



MEDIOBANCA



# **REPORT ON REMUNERATION AND COMPENSATION PAID**

**Section 1. Mediobanca Group Remuneration and Incentivization Policy FY 2021-22**

**Section 2. Disclosure on Compensation paid in FY 2020-21**



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Dear Shareholders,

We have called you together in general meeting in order to:

- A) Submit the Mediobanca Group Remuneration and Incentivization Policy for FY 2021-22, approved by the Board of Directors on 23 September 2021, to your approval;
- B) Report to you on the remuneration policy applied and compensation paid during the twelve months ended 30 June 2021.

During the twelve months under review, the governing bodies of Mediobanca have continued to pay close attention to its staff remuneration and incentivization policies, taking into account *inter alia* the new documents published by the supervisory authorities in this area. The following documents in particular are of importance:

- ◆ The new Regulatory Technical Standards to identify risk takers based on qualitative and quantitative criteria included in Commission Delegated Regulation (EU) 2021/923 of the European Commission of 25 March 2021 published in the Official Journal of the European Union on 9 June 2021, and directly applicable in each of the Member States. These standards in turn incorporate the Regulatory Technical Standards defined by the European Banking Authority (EBA) on 18 June 2020 and in force as from 2021 in application of the new Capital Requirements Directive ("CRD V");
- ◆ Implementing Technical Standards on public disclosures by institutions, including relating to remuneration policies, and supervisory reporting implementing changes introduced in the revised Capital Requirements Regulation ("CRR II") published by the EBA on 24 June 2020, applicable as from 30 June 2021;
- ◆ The revised Guidelines on sound remuneration policies published by the EBA on 2 July 2021, which will apply as from 31 December 2021, and the Bank of Italy document on the revision of the Supervisory Instructions on remuneration and incentivization policies published in November 2020 and currently at the consultation stage, for the adoption of the provisions of CRD V;
- ◆ The new Regulations for Issuers on transparency in remuneration, issued by Consob on 15 December 2020 to complete the process of implementing Directive (EU) 2017/828 ("Shareholders' Rights Directive II");
- ◆ The ECB Guide on climate-related and environmental risks, published in November 2020, and the EBA Report on management and supervision of ESG risks for credit institutions and investment firms, published in June 2021, which require ESG parameters to be included in staff remuneration and incentivization mechanisms.

This report – which is published on Mediobanca's website – incorporates all the changes to the regulations and meets the disclosure requirements set forth in the Consob Regulations and the Bank of Italy's Supervisory Instructions. It is split into two sections: the first regards the remuneration and incentivization policy adopted by the Group with reference to corporate strategy, pursuit of long-term interests, and the sustainability of Mediobanca's operations. The second section, including tables with quantitative information (analytical and aggregated), provides details on the policy's application, including compensation paid, in the financial year ended 30 June 2021.



MEDIOBANCA



## Section 1

### Mediobanca Group Remuneration and Incentivization Policy FY 2021-22



## 1 Introduction

Compared to the previous version, the new Mediobanca Group Policy:

- ◆ Highlights the link between remuneration policy, corporate sustainability and ESG objectives;
- ◆ Provides greater detail on the remuneration structure for the figures of the Chief Executive Officer, Group General Manager and other management with strategic responsibilities;
- ◆ Implements the governance rules provided by the new Regulations for Issuers which in turn incorporate the provisions of Shareholders' Rights Directive, by including details on the procedure to be followed in cases where exemptions must be applied, as provided by Article 123-ter of the Italian Finance Act, in order to guarantee the Group's long-term sustainability;
- ◆ Incorporates the new reporting schemes for changes in the compensation of governing body members, Group results, and the average remuneration of staff and Material Risk-Takers;
- ◆ Revises downwards the limits set on the compensation payable to senior management figures and Material Risk-Takers in the event of their leaving Mediobanca, describing the treatment for so-called "good leavers" in greater detail;
- ◆ Incorporates the provisions of the draft version of the new Bank of Italy Supervisory Instructions, with reference in particular to the principles of neutrality that guarantee equal treatment regardless of gender or any other kind of diversity issues, stating clearly the Group's commitment to addressing the gender pay gap;
- ◆ Amends the thresholds for applying the deferral mechanisms on variable remuneration assigned to Material Risk-Takers and the time horizon for deferral;
- ◆ Contains excerpts from the *ex ante* and *ex post* audits carried out by the control units, Compliance and Group Audit in particular.

In line with the past, the policy:

- ◆ Complies with the applicable regulations;
- ◆ Enables the areas of the Bank and Group which create value, including in corporate social responsibility terms, to be suitably incentivized on the basis of objective measurement criteria;
- ◆ Allows the Group to attract and retain professionals with skills and capabilities appropriate to its needs;
- ◆ Is aligned with the policies adopted by other leading Italian and international players.

A cap on variable remuneration continues to be adopted, set at 200% of fixed remuneration, with the exception of recipients who work in asset management, for whom different limits are set.

At the Annual General Meeting held on 28 October 2020, 96% of shareholders voted in favour of the Mediobanca Group Staff Remuneration and Incentivization Policy for FY 2020-21, with 97% in favour specifically of the Policy in the event of beneficiaries leaving office or whose employment arrangement is terminated. This represents one of the highest degrees of consensus in Italy and throughout Europe.



Mediobanca has a tried and tested process for engagement with international investors and proxy advisors, in place for several years now, which allows for constructive exchange of opinions on the Policy. Such dialogue enables the Bank to receive valuable feedback on the remuneration approach, ensuring it is aligned with the best international and all investors' expectations.

## 2 Transparency and sustainability principles

Growth and sustainability are distinctive features of the Mediobanca Group, and play an integral and fundamental role in the defining of its strategies. The Group's remuneration and incentivization policy also seeks to generate sustainable value over the long term: responsible, fair and transparent remuneration mechanisms increase and protect reputation, credibility and consensus over time, forming the basis for developing business with the objective of creating and protecting value for all stakeholders. In practical terms, the sustainability of the remuneration mechanisms takes the following forms:

- ◆ Pre-established governance mechanisms involving various different bodies, organizational units and parties, to guarantee that the processes followed are structured, controlled, and verifiable *ex post*;
- ◆ An overall remuneration package which reflects a balanced pay mix between fixed and variable components according to company role, which does not encourage or promote risky behaviour or conduct that is unduly geared to achieving short-term results, and completed by a series of corporate welfare solutions intended to meet the needs and improve the well-being of staff members and their families;
- ◆ An ongoing commitment to offering a fair level of remuneration reflecting the competences, abilities and professional experience of each staff member, ensuring that the principle of equal opportunities is applied, with the objective of pursuing fair salaries without discrimination in terms of age, gender, sexual orientation, married status, religion, language, ethnic or national origins, physical or mental disabilities, pregnancy or parenthood (including parents of adopted children), personal convictions, political opinions, or trade union affiliation or activities;
- ◆ A short- and long-term incentive structure based on risk-adjusted indicators with a view to achieving business continuity and sustainable results over the long term that combines balanced growth with the conviction that ethics and profit do not necessarily have to be in opposition to one another;
- ◆ Correlation of the incentivization system to the principles set out in the Group Sustainability Policy; ESG criteria being integrated into the models used for lending, investing and advisory services, as set out in the Group ESG Policy; and the inclusion of sustainability issues in the Group's short- and long-term business and financial strategies;
- ◆ Increasing space being dedicated, as part of the performance evaluation process used in connection with the remuneration policy, to the achievement of environmental, social and governance (ESG) objects, with reference to the individual scope of responsibility, both in business and operating terms;
- ◆ Limits or cap on variable remuneration;
- ◆ Ongoing monitoring of the staff remuneration package's positioning relative to the reference market, including with the assistance of specialist consultants, and close scrutiny of the gender pay gap in order to identify any corrective measures that are necessary;



- ◆ Individual performances are evaluated clearly and transparently, based on merit and in accordance with the principle of equal opportunities, seeking to valorize talent and to promote the professional and personal growth of all Group collaborators;
- ◆ Variable remuneration is deferred and paid over a time horizon of several years, including in the form of equity instruments, in order to link incentives to the creation of value over the long term;
- ◆ Reputational issues have a central role in this system, *ex ante* and *ex post*, in the form of malus and clawback mechanisms which have been introduced in the knowledge that conduct which is fair, transparent and responsible increases reputation, credibility and consent and protects them over time, all of these being fundamental prerequisites to achieving sustainable business development with the objective of creating and protecting value for all stakeholders;
- ◆ Pre-established, transparent means of treatment for staff in the event of their employment with the Mediobanca Group ceasing, with pre-established caps in terms of the maximum number of monthly salaries that can be paid and the absolute value of the severance payable;
- ◆ Transparency in reporting.

### 3 Governance

The governance process for the Group remuneration and incentivization policy is structured across two levels.

#### a) Governing bodies

- ◆ Shareholders in general meeting set the annual fixed fee payable to members of the Board of Directors when the latter are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board's own decisions. The Board of Directors is responsible for establishing, after consulting with the Statutory Audit Committee, the remuneration payable to Directors vested with particular duties as defined in 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 expenses incurred by them in the performance of their duties.
- ◆ Shareholders in general meeting also approve, within the terms set by the regulations in force at the time, the remuneration policies and compensation schemes based on financial instruments for Directors, staff and other Group collaborators, and set the criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office.
- ◆ At the Board of Directors' proposal, shareholders in general meeting, with the majorities provided by Article 10, paragraph 1 of the Articles of Association, may establish a ratio between the variable and individual remuneration components for Group staff and collaborators above 1:1, provided this does not exceed the maximum set by the regulations in force at the time.
- ◆ The Board of Directors compiles the staff remuneration and incentivization policy, submits it to the approval of shareholders in general meeting, reviews it at least once a year, and is responsible for ensuring it is applied correctly in practice. The Board also: approves the results of the Material Risk-Takers identification process, including any exclusions; defines



the remuneration and incentivization systems for senior figures; ensures that these systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls system; monitors the policy's gender neutrality; and ensures, among other things, that the remuneration and incentivization systems are able to guarantee compliance with the legal, regulatory and statutory provisions and any codes of ethics or conduct in force, encouraging recipients to adopt conduct in accordance with such provisions or codes.

- ◆ The Remunerations Committee consists of between three and five non-executive members, the majority of whom qualify as independent, including the Chairperson. The Committee's duties include proposing compensation for staff whose remuneration is decided by the Board of Directors. It serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It works together with the other internal committees, in particular the Risks and CSR Committees; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached. It establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; monitors the policy's gender neutrality; and provides feedback on the activities performed to the governing bodies. To be able to perform its activities effectively and responsibly, the Remunerations Committee is endowed with sufficient funds to guarantee it is independent in operational terms, and may call on the services of experts, including from outside the company, on matters that fall within its remit. The Committee is regularly constituted at meetings where a majority of the directors in office are in attendance, and adopts resolutions on the basis of the majority of those present voting in favour. Minutes of Committee meetings are taken and kept in separate registers.
- ◆ The Risks Committee ascertains whether the incentives provided by the remuneration system take due account of the Group's risks and comply with the minimum capital and liquidity requisites at consolidated level, liaising with the Remunerations Committee in this connection.
- ◆ The CSR Committee is involved in analysis of the gender pay gap and in assessment of the ESG indicators provided for in the remuneration and incentivization systems.
- ◆ The Chief Executive Officer presents the proposed Group staff remuneration and incentivization policies to the governing bodies, is responsible for staff management, and after consulting with the Group General Manager, determines the variable remuneration based on the criteria established in the policies approved by shareholders in the Annual General Meeting, and then distributes it.

