen, a number which allows for broad representation of competences, balanced composition of the Board committees, and effective debate.

Under the terms of Article 15 of the new Articles of Association, the procedure for the appointment of Directors is as follows: all Directors save two are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other two Directors are chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered. If it is not possible to appoint a sufficient number of Directors using this method, other candidates are added from the lists which received most votes out of those that obtained at least 5% of the votes cast in general meeting, based on the consecutive order in which they were ranked. If the number of candidates appointed in this way included in the lists that have been submitted, minority and majority, is still below the number required to be appointed, the other Directors are elected under a resolution to be adopted by shareholders in general meeting based on the majority set by law, ensuring that the minimum number of Directors qualifying as independent, the requisite number of Directors from the least represented gender, and the qualifications stipulated in Article 15(4), are all met. In the event of an equal number of votes being cast, a ballot shall be held.

If the minimum number of Directors qualifying as independent, the requisite number of Directors from the least represented gender, and with the qualifications stipulated in Article 15(4) above are not appointed, the Directors elected from the list with the most votes and the highest consecutive number but without the necessary qualifications will be replaced by the candidates who come after them but who do have the necessary qualifications taken from the same list. If by this method it is still not possible to appoint Directors with the necessary qualifications, the replacement criterion described above will be applied to the minority lists which received most votes, in order. If by applying the above criteria it is still not



possible to identify suitable replacements, the shareholders shall adopt a resolution in general meeting based on the majority set by law. In this case, the candidates will be replaced one by one starting from the lists which received most votes and the candidates with the highest consecutive number.

In the event of just one list being submitted, the Board of Directors is taken from this list in its entirety, providing the quorum established by law for ordinary general meetings has been reached.

Under the new Article 13 of the Articles of Association, shareholders in general meeting are called to determine the fixed remuneration payable to the Board of Directors, to be shared between the individual Board members in accordance with the decisions of the Board of Directors itself. This remuneration does not include the compensation payable to Directors who are Mediobanca Group employees under the terms of their employment contracts (as illustrated in the Remuneration Policies approved by shareholders in general meeting from year to year), or any additional remuneration payable to Directors vested with special duties under Article 2389, paragraph 3 of the Italian Civil Code. Directors who are not members of the Group's senior management are entitled to receive refunds for the expenses incurred by them in the exercise of their duties.

In this connection, it should be noted that for the Board of Directors currently in office, at the Annual General Meeting held on 28 October 2017 the shareholders of Mediobanca set the aggregate gross annual compensation payable to the Board at €2,500,000, and authorized the Board itself to decide on its allocation. The cost actually incurred in this respect during the last financial year was €1,845,000, which reflects the one-off decision on the part of the Directors to waive the emoluments due to them as a result of the Covid-19 emergency, enabling the Bank to donate a total of €540,000 to charitable initiatives.

The outgoing Board of Directors, availing itself of the possibility to submit its own list of fifteen candidates, has decided to propose aggregate gross annual compensation for the new Board in an amount once again of €2,500,000, which excludes the compensation payable to Directors who are Mediobanca Group employees under the terms of their employment contracts and any additional remuneration payable to Directors vested with special duties pursuant to Article 2389(3) of the Italian Civil Code. The aggregate remuneration will be allocated by the new Board of Directors.

In determining the amount of the above proposal, the Board of Directors based its considerations *inter alia* on the following factors:

- The proposal to appoint a Board consisting again of fifteen Directors;



- The need to guarantee the presence of professionals of high standing in the Board of Directors, given the high commitment required, including in terms of time, in view also of the Board Committee activities, the responsibilities entailed by the role, and the strict limits on taking on other Directorships;
- The positioning of the compensation proposed for Board members is in line with that of banks which are comparable to Mediobanca in terms of complexity.

Accordingly, the Board of Directors invites you to take the relevant decisions regarding the appointment of the new Board.

Resolutions submitted to the approval of shareholders in ordinary general meeting

Dear shareholders,

in view of the foregoing, we invite you to:

- a) Confirm the number of members of the Board at fifteen for the financial years ending 30 June 2021, 2022 and 2023;
- b) Appoint a new Board of Directors for the financial years ending 30 June 2021, 2022 and 2023 according to the list voting mechanisms provided by law and the Articles of Association;
- c) Establish the aggregate gross annual compensation payable to the new Board at €2,500,000, excluding the compensation payable to Directors who are Mediobanca Group employees under the terms of their employment contracts and any additional remuneration payable to Directors vested with special duties pursuant to Article 2389, paragraph 3 of the Italian Civil Code established by the Board itself.

Milan, 16 September 2020

THE BOARD OF DIRECTORS