## **b) Organizational units**

- ◆ Group HR assists the Chief Executive Officer and the Group General Manager in governing the entire remuneration and incentivization process, supporting the governing bodies and involving the control units and other teams responsible for verifying the Group's earnings and financial data.
- ◆ The Planning, Accounting and Financial Reporting area provides the data for ascertaining that the gateways have been met and for determining the business areas' and divisions' annual and long-term performances based on the results achieved.



- ◆ The Group Risk Management unit helps in defining the metrics used in order to calculate the risk-adjusted company performance, validating the results and the gateways, and checking that these are consistent with the provisions of the Risk Appetite Framework.
- ◆ The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework, the Bank's Articles of Association, and any applicable codes of ethics or standards of conduct. It is also responsible, after consulting with the other control units, for checking whether any compliance breaches have been committed that might be relevant for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.
- ◆ The Group Audit unit checks, at least on annual basis, that the staff remuneration and incentivization practices correspond to this policy and to the regulations. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

Other company units are also involved in the process, based on their respective areas of responsibility. Of particular relevance in this respect are the following units: Group Corporate Affairs, which supervises the governance processes; Group Sustainability, which is responsible for defining and integrating ESG principles and objectives; and Group Investor Relations, which liaises with investors and has responsibility for engagement activities.

All activities are suitably documented, and evidence is retained to ensure that the activities can be tracked over time.

### **c) Application to Banking Group**

Mediobanca, as part of its activities of direction and co-ordination of its own Group companies, ensures that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular, the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

Mediobanca, in its capacity as parent company, checks, as part of the various committees and procedures provided in the Group Regulations, that the variable remuneration paid by the individual Group legal entities, including the remuneration payable to identified staff, is consistent with the budget and closing data, and defines the basic principles of the guidelines of the incentives mechanism for the other staff at the companies, leaving the specific decisions up to their respective Chief Executive Officers and Boards of Directors. The Chief Executive Officer and Group General Manager of Mediobanca, with the support of Group HR, establish the objectives for the Chief Executive Officers and/or General Managers of its directly-owned subsidiaries, and ascertain whether or not they have been met.

### **d) Exceptional circumstances**

For certain specific circumstances, the Policy already provided for detailed temporary procedures, governing specific areas and limited exclusively to: (i) economic parameters for the Incentivization System (cf. section on "Variable remuneration for retention purposes and floors"), ii) management of "good leavers" (cf. section on "Policies in the event of the beneficiary leaving office or the employment arrangement being terminated).



As provided by Italian Legislative Decree 49/19, which transposed Shareholders' Rights Directive II into the Italian legislative framework, amending the Italian Finance Act as enacted in the Regulations for Issuers in force since January 2021, in the event of exceptional circumstances, attributable exclusively to the general instances provided for in Article 123-ter of the Italian Finance Act, i.e. if an exception to the ordinary provisions of the remunerations policy is necessary in order to pursue the long-term interests and sustainability of the company overall and ensure its ability to remain competitive on the market, exclusively in the areas referred to in the previous paragraph, the governing bodies, each according to their respective powers (approval by the Board of Directors, at the proposal of the Remunerations Committee and Chief Executive Officer, subject, where necessary, to the Related Parties Committee expressing a prior favourable opinion – to be released in accordance with the terms of the Regulations Governing Transactions with Related Parties, their Associates and Company Representatives as defined by Article 136 of the Italian Banking Act), may make exceptions, without prejudice to the obligation to comply with all relevant regulatory restrictions. Mediobanca provides disclosure on any exceptions to the remuneration policies applied in specific circumstances in Section II of this document – Disclosure on Compensation Paid in the next year.

## 4 Policy for identification of Material Risk-Takers

Material Risk-Takers, i.e. staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies.

### a) Criteria adopted

In order to identify Material Risk-Takers, the Mediobanca Group adopts the Regulatory Technical Standards introduced by Commission Delegated Regulation (EU) 2021/923 of the European Commission of 25 March 2021, published in the Official Journal of the European Union on 9 June 2021. The criteria are:

- ◆ Qualitative: linked to role (including for non-executive directors) and to decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity<sup>1)</sup>), risk profile, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management).
- ◆ Quantitative: based on the total overall remuneration received in the previous financial year.<sup>2</sup>

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.<sup>3</sup>

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1) The regulatory criterion for inclusion as a material business unit is that the capital allocated to it must represent at least 2% of the Banking Group's overall capital. Additional criteria may include: whether or not the individual entities/business units form part of higher-level divisions in accordance with management reporting and the strategic plan; business volumes; organizational complexity and size; geographical location, specific characteristics of the business managed, and regulations applicable on an individual basis; type of activity performed if the primary risk profile involved is not credit, market or liquidity risk. For the asset management area, in addition to the above, the main criteria considered is the amount of AUM above the limit that would qualify it as a material company under the regulations normally applicable in the respective national legislations on UCITS/AIFM.

2) Mediobanca may also decide that individual staff members, including Financial Advisors, do not impact on the Group's risk profile despite receiving total remuneration in excess of the quantitative limits set by the regulations in force.

3) With reference to the CheBanca! Financial Advisors, all Network Managers and Area Managers with a percentage of AUM managed by the FAs under their responsibility above 10% of the total AUM managed by the network are included in the definition of Group identified staff by qualitative criteria. All



## b) Process

- ◆ Group HR is responsible for the process, and ensures that a unified approach is adopted at Group level;
- ◆ Compliance validates the process, ascertaining that the applicable regulations have been properly applied;
- ◆ Planning, Accounting and Financial Reporting collects the earnings data to be analysed and the criteria to be applied;
- ◆ Group Risk Management takes part in the analysis, to identify the impact of the same resources on the risk profile of material and non-material business units;
- ◆ Group Audit checks that the criteria have been correctly applied and the assessment made has been properly formalized. The unit participates in the process, providing support to Group HR in checking that the regulations have been properly applied.

All the Group companies take part in the annual definition of Identified Staff. The mapping is carried out on an individual basis by all the banks in the Group (CheBanca!, CMB Monaco, Compass and MB International) and the asset management companies, based in Italy (MB SGR) and elsewhere (Cairn Capital, RAM and MB Management Company), subject to the sector regulations. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

Group HR monitors organizational changes which could lead to differences in the scope of definition on an ongoing basis.

In application of its Policy for the Identification of Material Risk-Takers, Mediobanca has adopted a Group Directive for Identifying Staff with a Material Impact on the Mediobanca Group's Risk Profile, which serves to:

- ◆ Provide criteria to ensure that the overall identification process is consistent at Group level and between the Bank of Italy instructions and the other rules that may apply to each individual company, in view *inter alia* of the sector in which they operate and/or the applicable local regulations;
- ◆ Set out detailed guidelines to be adopted by each Group company subject on an individual basis to the CRD and the Bank of Italy Instructions in order to identify its own Material Risk-Takers, an exercise which must be performed once a year;
- ◆ Provide guidance to the Group companies to ensure their active participation in the process of identifying Material Risk-Takers for the Group as a whole, supplying parent company Mediobanca S.p.A. with the necessary information by means of a shared standard;
- ◆ Identify the consolidation criteria at Group level for defining the scope of material risk takers for the Mediobanca Group, to take account of the results of the assessments performed by the individual Group companies and having regard to all legal entities, regardless of whether or not they are subject to the regulations on a standalone basis.

The Mediobanca Group's intention, then, through the Policy and the Directive which implements it, is to ensure consistency in application of the criteria, and appropriate

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the Group's FAs who individually manage more than 10% of their network's AUM are also included in the definition of Group identified staff by qualitative criteria.



formalization and certification of the assessments adopted in order to identify MRTs both at Group level and by the individual Group companies, in accordance with. The Directive sets out in more detail the company units/divisions and staff involved, the timescales to be adopted, and the documentation to be produced in order to ensure that the MRTs in each financial year are identified promptly, at both the individual and consolidated level.

A record of the whole process is kept in the form of minutes of the meetings held by the parent company units involved. When the process is complete, a list with the names of the Identified Staff for the financial year concerned is drawn up, specifying those who have been included for the first time and any others who have been excluded, with an indication of their roles, responsibilities and the divisions of which they form part, and a comparison with the previous financial year. Any exclusions are highlighted and duly justified. A leading external consultancy company certifies the entire process.

The results are approved by the Board of Directors, at the Remuneration Committee's proposal.

Once the process is complete, individual notice is provided in writing to staff included in the scope of Material Risk-Takers.

If, at the end of the identification process, there are staff identified by quantitative criteria for whom the authorization to exclusion process must be launched, Group HR does so in accordance with the Bank of Italy Supervisory Instructions and the regulations in force.

**c) Identified staff as at 30 June 2021**

As at 30 June 2021 the Group's "identified staff" (including the non-executive directors), identified based on the Regulatory Technical Standards issued by the EBA and adopted by Commission Delegated Regulation (EU) 2021/923 UE, published in the Official Journal of the European Union on 9 June 2021 which also sets out the criteria for exclusion from the definition,<sup>4</sup> broke down as follows:

Cluster	Definition	EBA regulations	PPR # 2021	PPR # 2020
1) Non-executive directors	Non-executive members of BoD, including Chairman	Article 92.3(a) CRDV	1 (+12)	1 (+12)
2) Directors with executive duties	Management who are members of Executive Committee	Article 92.3(a) CRDV	2	2
3) Senior management and heads of relevant BUs (principal business lines, geographical areas and other senior business figures)	<ul style="list-style-type: none"> <li>◆ Head, CIB/Head of Madrid Office</li> <li>◆ CEO, Compass/CB!</li> <li>◆ Head, Principal Investing</li> <li>◆ Head, MB Private Banking</li> <li>◆ Head, CIB Markets Division</li> <li>◆ Head, CIB Debt Division</li> <li>◆ Group Chief Financial Officer</li> <li>◆ Head, Finance Division</li> <li>◆ CEO CMB Monaco</li> </ul>	Article 92.3 (a)(b) CRDV	9	10
4) Heads and senior staff of internal control units	<ul style="list-style-type: none"> <li>◆ Compliance &amp; Group AML</li> <li>◆ Group Risk Management</li> <li>◆ Group Audit</li> </ul>	Article 92.3(b) CRDV	21	21
5) Staff with managerial responsibilities in relevant business units	<ul style="list-style-type: none"> <li>◆ Heads of trading desks, liquidity, origination, trading, and brokerage/sales</li> <li>◆ Staff with significant responsibility in business and product areas</li> <li>◆ General and commercial managers of Compass and CB!, CEOs of SelmaBipiemme, MB SGR, MBFACTA, MBCS and MB Lux</li> <li>◆ Financial Advisors with managerial responsibilities and/or 10% of their network's AUM</li> </ul>	Article 92.3(b) CRDV	35	36
6) Heads and senior staff in Staff and support units	<ul style="list-style-type: none"> <li>◆ Head of Company Financial Reporting</li> <li>◆ Planning, Control and Budgeting</li> <li>◆ Chief Operating Officer</li> <li>◆ Chief Information Officer</li> <li>◆ Group HR Director</li> <li>◆ Group Head of Reward</li> <li>◆ Legal counsel</li> <li>◆ Macroeconomic Strategist</li> <li>◆ Heads of relevant outsourcing lines</li> </ul>	Art. 5 RTS	10	8
7) Quantitative criteria	Holders of roles with total compensation which meets the criteria of Article 92 CRD and Article 61 (a) b) of the RTS	Article 92.3 (c) CRDV Article 6.1(a)(b)	19	38

4) For the twelve months ended 30 June 2021, a total of two such staff have been identified (employed in advisory business in France – Messier & Associés) with overall remuneration in the previous year of above €750,000 and below €1,000,000, for which prior authorization was requested for exclusion from the scope of identified staff.



Cluster	Definition	EBA regulations	PPR # 2021	PPR # 2020
TOTAL as at 30/6/21 <sup>5</sup> As % of total Mediobanca Group staff			97 (109) 1.97%	116 (128) 2.35%

Management with strategic responsibilities (as defined in Article 3 of Regulation (EU) 596/2014) include all identified staff.

**d) Identified staff as defined by Bank of Italy provisions on transparency of operations in banking and financial services**

The “Provisions on transparency of operations and banking and financial services: proper conduct in relations between intermediaries and clients”, issued by the Bank of Italy in March 2019, implementing the “Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services”, issued by the EBA in 2016, include certain provisions regarding the means of drawing up and approving remuneration policies and their contents.

In particular, the Provisions require Identified Staff to be identified along with their role and function, highlighting those with management roles (section XI, paragraph 2-*quater*).

The Mediobanca Group's Identified Staff, as defined under the terms of the Provisions on Transparency, include staff employed by Mediobanca Private Banking, those forming part of the commercial networks of Compass and CheBanca!, and some of the Financial Advisors (15 staff as at 30 June 2021).<sup>6</sup>

The following also qualify as Identified Staff as at 30 June 2021 under the terms of the same regulations: for the WM Division – Mediobanca Private Banking, 84 staff – 18 of whom have management roles – plus one FA; for the WM Division – Premier (CheBanca!) 814 staff - 19 of whom have management roles – plus 465 FAs, 69 of whom have management roles; and for the Consumer Division 896 network persons - 38 of whom with management roles – plus 26 affiliated to the external networks.

Business unit	Total no. of staff	of which in management roles	of which Group Material Risk Takers
WM – HNW Mediobanca Private Banking	84	18	3
WM – HNW Mediobanca Private Banking – FAs	1		1
WM – Premier CheBanca!	814	19	2
WM – Premier CheBanca! – FAs	465	69	8
Consumer Banking Compass	896	38	1
Consumer Banking Compass – external networks	26		
	<b>2,286</b>	<b>144</b>	<b>15</b>

For details on the incentivization system for the networks, see the following sections: Section 6), paragraph b) Annual variable remuneration, Section II) Determination and allocation of annual divisional variable remuneration, paragraph “Mediobanca Private Banking”; Section 7, paragraph f) Staff working for Group companies and paragraph h) External networks, Financial Advisors and Senior Advisors.

5) The Mediobanca Group headcount as at 30 June 2021 consists of 4,921 staff, split as follows: 635 Corporate & Investment Banking (35 Identified Staff), 2,037 Wealth Management (18 Identified Staff, two of whom in the control units of the companies that form part of the division), 1,446 Consumer Banking (6 Identified Staff, two of whom in the control units of the companies comprising the division), 792 Holding Functions (37 Identified Staff employed by Mediobanca S.p.A., 17 of whom in the control units and 20 in other units), 11 Principal Investing (1 Identified Staff). The definition of Identified Staff (for the Wealth Management division) also includes 9 Financial Advisors, five of whom qualify by the qualitative criterion and four by the quantitative criterion (out of a total of 466 FAs linked to the Mediobanca Group as at 30 June 2021).

6) As provided by the regulations, the Group's banks located outside Italy, fiduciary companies and Group companies or divisions which perform activities with corporate clients are not included.



## 5 Remuneration structure

### a) General principles and objectives

The Mediobanca Group remuneration and incentivization policy is intended to attract and retain highly qualified professional and ethical staff members, who are suited to the complexity, increasing internationalization and specialization of its businesses, based on a rationale of prudent management and sustainability of costs and results over time.

### b) Pay mix constituents

The structure of the Group's staff remuneration is based on various components, with the objective of: balancing the fixed and variable parts over time (pay mix), implementing a flexible approach to remuneration, and ensuring that compensation remains geared towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour.

To ensure that the remuneration package on offer is competitive and retain the best talent in terms of performance and potential, Mediobanca carries out annual benchmarking activity in order to assess the Group staff's positioning in terms of compensation relative to the market. The benchmarking, which is performed with the support of leading specialist consultants, takes account of aspects such as the specific business area in which staff are employed and their geographical location, comparing them with a meaningful and coherent panel of peers which is different for each of the Group's divisions, as follows:

- ◆ For the Corporate and Investment Banking division, the positioning refers to the bulge bracket investment banks, independent advisory boutiques, and the CIB divisions of the leading European commercial banks;
- ◆ For the WM HNW division (MB Private Banking), the panel refers to the market consisting of Italian and international operators active in private banking in Italy;
- ◆ For the Consumer Banking (Compass) and WM Premier divisions (CheBanca!), the leading commercial players operating are considered;
- ◆ For the Group companies that perform asset management activities, the panel consists of independent players and companies forming part of banking groups or insurance companies operating in the reference geographical areas.

For the Chief Executive Officer and Group General Manager, the reference peer group is made up of a mix of entities considered to be comparable to Mediobanca in view of the following criteria (all of which are present in all the banks and companies selected): complexity of organizational model, business composition (Wealth Management – CIB – Consumer Banking), geographical area and ZIP code, regulatory structure and institutional investors' approach. The following companies have been chosen as peers for Mediobanca: Société Générale, BNP Paribas, Barclays, Santander, Unicredit, Intesa San Paolo, Fineco Bank, Lazard, Julius Baer Group, and Schroders. Pure size criteria (in terms of total assets or headcount) are taken into account only in part, as they are considered to be ineffective.

### I. Fixed salary

This reflects technical, professional and managerial capabilities, and the related responsibilities, in accordance with the principle of equal opportunities and fair salaries. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are adapted to changes



in the market scenario on a regular basis, avoiding excessive reliance on the variable component while at the same time being careful not to make the overall package unduly inflexible.

## II. Variable remuneration

This is the incentivizing component that functions as recognition and reward for the results achieved and objectives met, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some business figures (in the Wholesale Banking and Wealth Management divisions in particular) forms a significant portion of their annual pay, in line with reference market practice, without prejudice to the cap and to the other conditions established by the regulations in force.

Variable remuneration (see Section 6 “Incentivization system” below) is paid on the basis of pre-set performance indicators. The time horizon for evaluation may be short-term (i.e. linked to the annual budget, as is typical of short-term incentive systems) or long-term, consistent with the objectives of the Group’s Strategic Plans (as in the case of the Long-Term Incentive Plan, or other long-term plans for specific roles and businesses, such as Financial Advisors). Individual awards are made on the basis of the individual performance evaluation obtained, and of the individual contribution to the business unit’s results. The award also takes account of any benchmark or compensation standards for similar roles, market positioning, experience in the position, and importance of the role.

The variable remuneration is paid in cash and equity instruments, in part upfront and in part deferred to subsequent years, subject to additional performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes.

## III. Limits on variable remuneration

Subject to approval by shareholders in annual general meeting, in accordance with the national and international regulations in force on this subject, the upper limit on variable remuneration for all staff belonging to the Mediobanca Group<sup>7</sup> and hence the entire scope of Identified Staff has been set, as in the previous Remuneration Policy, at 200% of the fixed salary (without prejudice to the provisions in force for staff employed in the control units).

The reasons justifying this proposed limit are primarily:

- ◆ The need to attract and retain the most talented staff, in investment banking especially, by aligning the Bank’s practice with that of its competitors;
- ◆ The need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component excessively;
- ◆ To ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;
- ◆ To align the Bank with the policies adopted by the leading Italian and international banks;
- ◆ The increasing presence of competitors in sectors (financial institutions which are not banks, private equity, hedge funds) or geographies (United States, Far East) with a less restrictive regulatory framework;

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7) With the exception of Financial Advisors linked to the Group under agency contracts, and for staff employed at the Group’s non-Italian companies which are not banks which perform pure advisory services, despite not being included in the definition of Group Identified Staff.





- ◆ The possibility of ensuring that funds are distributed appropriately between the most deserving candidates.

The sustainability of this limit is guaranteed by the provisions of the remunerations policy regarding the determination of the variable component, the correlation between risk and performance, and the performance conditions, malus conditions and clawback provisions.

As permitted by the Bank of Italy's Supervisory Instructions currently in force, Mediobanca has taken up the option to make an exception to the 2:1 cap on variable remuneration relative to fixed salary for all staff, including those qualifying as Identified Staff at Group level, belonging to the Mediobanca Group companies which operate in asset management in Italy (MB SGR) and elsewhere (Cairn, RAM, MB Management Company, CMG).<sup>8</sup> They adopt a specific cap on variable remuneration of up to five times fixed remuneration (5:1). This exception, which is in line with those adopted by the majority of the Bank's leading Italian and non-Italian competitors, is based on the following points:

- ◆ These companies are individually subject to sector regulations which do not set limits on variable remuneration;
- ◆ The need to safeguard the attractiveness and competitiveness of the remuneration packages paid to staff working in asset management, a market which includes players that do not set caps, because they are a) independent; b) part of international banking groups that can apply exceptions to the salary cap under the regulations in force in the countries where they are headquartered; and c) owned by insurance companies;
- ◆ Strengthening in the Wealth Management sector is one of the Group's main pillars of growth;
- ◆ The asset management companies have a different risk profile to the dominant one in the Banking Group's activity, and are not subject to direct financial risks (market, credit or liquidity) for investment products where the assets at risk belong to the client subscribing to them. For asset management products, the risk profile for the client is an integral part of the mandate regulations, and as such is governed and expressly represented in the documentation which the customer receives when they subscribe to the product;
- ◆ The incentivization system designed for the fund manager is based on the same mechanisms provided for clients, meaning their interests are aligned within the system of controls that can be implemented for the asset management sector;
- ◆ With reference to operational and reputational risks linked to the product investment process and potential related complaints from customers, including complaints related to conduct issues by staff, no incentive for staff is permitted that would increase the company's exposure to financial risks in order for them to reach their remuneration targets.

Applying this exemption does not impact on the earnings/financial sustainability of the companies involved, as: a cap is applied in any case to the variable remuneration; and their staff remuneration and incentivization mechanisms guarantee close correlation to results, consistent with the companies' characteristics and size, internal organization, nature, and the range and complexity of their activities. The mechanisms are implemented over a period of time which is appropriate to the life and/or investment cycle of the UCITS or AIFs managed, or to the holding period for the instruments recommended to the investors, to ensure that the valuation process is based on longer-term results and that actual payment of the results-based

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8) As at 30 June 2021, the Group's Identified Staff employed by the asset management companies consist exclusively of one employee of MB SGR identified on the basis of qualitative criteria (cluster 5).



remuneration components is distributed over a period that takes due account of the investment risks and repayment policy (if any).

#### IV. Other remuneration components

The Mediobanca Group has adopted a New Joiner Policy, which provides for the allocation of buyout, sign on and entry bonuses for particularly important profiles, exclusively at the recruitment stage, and for the first year of their employment by the company. The New Joiner Policy also provides for the possibility of an amount being paid at recruitment to compensate for any loss in earnings from previous jobs, in accordance with consolidated sector practice. Such amounts are decided and paid in accordance with the policy and regulations in force. The remuneration structure in these cases, which is governed as part of the recruitment processes, is closely linked to the recipient continuing to work for the Group for the whole of their first year, and is intended to guarantee the right level in terms of attracting staff of the highest calibre, for it is only such candidates who are the recipients of this kind of treatment, in a scenario which is highly competitive when it comes to talented resources. Application of the other constituents of the mechanism provided by the Policy (such as deferral, payment in cash and equity, payment being subject to malus and clawback provisions) ensures that the compensation structure is aligned with risks at all times and with the objective of achieving sustainability over the long term.

For specific categories of staff and/or on an individual basis, in cases which involve ongoing employment or its termination, contracts may be signed with minimum guaranteed duration clauses (sometimes referred to as stability pacts), non-competition agreements, extended notice arrangements, retention bonuses or other arrangements as permitted under the applicable employment law and other regulations. The internal regulations set out the guidelines for managing such ancillary arrangements, and in particular govern the treatment of sums paid as compensation under such agreements, especially with reference to their inclusion in the variable remuneration components.<sup>9)</sup>

Any compensation paid to Group management for positions held on behalf of Mediobanca in Group or investee companies is paid to Mediobanca itself.

#### V. Benefits and welfare

Based on an awareness that corporate welfare makes a significant contribution to the implementation of CSR, and the conviction that sound working conditions should be an integral part of all remuneration policies, the Group has adopted instruments which produce positive effects outside the company, benefiting not only staff members but also their family and the local community in general. Corporate welfare creates value that is shared with a broad range of stakeholders, thus helping to produce collective benefits that endure over time. Welfare and benefits are therefore an integral part of the Mediobanca Group's corporate culture, and play a crucial role in terms of:

- ◆ Helping to improve employer branding and staff loyalty retention levels;
- ◆ Create a more cohesive, positive and inclusive working environment;
- ◆ Pursue the desire to guarantee an appropriate balance between working life and private life;

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9) As variable remuneration, such arrangements may fall within the situations regulated by Bank of Italy circular no. 285 on "Limits on distributions and capital conservation plan". Such provisions are the only ones that could justify suspension of the treatment of this contractual component for both Group employees included in the definition of Identified Staff and for other employees as well. The gateways included in the Group Remuneration Policies applicable to Identified Staff and/or those provided by the individual legal entities' policies apply only to payment of the annual or long-term variable incentivization system component. Any suspension of the amount of the ancillary arrangement is valid only temporarily, for the period in which the limit on distribution is manifested.



- ◆ Encourage work engagement;
- ◆ Constitute an incentive to obtain the best possible results and increase the quality of work performed in Mediobanca.

From this viewpoint and in line with the market, the remuneration package is complemented by a series of benefits that reflect the attention devoted by Mediobanca to the personal needs and welfare of its staff, including those already in retirement. The benefits are for the Group's entire population, and may be distinguished by families of professionals and geographical areas but do not make provision for individual discretionary systems.

- ◆ Complementary pension scheme: employees are entitled to participate in complementary, defined-contribution corporate pension schemes, with the contribution rates distinguished by category and length of time employed by the company. Such pension schemes are external and legally distinct from the Mediobanca Group. The schemes' performance depends on the management results achieved and the investment product chosen, where appropriate, based on the beneficiary's own risk appetite. No discretionary pension benefits are provided.
- ◆ Healthcare scheme: this scheme covers healthcare, dental and preventative medicine expenses for staff members and their family. An extensive network of doctors and dentists who are part of the scheme enables beneficiaries to have direct access to services without having to pay in advance and providing significant financial benefits.
- ◆ Accident insurance policy, permanent invalidity following illness policy, life insurance policy, and long-term care insurance policy: these policies guarantee coverage to staff in the event of their having an accidents, either work- or non-work-related, and/or in the event of invalidity following illness, and/or entitle claimants to a guaranteed capital sum in the event of an employee's death, and/or pay out an annuity in the event of permanent incapacitation in terms of performing the basic acts of everyday life. The policies' performances are defined by the regulations executed with the insurer when the contract is signed.
- ◆ Company welfare/flexible benefit systems: these have been instituted for all staff or like-for-like categories of staff, as provided by the applicable tax legislation and regulations in force.<sup>10</sup> Such systems involve the provision of non-cash services and instruments (e.g. training activities, study and education courses, welfare services, etc.), which Group companies make available to their staff and families, with the possibility of paying any amounts unused to the complementary pension scheme. Production and/or result bonuses provided for under complementary company contracts may be used to this end, or other amounts earmarked for the welfare of similar categories of employee and according to marginality criteria relative to the capacity to pay principle. The objective is to: expand the range of welfare initiatives offered contractually, in order to provide increased benefit to staff members and their families by enabling them to access specific products and services which can be tailored to their specific requirements; offer increased protection for public welfare provision; and obtain improved purchasing power for overall remuneration, through relief on tax and social security contributions permitted by law.
- ◆ Company cars: these are assigned only to the highest professional figures or those with commercial roles. The range of cars available is notable for the number of hybrid and/or

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<sup>10)</sup> In Italy the applicable regulations are laid down by Article 51, paragraphs 2 and 3 of the Italian Income Tax Act, as amended by the 2016 budget law as amended. These have introduced certain changes to how income from paid employment is taxed, increasing the range of possibilities and examples of sums and benefits not included in the calculation of income from paid employment, and which for this reason were previously considered to be instances requiring protection from the legislator. The changes have made it easier to introduce corporate welfare schemes, which make available a basket of options to staff members from which they can choose the benefits that are most appropriate to their own needs and family situations.



electric vehicles, continuously updated, in accordance with environmental sustainability criteria.

## VI. Gender Pay Gap (GPG) and remuneration policy neutrality (Equal pay)

The Remuneration Policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability. The Group is committed to offering remuneration in line with the market, which reflects each employee's role, capabilities contribution to company performance objectively measured, and professional experience, thus guaranteeing that the principle of equal opportunities is applied in practice.

With reference to inclusion, the Group guarantees that all its collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation, civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.

In order to facilitate the application of gender-neutral policies, assess their effectiveness and monitor the application of fair pay criteria and compliance with gender neutrality more accurately, the Group has adopted a granular analysis model for compensation data relative to the position held, which takes account of the level of responsibility and the organizational complexity of the different management roles. The Mediobanca Group has adopted the "Global Grading System", which uses the Willis Towers Watson international methodology to establish the organizational weightings of all company roles. This instrument meets the need to provide responses to monitoring requests received from the regulatory authorities, and also allows any misalignment between organizational positions with the same value to be picked up, including relative to the market (Italian and non-Italian), and identify suitable remediation actions to be implemented in order to ensure that the remunerations policies are complied with in full. The grading, once assigned, enables ongoing monitoring of:

- ◆ Internal equity, assessing the consistency of employees' remuneration packages by comparing staff employed at the same levels of classification according to their respective organizational divisions and the business areas managed by them,
- ◆ External competitiveness, by comparison with the reference market through benchmarking activity.

For specific business units (the CIB and Private Banking divisions in particular), the assignment of job titles aligned with international practice allows: i) shared roles and responsibilities to be defined; ii) set pay scales to be applied for fixed salaries, and iii) accurate comparison with market trends for the variable component as well.

Furthermore:

- ◆ The Group has also instituted the role of Group Diversity & Inclusion Manager: the person appointed is responsible for monitoring and promoting diversity among staff members within the Group, with a view to implementing and embedding a policy to foster the inclusion of all forms of diversity.
- ◆ The Group Sustainability Policy further confirms the importance which the Group places on valorizing different perspectives and experiences, through promoting an inclusive culture which does not tolerate any form of discrimination. It seeks to foster a working environment in which diversity and personal and cultural perspectives are respected and considered to be key success factors.



- ◆ The Group Human Resource Management Policy includes specific commitments to ensure equal opportunities and gender parity in HR processes, with a particular focus on those for staff selection, management, evaluation and career advancement. The Group seeks to promote a healthy work-life balance. Compliance with these commitments is monitored regularly, including with a view to implementing remediation action in conjunction with the D&I unit.
- ◆ The Group Code of Conduct and Code of Ethics incorporate the same principles of inclusion in order to safeguard equal opportunities, both in internal HR management, laying down the procedures by which any instances of discrimination, harassment or bullying are dealt with, and in external relations with counterparties.

These documents have all been published on the Bank's website and are freely available for consultation.

The Mediobanca Group pursues the appropriate balance between genders at all levels of the company, focusing in particular on senior and management positions where the gender gap is most felt. Each announcement for selection processes encourages all candidates in possession of the requisite qualifications and/or experience to apply. The same principle underpins the assessment process for internal opportunities arising within each individual Group company (transfers between organizational units) or within the Group (intra-Group transfers). To meet the objectives set for gender balance (and so impact on the gender pay gap accordingly), the selection procedures require Group HR, based on actual availability on the market, to guarantee that at the CV collection and screening stage, at least 50% of the candidates will be given to the less represented gender in the organizational unit where the appointment is to be made where more than one candidate have the same professional qualifications and experience.

The Consolidated Non-Financial Statement, to which reference is made, contains further detail on the gender pay gap, the projects launched and the results achieved in the Diversity & Inclusion area, describes the Group's commitment in concrete terms to ensuring that gender-neutral principles are applied and respected in all the Group's processes and activities.

In its regular review of the policies in force, the Board of Directors, with Remuneration Committee's support and with the CSR Committee's involvement, analyses the gender neutrality of the Remunerations Policy, examining the gender pay gap in particular and its development over time.

## 6 Incentivization system

Variable remuneration and the correlation between risks and performance are determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term.

### a) Gateways and risk-performance correlation

Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:



- a) Capital adequacy and liquidity requirements at levels which are higher than those stated in the Risk Appetite Framework<sup>11</sup> approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, and Net Stable Funding Ratio.
- b) Positive operating profit delivered at Group level.<sup>12</sup>

Group Gateways	KPI
CET 1 ratio	≥ 9.5%
Leverage ratio	≥ 4%
AFR/ECAP	≥ 115%
Liquidity Coverage Ratio	≥ 115%
Net Stable Funding Ratio	≥ 104.5%
Positive operating profit at Group level	> 0

**b) Annual variable remuneration (short-term incentives)**

**I. Budget phase**

The process for defining the annual incentivization system and subsequently determining the divisional variable remuneration provides that the budget approved by the Board of Directors should include the estimated cost of labour for the financial year to come, including the amount of variable component, determined on the basis of the all the Mediobanca Group divisions' expected earnings performance targets, the market scenario and historical pay trends.

**II. Determination and allocation of annual divisional variable remuneration**

Once the final results have been closed, the annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

- ◆ Mediobanca Wholesale banking: the Chief Executive Officer of Mediobanca identifies the share of the share of the division's Economic Profit<sup>13</sup> to be used for the variable remuneration. The aggregate amount reflects assessment of other quantitative parameters (Group results, Risk Appetite Framework indicators other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the long-term business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and share, retention of key staff, need to recruit new professional talent). The amount thus determined is compared with those derived from the individual business units' scorecards, and different payout ratios are applied – based on the activity performed – to Economic Profit or to other risk-adjusted metrics, then to other secondary metrics, both quantitative (such as reference to budget objectives and

11) The Risk Appetite Framework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing fine-tuning and update, in line with the continual changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.

12) Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.

13) Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.



historical results trends) and qualitative. A cap is in place on these amounts, which may be fine-tuned to preserve the overall sustainability of the Group's variable remuneration.

- ◆ **Mediobanca Private Banking:** for the Private Banking division, the Chief Executive Officer of Mediobanca identifies the share of ordinary gross operating profit, net of the cost of risk, to be set aside as variable remuneration. To determine this amount, other secondary quantitative metrics, such as inter-company cross-selling, cash/AUA transformation to AUM, and operational risk assessment) and qualitative metrics (adequate transparency in banking and financial transactions and services provided to clients; management of resources, compliance with regulations, including with reference in particular to the Bank of Italy's Supervisory Instructions on transparency of banking and financial operations and services), are also used. Variable remuneration is allocated on the basis of an evaluation of the individual's contribution to area results (indicators used include Net New Money, AUM, revenues, cost/income ratio attributable to each individual banker) and their internal organizational unit, and on compliance with the criteria of professionalism, transparency and proper conduct by private bankers in their relations with customers.
- ◆ **Principal Investing division:** the variable remuneration is determined on the basis of specific qualitative and quantitative performance indicators for the area.
- ◆ **Holding Functions/control, staff and support units:** the aggregate variable remuneration is established by the Chief Executive Officer of Mediobanca on the basis of general earnings sustainability. The variable component, which is usually small, is not related to earnings performance or the Group's results, but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market.
- ◆ **Group Treasury, Strategic and Trading Portfolio:** aggregate variable remuneration is determined on the basis of scorecards which use quantitative metrics, linked to both risk and earnings indicators according to the nature of the business and activity (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio, cost of funding, HQLA and P&L thresholds). Secondary qualitative metrics are also provided.
- ◆ **For the other divisions and business lines (Consumer, Wealth Management Premier, CMB Monaco and the entities performing asset management activities, Specialty Finance and Advisory),** the amounts are determined by the Chief Executive Officers of the relevant related legal entities, who to this end liaise with the General Manager and Group HR based at Mediobanca.

### III. Individual performance evaluation

The individual incentivization system and assignment of variable remuneration to individual beneficiaries are established via an annual performance assessment process based on merit and professional quality, with particular attention to reputational issues: indeed variable remuneration may be ruled out or reduced for staff guilty of committing compliance breaches of either internal or external regulations in the course of the year. The entitlement to receive variable remuneration is subject to the beneficiary remaining an employee<sup>14</sup> of the Mediobanca Group throughout the assessment period and still being in the company's employment at the actual date of distribution and/or not serving a period of notice for resignation or dismissal. The remuneration may not be split over fractions of years, hence if the employment relationship begins or ceases in the course of the relevant financial year, the staff member concerned is not entitled to any variable remuneration, even pro rata. For identified

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<sup>14)</sup> The other contractual forms provided for by the regulations apart from full employment contracts (e.g. collaboration or employment agency contracts) are considered equivalent.



staff, the amounts are validated individually by the Chief Executive Officer and General Manager of Mediobanca with the support of Group HR.

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities and career opportunities in accordance with the principle of equal opportunities and in line with the Bank's own strategic, organizational and business choices. Difference of gender and thought is treated as a value to be leveraged, providing a source of enrichment in cultural and professional terms. Professional development is facilitated through the provision of the appropriate training, practical work experience under the leadership of line managers, mobility across different positions, assessment of performance, and ultimately the career advancement and promotion process. The Group also encourages its staff to get involved in its company volunteering programme, to foster talent, passion and commitment on the part of staff by including them in the various environmental and social initiatives which the Group supports.

All these instruments together provide an opportunity for the Group's staff to feel valued. Our people represent a fundamental part of our capital and are indispensable to making us competitive and so helping the Bank deliver performances that are sustainable over the long term.

At the start of the year the professional, personal and company objectives for each staff member are assigned and discussed with the respective line manager. Such objectives are meant to be achievable, challenging and weighted according to the priority assigned to each staff member. Particular attention is paid to proper individual conduct in accordance with the provisions of the Code of ethics, Organizational model and Business conduct policy, and in general terms with the principles established by the laws, regulations, operational rules and internal procedures, with reference in particular to those considered to be most relevant in terms of reputational risk. Increasing consideration is being devoted as part of the evaluation process to the achievement of environmental, social and governance (ESG) objectives with reference to the individual and business areas of responsibility (see section d) below, Inclusion of environmental, social and governance (ESG) objectives).

At the end of each year, the line managers make their managerial assessment of the individual staff members based on these objectives. Mid-term feedback throughout the year also allows the line managers and staff to agree on the extent to which the objectives have been met, as part of objective discussion of individual performances. In this way, the organization is able to reach its objectives while respecting its corporate values, and transparency is assured in the area of training opportunities, professional development and evaluation criteria.

For staff belonging to the business units, the evaluation reflects:

- ◆ Earnings results achieved, with regard to the budget objectives and risk/return and cost/income ratios;
- ◆ Qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, project initiatives, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values.

For all the other units, the main aspects of the evaluation are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of resources, and project activities. In particular, for staff employed in the accounting, planning and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes, related electronic procedures and tax requirements being managed efficiently and accurately.





For staff employed in the internal control units (i.e. Group Audit, Compliance and Risk Management), assessment is made of the continuous monitoring and control of the Bank's processes and operations carried out by them, independently and autonomously, to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly. Also evaluated is these units' continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes; and accurate analysis of new products and their risk profiles.

In close relation to the evaluation process, staff may also be promoted to a new contractual level or being assigned a new corporate title, as part of the career advancement process linked to covering new organizational roles based on experience acquired and results achieved. Promotions are proposed by the head of the business unit concerned, agreed with the relevant Human Resources department, and approved by the General Manager and/or the Chief Executive Officer (for middle management). For higher levels (senior management or equivalent), the process involves specific appraisal of the candidate concerned, including by other senior Bank staff from a variety of different professional backgrounds, experience and roles. The process is closely linked to that of succession planning which involves researching, identifying and managing individual candidates for senior positions (specifically executive directors, including in cases where such figures have to be replaced ahead of the scheduled expiry of their term of office). The process also requires a pool of possible high-potential replacements to be identified (the "senior talent pool") for key positions, including the business areas, control units, and staff and support roles, in view of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities based on a global organizational approach, without neglecting to monitor the market on an ongoing basis. Growth and career development pathways are devised for such staff, including involvement in specific strategic projects, exposure to Board/committee meetings, and international and intra-Group rotation. Selection is based on assessment of professional and technical skills, as shown by CV and company record as well as performance over time, possession and development of key leadership capabilities.

Thus the remunerations policy is co-ordinated with the selection, appointment, succession and assessment of the adequacy of company representatives and Key Function Holders and the Staff management policies.

#### **IV. Variable remuneration for retention purposes and floors**

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. The scope of the staff and the amount involved is based mainly on the following criteria: the contribution of the individual beneficiary to the overall results of the division and the Group, the importance of the profile to the sustainability of future results, benchmark analysis of the market and competitive scenario, the need to ensure business continuity, and consistency with the succession planning policy.

Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.



### **c) Long-term variable remuneration (long-term incentive)**

Upon the approval of a long-term Group strategic plan, the Board of Directors may choose to adopt a long-term incentivization scheme conditional upon the objectives set out in the plan itself being reached.

This plan directs the conduct of the beneficiaries towards creating long-term value for shareholders; correlates a part of the variable remuneration to achieving objectives over the medium and long term; is constructed in such a way as to ensure that achieving the plan's results does not encourage taking more risk than the governing bodies have decided is sustainable; and promotes loyalty retention. It is consistent with sustainability objectives that endure over time and is able to create value that is shared with all stakeholders.

The long-term incentive scheme has specific quantitative/financial and qualitative/non-financial objectives linked to the scheme's time horizon, and is subject to gateways. Of these gateways, the capital and liquidity indicators included in the RAF are assessed at the end of each year for the period covered by the Plan, while the earnings indicators are the gateways are assessed against the capital and liquidity indicators stated in the RAF at the end of each financial year through the course of the Plan, and for the earnings indicators, on an aggregated basis at the end of the Plan itself.

Payment will be made in accordance with the terms, conditions and methods provided for the variable remuneration component in this Policy, unless stipulated otherwise by the Board of Directors after consulting with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes and for payment of the variable remuneration accrued, including any specific resolutions requiring to be adopted in general meetings. In addition to the Chief Executive Officer and Group General Manager, other Group senior representatives may be included in the Plan, with a specific pay mix identified for them between short- and long-term variable components. The 2:1 cap on variable/fixed remuneration approved by the shareholders in general meeting must be complied with for each year.

The Long-Term Incentivization Plan currently in force is linked to the 2019-23 Strategic Plan and involves the CEO of Mediobanca, the Group General Manager and the CEO of Compass/CheBanca! (see Section 7)

### **d) Inclusion of environmental, social and governance (ESG) objectives**

As part of the performance evaluation process in connection with the remuneration and incentivization policy, the Mediobanca Group devotes special and increasing attention to the achievement of environmental, social and governance (ESG) objectives. These are structured according to individual scope of responsibility, and taking account the incentivization systems applied to the individuals and/or divisions concerned.

Given pre-established ESG objectives are included in the individual 2019-2023 Long Term Incentive Plan for the Mediobanca CEO and Group General Manager and for the CEO of Compass/CheBanca!. Such objectives, which refer to UN's Sustainable Development Goals, entail:

- ◆ An increase in the number of hours devoted to training within the Group for purposes of increasing the quality and performances of the Group's staff;
- ◆ Ongoing and increasing investment of the time horizon of the plan in projects with positive social and environmental impact;
- ◆ Improvement in the customer satisfaction indexes for CheBanca! and Compass;



- ◆ Focus on environmental objectives, with targets in terms of the percentages of energy used from renewable resources, reduction of CO<sub>2</sub> emissions, increase in the number of hybrid vehicles as part of the Mediobanca car fleet, and an increase in the number of green mortgages granted by CheBanca!;
- ◆ For WM products: new investments selected using ESG as well as financial criteria, and an increase in the ESG products represented in clients' portfolios.

All the objectives are public, measurable and quantified, and their impact on the financial component of the LTI plan ranges from a 5% decrease to a 7.5% increase, based on the Board of Directors' assessment of whether or not they have been reached.

Financial ESG and sustainability criteria are also included in the annual scorecards (Short Term Incentives) for the Chief Executive Officer and Group General Manager of Mediobanca, to be assessed over the one-year time horizon for the performance. Their weighting is up to 10% of the quantitative component, and they refer to the annual ESG targets contained in the Strategic Plan for the Group's principal businesses, with financial KPIs related, for example, to growth in the volume of green products (CIB, Compass and CheBanca!), or deeper penetration rates for ESG funds in clients' portfolios.

The CEO's and Group General Managers' annual scorecards also include non-financial ESG and CSR objectives, the impact of which on the financial component ranges from a 5% decrease to a 7.5% increase for each objective identified. For FY 2021-22, the focus will be on the following issues: People Strategy and Human Capital (diversity, training, succession planning, life/work balance; staff conditions), and Planet & Environment (carbon neutrality, alignment with environmental regulations and international standards, and management of green commercial initiatives and products), which may also be structured in the form of projects. Performance evaluation is also supported by quantitative indicators and measurable evidence.

The short-term incentive scheme for other senior figures (strategic management and Material Risk-Takers heading up the main business lines) also includes, both individually and as part of the scorecards used to define the divisional bonus pools, and where appropriate to the scope under consideration, the presence of quantitative, measurable ESG indicators with weightings of up to 10%. These include, without limitation: higher volumes of green products and deeper penetration of ESG funds in clients' portfolios; green bond issues; monitoring and accounting for assets in portfolios from an ESG standpoint; integrating ESG evaluations into the fund investment process. Other targets include: increasing green-/ESG-linked bond issues and lending activities; assessment of suppliers according to ESG criteria, target levels for electricity from renewable resources, cutting CO<sub>2</sub> emissions, and increasing the number of hybrid cars in the Mediobanca fleet. Non-financial ESG objectives have also been set for these figures, with a focus on People Strategy issues (diversity, training, succession planning, work/life balance; staff conditions), possibly also structured as projects.

The rest of the Group staff are assigned a Group objective (with a weighting of between 5% and 10% of the total) to evaluate the performance delivered in terms of the adoption of socially responsible behaviour on a management basis, with reference in particular to protection of the environment, corporate diversity, and defence of human and social rights.

## **e) Payment of variable component**

### **I. Timing and payment instruments**

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments



are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management (i.e. groups 2 and 3 in the table of Identified Staff), the deferral period is always five years. The deferred component is:

- ◆ 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €435,000;
- ◆ 50% (56% in equities and 44% in cash) for variable remuneration of less than €435,000.

For other Identified Staff, deferral is over a four-year time horizon, made up as follows:

- ◆ 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €435,000;
- ◆ 40%, (50% in equities and 50% in cash), for variable remuneration of less than €435,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares.

The €435,000 threshold has been identified in accordance with the regulations, as the lower amount between 10x the average overall compensation within the Group (approx. €85,600) and 25% of the overall remuneration for Italian high earners stated in the EBA 2021 report (based on 2019 data), i.e. €435,000. This threshold may be reviewed from time to time, at least once every three years.

For Identified Staff, the deferral mechanism applies starting from a materiality threshold of variable remuneration equal to or higher than €50,000 and one-third of the total compensation.

After the vesting period, the shares are subject to a further retention holding period of one year.

The time horizon over which the variable remuneration is distributed, in cash and shares, is therefore six years for senior management and four years for the other Identified Staff.

An overview of the timing for the various distributions is shown in the table below:

	Year T	T+1	T+2	T+3	T+4	T+5
Senior management with variable remuneration ≥ €435,000	20% Upfront cash	20% Upfront equity	13% Deferred cash	11% Deferred equity	11% Deferred equity	11% Deferred equity 14% Deferred cash
Senior management with variable remuneration < €435,000	25% Upfront cash	25% Upfront equity	11% Deferred cash	9% Deferred equity	10% Deferred equity	9% Deferred equity 11% Deferred cash
Other Identified Staff with variable remuneration ≥ €435,000	20% Upfront cash	20% Upfront equity	15% Deferred equity 5% Deferred cash	15% Deferred equity 5% Deferred cash	20% Deferred cash	
Other Identified Staff with variable remuneration < €435,000	30% Upfront cash	30% Upfront equity	10% Deferred equity 5% Deferred cash	10% Deferred equity 5% Deferred cash	10% Deferred cash	



Specific deferral rules may be applied locally and incorporated in the remuneration policies of the banks affected, in the event of the adoption at national level of regulations that are more restrictive than those adopted at Group level.

Mediobanca also applies a 30% deferral over a three-year time horizon, all in cash, subject to malus conditions and also to the beneficiary continuing to work for Mediobanca when the payment is made, to all staff not included in the definition of identified staff who receive variable remuneration equal to or higher than €100,000.<sup>15</sup>

## II. Performance share scheme

In order to have ordinary shares for use as components of staff remuneration, Mediobanca has adopted an incentivization system based on performance shares (ordinary Mediobanca shares) subject to approval by shareholders gathered in Annual General Meeting. The shareholders of Mediobanca approved the 2021-25 incentivization system, which entailed the allocation of performance shares, in the form of ordinary Mediobanca shares, up to a maximum number of 20 million, to be granted over a five-year time horizon to selected Mediobanca Group staff members as part of the remuneration and incentivization system. Now, in order to align the Mediobanca incentivization system with the best market practice, at the 2021 meeting a resolution will be submitted to the approval of shareholders once again to partially withdraw, as from FY 2021-22, the five-year 2021-25 incentivization scheme approved on 28 October 2020, and at the same time approve the Annual Incentivization Scheme for 2022, entailing the assignment of up to a maximum of 4 million shares to Group staff to determine the variable remuneration payable in respect of the financial year ending on 30 June 2022. Reference is made to the relevant report for all details.

The scheme involves the award of Mediobanca shares to staff members (employees, collaborators, staff on agency contracts) as the equity component of the variable remuneration granted to them as a result of the performance evaluation process, both short-term in relation to the annual budget (short-term incentive plan) and longer-term (plans for personnel such as Financial Advisors linked to the Group, or other staff with long-term performance evaluation linked to specific plans for Group legal entities ending in FY 2021-22).

The performance shares allocated as upfront equity component are subject to a holding period of no less than one year before they are actually awarded, subject to the beneficiary continuing to work with the Mediobanca Group.<sup>16</sup>

The performance shares awarded as deferred equity component are:

- ◆ Assigned within an overall vesting period for all deferred components over a time horizon of at least three years, provided that the beneficiaries are still employed by the Group<sup>17</sup> and that the additional performance conditions stipulated in the remuneration policy in force at the time regarding the sustainability of the results achieved have been met, with the conditions regarding the company's capital solidity and liquidity and/or proper individual conduct in particular respected;

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15) For personnel not included among the definition of Identified Staff, the Group companies are free to adopt or not adopt their own internal deferral mechanisms and respective thresholds, including on the basis of specific sector regulations (e.g. in asset management). The deferral structure adopted to this end by Mediobanca applies to those Group companies which do not have a policy or other specific remuneration and incentivization of their own, and which therefore adopt the Group policy directly without further specification. The foregoing is also without prejudice to application of deferral mechanisms other than those described in this section, if set by the local regulations in force, in particular for companies based in non-EU member states, but in any case consistent with the regulations applicable to the Mediobanca Group and consistent also with the provisions of this Policy.

16) I.e. the existence of a co-operation agreement between the beneficiary and the company, whether an employment contract or some other arrangement, not during a period of advance notice for resignation/withdrawal/termination, whether voluntary or due to dismissal/withdrawal on the part of the company. For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.

17) See previous note.



- ◆ Subject to a further holding period of at least one year prior to their actual assignation, which remains conditional upon the beneficiary continuing to work with Mediobanca.<sup>18</sup>

Awards which are spread over time are an incentive to staff, depending on their role and business activities, to adopt conduct that ensures the Mediobanca Group's results are sustainable over the long-term, in accordance with the requirements in terms of capital, liquidity and control of all risks.

The Chief Executive Officer of Mediobanca may also use the performance shares, as part of remuneration packages awarded in connection with the recruitment of key staff and/or for retention purposes, including outside of the annual award cycle, but still from the proposed upper limit in this resolution, with specific deferral mechanisms as provided under the terms of the resolution being submitted to the approval of shareholders. The governing bodies may also award quantities of performance shares as part of compensation agreed in respect of early termination of the working relationship, to link it to the performance delivered and the risks taken by the individual and the Bank, as required by the regulations and consistent with the provisions of the remunerations policy in force at the time.

The shares received are personal, without prejudice to inheritance rights. The right to receive shares is retained in the event of retirement or the beneficiary being permanently disabled and/or suffering from an illness which makes them unable to continue working, and also in the event of intra-Group transfers. Conversely, the right to receive shares is forfeited in cases where the working relationship ends, whether governed by an employment contract or some other arrangement, due to resignation, dismissal and/or withdrawal. Exceptions to the foregoing are handled by the governing bodies within their respective areas of authority, namely the Board of Directors, Remunerations Committee, other competent committees, and the Chief Executive Officer of Mediobanca, based on the powers vested in them, particularly in cases which involve departures by mutual consent within the limits defined by the remuneration policy in force at the time (cf. section entitled "Treatment of "good leavers"). The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies, and without prejudice to any regulations providing for more favourable treatment instituted by the applicable local legislations.<sup>19</sup>

Performance shares are awarded from capital increases approved by the shareholders in general meeting or from any treasury shares the Bank may possess<sup>20</sup> or acquired on the market (once again subject to a resolution being passed in general meeting). The maximum number of shares that may be awarded under the terms of the scheme due to be approved at the next AGM is 4 million, from the treasury shares currently held by the Bank not reserved for other purposes or acquired on the market. At present a total of 6,524,190 performance shares have been assigned under limits set previously by shareholders in annual general meeting (2015 and 2020-25 performance share schemes), but not yet awarded as they are still subject to vesting/holding periods. The fully-diluted percentage of the share capital accounted for by the equity instruments already assigned to Group staff amounts to approx. 0.72%. The impact on the stock's value and the possible dilution of the share capital is negligible, given that there are several schemes in operation over different years and with different vesting and holding periods over a medium-/long-term time horizon.<sup>21</sup>

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18) Cf. no. 16.

19) The provisions of this paragraph also apply to the deferred cash component.

20) In accordance with the provisions of the resolution adopted by shareholders in the annual general meeting held on 27 October 2018.

21) At the extraordinary annual general meeting held on 27 June 2007, the shareholders of Mediobanca adopted a stock option, which was then revised by the Board of Directors at a meeting held on 24 June 2011 to become a performance stock option scheme. No options remain to be taken up from that scheme. The 24,464,000 shares remaining from the capital increase (to be implemented by 1 July 2022) can no longer be used.



### III. Additional performance conditions for the deferred components

The deferred variable remuneration component is paid, after the performance evaluation process has been completed over the relevant timeframe, i.e. annual (short-term incentive) or long-term (long-term incentive), provided that:

- ◆ The beneficiary is still a Group employee<sup>22</sup> and not serving a period of notice for resignation or dismissal;
- ◆ In each of the financial years, the performance conditions equating to the gateways described in the section entitled "Gateways and risk-performance correlation" are met;
- ◆ The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit.

This method is consistent with the requirement for staff, in accordance with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital and liquidity base, control of all risks as well as positive earnings results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

For staff employed at other Group companies, the Chief Executive Officer may choose to identify one or more specific economic indicators in place of those referred to above.

The Board of Directors, with the favourable opinion of the Remunerations Committee, may, at the Chief Executive Officer's proposal, authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or individuals who during the year have delivered particularly outstanding performances or who are expected to be decisive with regard to the sustainability of results over time, for retention purposes.

#### f) Malus and clawback conditions

The remuneration and incentivization system must not only discourage improper behaviour, but must also contribute to promoting virtuous conduct. Conduct is therefore an important component of the remuneration policies, which must take account of individual and collective responsibilities in cases of misconduct and must define their impact on remuneration.

Variable remuneration components may only be assigned, when awarded and when deferred payment takes place, if the beneficiary has not committed any of the instances contemplated in the Group Directive on Compliance Breaches (i.e. has not been subject to disciplinary proceedings based *inter alia* on the provisions of the Code of Ethics, Organizational Model instituted pursuant to Italian Legislative Decree 231/01, or violations of the Business Conduct policy and/or the other internal guidelines issued by Mediobanca), and if no losses are attributable to their actions.

Mediobanca has prepared a Group Directive to this end, defining the rules to identify and evaluate compliance breaches and to assess their impact on the variable remuneration component, both those already assigned and those still to be assigned. In particular, malus mechanisms may be activated in the event of compliance breaches, that reduce or cancel the value of: (i) variable remuneration, to be assigned for each financial year during the annual performance evaluation process, both individual or for a specific unit; and/or (ii) the deferred

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<sup>22</sup>) Equivalent provisions have also been provided for working arrangements other than employment itself (e.g. co-operation or agency contracts). For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.



component for previous years not yet paid; and clawback mechanisms which require the beneficiary to pay back the amount of variable remuneration that has already been paid.

In order to identify a compliance breach, the instances of violations detected by the control units (Compliance & Group AML, Group Audit and Group Risk Management) and the authorities (e.g. Bank of Italy and Consob) are the primary sources taken into consideration. To ensure greater effectiveness, and in accordance with the principle of proportionality, under the terms of the Directive only material violations constitute compliance breaches, i.e. those which have exposed the Bank to a significant non-compliance risk. In general this means breaches of the regulations that entail criminal or administrative liability (e.g. pursuant to Italian Legislative Decree 231/01) or of regulations specific to the banking and finance sector (e.g. market abuse, provision of banking and investment services, anti-money-laundering and business conduct). Any more minor breaches detected by a control unit, and/or behavioural infringements noted by Group HR, which do not constitute compliance breaches may nonetheless be taken into consideration in the assignment of variable remuneration, as part of the performance evaluation process which includes general compliance with the conduct requirements among its criteria, along with individual management objectives.

The significance of a breach is assessed on the basis of the following aspects: seriousness of the breach, size of the breach, external detection. Each compliance breach is evaluated based on the above criteria, being assessed as nil, low, medium or high, resulting in an overall score being assigned. A reduction in the variable remuneration component is associated with each score, which may affect the amount of variable remuneration paid for the year in progress (known as an "in-year adjustment") and/or the reduction of the deferred component assigned in previous years and not yet paid. If enquiries or disciplinary proceedings by the authorities are still in progress and which have not yet established clear breaches of the procedures in force, the Group may decide to suspend payment of the variable upfront and/or deferred component as yet unpaid until the results of the enquiry process are known. The outcome of the enquiries and the impact on variable remuneration, both individual or in terms of the unit's scorecard, are formalized and filed by the Compliance unit. Regular reporting to the governing bodies on this issue has been instituted.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established. In particular, provision for such measures is made in cases involving breach of the obligations imposed under Article 26 of the Italian banking act (company representatives – personal and professional qualifications and independence) or, where relevant to the party involved, Article 53, paragraphs 4ff (regulatory supervision), of the obligations in respect of remuneration and incentivization.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff.

## **g) Ban on hedging strategies**

Staff members are not allowed to use hedging or insurance strategies on their remuneration or other aspects which could alter or otherwise distort the risk alignment effects inherent in the compensation mechanisms, especially if they refer to the variable component paid in the form of financial instruments.





As governed by the applicable internal regulations,<sup>23</sup> Identified Staff must give notice of transactions executed by them directly or indirectly in financial instruments issued by Mediobanca and those with Mediobanca instruments as underlying, transactions identified as potentially able to affect the risk alignment mechanisms, and more generally, to impact on achieving the objectives of the regulations in force in the area of remuneration.<sup>24</sup> Identified Staff are required to give notice of contracts executed with counterparties that generate the same effect (e.g. OTC derivatives). They are also obliged to disclose, from the moment they are included in the definition of Identified Staff and once a year if their inclusion is confirmed:

- ◆ All custody and administration accounts – opened with the Group or with other intermediaries – of which they are holders and/or joint account holders at the disclosure date. Also relevant in this connection are any accounts attributable to them indirectly (e.g. made out to companies 100% owned by them);
- ◆ The list of the financial instruments listed above with an indication of their respective quantities;
- ◆ The fact that no contracts have been entered into with third parties for hedging and/or insurance purposes.

Failure to disclose the above information constitutes a compliance breach.

The foregoing is without prejudice to the obligations and restrictions in force under any additional internal regulations governing trading in financial instruments on a personal basis.

Based on the information contained in the above disclosures, the control units carry out checks on the accounts and make further enquiries which may include asking to see the statements of account as appropriate.

## 7 Remuneration structure for particular categories of staff

### a) Non-executive directors

The fixed compensation payable to members of the Board of Directors for performing their duties is established by the shareholders of Mediobanca at the Annual General Meeting (and the same is true for the Group legal entities) when they are appointed and for their entire term of office. Such compensation is split between the individual members in accordance with the Board's own decision. The Board of Directors also establishes, after consulting with the Statutory Audit Committee, the remuneration payable to Directors vested with particular responsibilities as defined in Article 2389, paragraph 3, of the Italian Civil Code. Directors who are not members of the Group's management are also entitled to have expenses incurred in the exercise of their duties refunded.

No provision is made for incentives linked to the company's performance or for any form of severance pay upon leaving office.

The Chair of Mediobanca, if a member of the Group's management, is only entitled to receive an annual fixed salary; if they are not, they are entitled to compensation for holding the office of Chairperson, to be established by the Board of Directors pursuant to Article 2389, paragraph 3, of the Italian Civil Code (cf. Article 13 of the company's Articles of Association).

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23) "Disclosure of accounts and trades by Group Identified Staff", "Regulations on internal dealing" and "Regulations governing personal transactions involving financial instruments made by relevant persons".

24) Specific provisions are adopted for the companies operating in asset management, as the variable remuneration in such cases may be assigned in the form of fund stock units and/or fund-linked products.



The newly-appointed Directors of Mediobanca (AGM held on 28 October 2020) agreed to split the annual gross maximum compensation (€2,500,000) set by the shareholders in general meeting as follows. In determining and sub-dividing the Directors' compensation, benchmarking was used to ensure consistency with the reference market.<sup>25</sup>

<b>Directors' compensation, FY 2020-23</b>	
Compensation approved by shareholders at AGM held on 28/10/20	<b>2,500,000</b>
No. of Directors	<b>15</b>
<b>Board of Directors</b>	<b>1,535,000</b>
Compensation payable per Director	100,000
Additional compensation for Deputy Chair	35,000
<b>Executive Committee (2 members)</b>	<b>160,000</b>
Compensation per member	80,000
<b>Appointments Committee (4 members)</b>	<b>110,000</b>
Compensation per member	25,000
Additional compensation for Committee Chair	10,000
<b>Risks Committee/Related Parties Committee (5/4 members)<sup>26</sup></b>	<b>420,000</b>
Compensation per member	80,000
Additional compensation for Committee Chair	20,000
<b>Remunerations Committee (5 members)</b>	<b>160,000</b>
Compensation per member	30,000
Additional compensation for Committee Chair	10,000
<b>Corporate Social Responsibility Committee (4 members)</b>	<b>40,000</b>
Compensation per member	10,000
<b>Total</b>	<b>2,425,000</b>

The Directors of Mediobanca and all the Group companies are covered by a D&O insurance policy.

## b) Statutory Audit Committee

The annual compensation payable to the Statutory Audit Committee is set in a fixed amount by the Bank's shareholders gathered in general meeting. For the Statutory Audit Committee currently in office, the shareholders of Mediobanca, at the Annual General Meeting held on 27 October 2020, in view of the commitment required by the office, set annual gross compensation for the Committee Chair of €180,000 and of €140,000 for each Standing Auditor.

The Statutory Auditors take part in meetings of the Board of Directors, the Executive Committee, the Remunerations Committee, the Related Parties Committee and the Risks Committee. The Statutory Audit Committee has also been tasked by the Board with performing the duties of the supervisory body instituted pursuant to Article 6 of Italian Legislative Decree 231/01 (under paragraph 4-bis of this Article, as amended by Italian Law 183/11), in line with the Bank of Italy's instructions on internal controls.

25) The benchmarking exercise analysed the compensation paid to the governing bodies of Intesa San Paolo, Unicredit, BancoBPM, BPER and Assicurazioni Generali.

26) "Consolidated" compensation for both Committees which consist of the same members (bar one person).



The compensation proposed and approved by shareholders in the Annual General Meeting has therefore been determined taking into account the high commitment required by the office, the significant competences and previous experience required and the need to attract and retain candidates of high standing for the office. In determining the compensation, benchmarking analysis relative to other comparable issuers was performed. No provision is made for variable remuneration or severance pay on leaving office. Statutory Auditors are entitled to have any expenses incurred in the course of their duties refunded.

The Statutory Auditors of Mediobanca and all the Group legal entities are also covered by a third-party liability insurance policy (D&O).

### **c) Mediobanca CEO and Group General Manager**

The remuneration of the CEO and the Group General Manager is regulated by individual agreements approved by the Board of Directors, and comprises:

- 1) Fixed salary;
- 2) A variable annual component (short-term incentive) which only accrues if the gateways stipulated in this Policy (see the section entitled "Gateways and risk-performance correlation"), commensurate with the quantitative/financial and qualitative/non-financial performance indicators contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee's proposal being met.

The scorecards provide for performance objectives for their respective areas of responsibility. For example, these may regard: risk-adjusted profitability; revenues, Group-wide or for particular divisions; profitability, or Economic Profit of individual areas for which they are responsible; and/or other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives. Each objective is weighted according to the relevance assigned to it by the Board of Directors and the actual margin of autonomy in terms of decision-making.

The incentivization curve is structured so that the quantitative/financial objectives being met triggers the payment of a variable bonus, ranging from 50% of the gross annual salary (or 40% if the minimum target is only partially met, i.e. at least 85% - the threshold figure) on certain minimum objectives being reached (usually related to the budget objectives), up to a maximum of 150% in the event of particularly good performances, evaluated based on the type of individual objective and its related sensitivity. Regarding the qualitative objectives, the variable component deriving from the quantitative objectives may be adjusted by the Board of Directors based on the degree to which the non-financial objectives have been reached, in a range from -10% to +15%. The qualitative objectives are considered as having equal weighting, and are to be assessed individually. The cap on the variable remuneration in the short-term component remains set at 160% of the fixed salary for purposes relating to the Long-Term Incentive Plan described in the next section.

Of the variable component, 60% is deferred over a five-year time horizon, in cash and in Mediobanca shares, in accordance with the provisions of this Policy in the section entitled "Timing and payment instruments". All deferred components are subject to the performance and malus conditions stipulated in these Policies (see the section entitled "Performance conditions, malus conditions and clawback").

For the financial year ending 30 June 2022, the Chief Executive Officer has been assigned the following quantitative objectives:



Objective	Weighting	KPI target	Δ KPI maximum
<b>Profit before Taxes (PBT) from Group banking activities/capital absorbed</b> <i>Optimization of return on capital allocated to core activities</i>	30%	vs budget	11% target
<b>Net interest income</b> <i>Focus on main source of Group revenues</i>	20%	vs budget	1% target
<b>Total fees</b> <i>Focus on share of capital-light revenues</i>	20%	vs budget	3% target
<b>Cost of risk</b> <i>Focus on cost of risk</i>	20%	vs budget	13.5 % target
<b>ESG objectives</b>	10%	vs budget	
a) CIB Client loan stock vs corporate clients with ESG/green characteristics			21% target
b) ESG new loans vs retail clients (Consumer Banking- WM Premier)			17% target
c) ESG products in WM Premier customer portfolios			8% target

The Group General Manager has been assigned the following objectives:

Objective	Weighting	KPI Target	Δ KPI maximum
<b>Profit before Taxes (PBT) from Group banking activities/capital absorbed</b> <i>Optimization of return on capital allocated to core activities</i>	30%	vs budget	11% target
<b>Cost of funding</b> <i>Focus on Group funding optimization</i>	17,5%	vs budget	7% target
<b>Cost/income ratio, banking activities</b> <i>Balanced growth cost-income</i>	17,5%	vs budget	3% target
<b>Growing AUM/AUA</b> <i>Focus on high-quality deposits, WM Division</i>	25%	vs budget	32% target
<b>ESG objectives</b>	10%	vs budget	
a) Client loan stock vs corporate clients with ESG/green characteristics			21% target
b) ESG new loans vs retail clients (Consumer Banking – WM Premier)			17% target
c) ESG products in WM Premier customer portfolios			8% target

The following non-financial objectives have been assigned for the year ending 30 June 2022:

- ◆ To the Chief Executive Officer: 1) a CSR objective regarding **“People Strategy and Human Capital”**, with the aim of managing the development and performance of the CSR initiatives related to valorizing diversity and inclusion, involving staff in the Group’s social initiatives, focus on talent, increasing staff engagement, and promoting work-life balance; 2) an ESG objective regarding **“Planet and Environment”**, in order to focus on the Group’s ESG initiatives related to environmental sustainability (drivers: carbon neutrality; alignment to green regulations and international principles and standards; governance of commercial and product initiatives in this area).
- ◆ For the Group General Manager: 1) a specific CSR objective regarding **“People Strategy and Human Capital”**, the same one assigned to the Chief Executive Officer; 2) an objective regarding **“Digital Strategy & Innovation”**, with focus on the technological and digital transformation underway within the Group, with the following drivers: development of digital proposition, development of solutions to support interactions with clients, technology and security updates.



- 3) A long-term variable component (the Long-Term Incentive Plan): in conjunction with the approval of the 2019-23 Strategic Plan, based on the provisions of the Remuneration Policy, the Board of Directors approved the inclusion of the Chief Executive Officer and Group General Manager in the Long-Term Incentive plan linked to the Strategic Plan's objectives.<sup>27</sup>

Individual scorecards are used to show when the quantitative/financial and qualitative/non-financial objectives have been reached, whereupon the amount of the bonus awarded to the CEO and Group General Manager ranges from 20% to 40% of the value of their annual fixed remuneration for each year of the strategic plan. The variable LTI component deriving from the financial/quantitative objectives may be adjusted by the Board of Directors according to whether or not the non-financial/qualitative objectives have been reached, in a range between -10% and +15%. The non-financial/qualitative objectives are considered as having equal weighting, to be assessed individually. The adjustment to these objectives applies without prejudice to the annual cap of 40% deriving from achievement of the financial objectives.

The final amount payable at the end of the plan, pro rata to the overall performance delivered, is determined by evaluating each of the objectives contained in the scorecard based on the weighting assigned to them. The main features of the Plan are as follows:

Components	Description
<b>Time horizon over which performance is assessed</b>	Four financial years, from FY 2019-20 to FY 2022-23, consistent with the Strategic Plan
<b>STI/LTI pay mix</b>	<ul style="list-style-type: none"> <li>◆ On an annual basis, pay mix maximum of 80% STI -20% LTI</li> <li>◆ To comply with the 2:1 cap approved by shareholders in annual general meeting, maximum of 160% short-term incentive/40% long-term incentive on an annual basis</li> </ul>
<b>Gateways</b>	<p>Same as provided in the Remuneration Policy, assessed over the course of the plan, as follows:</p> <ul style="list-style-type: none"> <li>◆ RAF capital and liquidity indicators subject to annual assessment as at the balance-sheet date;</li> <li>◆ Earnings indicators on an aggregated basis at the end of the Plan.</li> </ul>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>◆ Financial/quantitative KPIs have been selected from among the Plan objectives linked to value creation.</li> <li>◆ Non-financial/qualitative objectives have also been set.</li> </ul>
<b>Means of payment</b>	As per the deferral scheme provided in the Remunerations Policy currently in force (i.e. 60% deferred over a five-year time horizon, 47% cash/ 53% equity). The value of the MB share is established on the basis of the average stock market price in the 30 days before the LTI plan is approved by the BoD.

27) The CEO of Compass and CheBanca! is also included in the Plan.

	KPI	Weighting	Target KPIs 2019-23 Strategic Plan	Assessment criteria	
				KPIs threshold	% fixed on an annual basis – Strategic Plan time horizon <sup>1</sup>
Growth	EPS Growth	33%	4%	> 5%	40%
				4% - 5%	30% - 40%
				4%	30%
				3% - 4%	20%
				< 3%	0
Profitability	Group ROTE	34%	11%	> 12.1%	40%
				11% - 12.1%	30% - 40%
				11%	30%
				10% - 11%	20%
				< 10%	0
Capitalization	CET 1 <sup>2</sup>	33%	13,5%	>13,5%	40%
				13% - 13,5%	20% - 40%
				< 13%	0


1) Where a range is indicated, quantification is by linear interpolation.

2) Conditional upon shareholder remuneration of up to €2.5bn over four years (€1.9bn in cash dividends and €0.3-€0.6bn in share buybacks with shares cancelled) and the regulatory requisites being met.

Non-financial qualitative objectives	KPIs	Assessment criteria
Corporate Social Responsibility Targets (Global Goals SDG UN)	<p>Average hours' training +25%</p> <p>AM: 100% of new investments selected using ESG as well as financial criteria</p> <p>€700m to be invested in outstanding Italian SMEs</p> <p>30% more ESG products in clients' portfolios</p> <p>€4m per annum in projects with positive social/environmental impact</p> <p>Customer satisfaction: CheBanca! CSI in core segments @73, NPS @25 - Compass: CSI @85, NPS @55</p> <p>Energy: 92% from renewable resources, CO2 emissions reduced by 15%; hybrid vehicles @90% of MB fleet</p> <p>CheBanca! green mortgages up 50%</p>	<b>-5% / +7.5 quantitative financial results</b>
	Relative performance Total Shareholder Return	Mediobanca stock market performance vs Total Shareholder Return index (TSR: based on assumption of dividends being reinvested) of 26 leading European banks (Euro Stoxx Banks – code SX7GT-STX), which includes Mediobanca

The variable component will be paid by the terms, conditions and methods set out in this policy according to the following scheme:

Instrument	Long-Term Incentive							Total
	Performance evaluation	Payment					2028	
	FY 19/20 – FY 22/23	2023	2024	2025	2026	2027		
Cash		20%		13%			14%	47%
Equity			20%		11%	11%	11%	53%

upfront
  differito

The share-based component has been calculated based on the Mediobanca stock market price at the date on which the LTI Plan was approved (i.e. the average price in the thirty days prior to the Board meeting held on 19 December 2019, namely €10.1356). The actual number of shares to be assigned, subject to the additional performance/malus conditions and/or holding periods provided for in the Remuneration Policy will be finalized and rebalanced when the Plan is completed and the variable component has effectively accrued. The total number of shares that can be awarded is 276,093, 150,597 of which to Alberto Nagel and 125,496 to Francesco Saverio Vinci.

In the event of substantial changes to the Strategic Plan or exceptional events, the Board of Directors, if the Remunerations Committee and the other competent Committees are in favour, may choose to cancel or revise the Plan, or amend its characteristics and/or manage its respective impact on the individual beneficiaries.<sup>28</sup>

- 4) The Chief Executive Officer and Group General Manager also receive their emoluments as directors, but not those due in respect of participation in committees. An insurance policy is available to cover them for third-party liability, and they also benefit from participation in the complementary pension scheme, other benefits and welfare schemes operated for Mediobanca Group management staff.
- 5) The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed salary (including the emolument payable for holding such office, as measured at the end of the financial year and based on the average Mediobanca stock market price recorded in the same financial year), and the Group General Manager one time the amount of his fixed salary, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire. The equivalent amount of shares, to be delivered in a timespan of five years from the date of their first award, must be held

<sup>28)</sup> In the event of a beneficiary ceasing to work for Mediobanca during the life of the plan, and assuming they qualify as a "good leaver", their participation in the Long-Term Incentivization Plan may be confirmed pro rata to the period actually worked by them, subject to assessment of whether or not the scorecard KPIs have reached the requisite levels (this calculation to be made based on the results of the plan itself), and subject further to the vesting conditions, deferral mechanisms and time horizons provided.



throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders (this is known as the “stock ownership requirement”).<sup>29</sup>

**d) Management with strategic responsibilities (as defined in Article 3 of Regulation EU No. 596/2014) who are not Directors**

Management with strategic responsibilities (as defined in Article 3 of Regulation EU No. 596/2014) who are not Directors consist, as at the date of approval of this document: the three heads of the control units, the Group Chief Financial Officer, the Group HR & Organization Director, the head of the Consumer Banking division and the Wealth Management/Premier business line, and the head of the Corporate and Investment Banking division.

As part of the performance evaluation process for management with strategic responsibilities who head up business divisions, a reference value is established for variable remuneration relative to the fixed salary, in connection with the cap set by shareholders in Annual General Meeting, which takes account of the benchmarks or equivalent compensation for similar roles, market position, number of years in the post, and materiality of the role. The maximum short-term component takes account of whether or not the recipient is included in the Group Long-Term Incentive Plan linked to the Strategic Plan or to other long-term performance evaluation mechanisms. Target values for the indicators are usually set based on budget. ESG indicators are also taken into account, consistent with the scope of operations governed and related to the budget or Strategic Plan figures, or to be assessed based on how much they have changed from the previous financial year. Between 80% and the minimum (budget/target), a figure of 50% of the reference value (i.e. % fixed salary is set); above the target figure, the calculation is completed by means of a linear interpolation up to the maximum. The final amount of variable remuneration thus calculated may then be adjusted based on overall economic sustainability criteria.

Quantitative objectives	Weighting	Minimum	Maximum	Result
Earnings/financial objective 1	Min. 90%	vs budget/target	> incremental vs budget/target depending on type of objective	Fixed % linear
Earnings/financial objective 2				
Earnings/financial objective 3				
Earnings/financial objective 4				
Objective 5 ESG financial/quantitative objective	Max. 10%	vs budget/target and/or YoY chg.	> budget and/or YoY chg.	Fixed % linear
Variable component amount	100%	<u>50% gross annual salary (or another %)</u>	<u>160% gross annual salary (or another %)</u>	

Qualitative objectives : -10%/+15%	Management assessment	Range
Objective 1 ESG project/qualitative/non-financial	Not achieved/Partially achieved/Achieved/Exceeded	-5% / + 7.5%
Objective 2	Not achieved/Partially achieved/Achieved/Exceeded	-5% / + 7.5%

29) At 30 June 2021, the Chief Executive Officer held 2,939,050 Mediobanca shares and the Group General Manager 1,175,000 Mediobanca shares, equal to approx. 12.5x and 5.9x their fixed remuneration at the year-end (including the emoluments payable for the office held by them) based on the average Mediobanca stock market price during FY 2020-21 (€8.0601 per share).





For strategic management with roles of responsibility in the control and staff units too, a maximum figure is set for variable remuneration relative to fixed salary, in connection with the cap set by shareholders in the Annual General Meeting. This maximum figure takes account of the salary benchmarks or references for similar roles, market positioning, experience in the position and importance of the role. The objectives are primarily project-based and qualitative, including in relation to ESG issues, with the inclusion of earnings indicators generally linked to the efficiency of the area covered.

Objective	Weighting	Management assessment	Result
<b>Operating sustainability objective (FTE-HC/Direct Cost/Efficiency)</b>	15%	<b>Not achieved/Partially achieved/Achieved/Exceeded</b>	<b>Variable up to a maximum of 33% in cases where objectives are exceeded for control units and up to around 75% for other units</b>
<b>Objective 1 - Project and/or area-specific and/or strategic</b>	Min. 75%		
<b>Objective 2 - Project and/or area-specific and/or strategic</b>			
<b>Objective 3 - Project and/or area-specific and/or strategic</b>			
<b>ESG Objective project/qualitative/non-financial</b>	Max. 10%		
<b>Variable component amount</b>	<b>100%</b>		

The scorecards of strategic management are brought to the attention of the Remunerations Committee ex ante and ex post.

The variable component is only calculated after it has been established that no compliance breaches have been committed (as per the Compliance Breach Directive).

A similar performance evaluation is also adopted for the heads of the main business divisions included in the scope of Identified Staff who are not fall within the scope of strategic management.

**e) Identified Staff employed in control units**

The remuneration package for the Group's Identified Staff in the control units (Group Audit, Compliance and Risk Management) is structured so that the fixed component represents the majority, with a variable component assigned annually based on qualitative criteria in relation to the effectiveness and quality of control action. The variable component has a maximum limit of 33% of the fixed component, while that of the heads of unit is set annually by the Board of Directors, at the Remuneration Committee's proposal.

**f) Staff working for Group companies**

In Group companies, the incentivization system is reserved specifically to senior staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are identified by the Chief Executive Officers and/or General Managers of the companies themselves (including the senior management – CEO/Group General Manager – of companies directly controlled by them), and the General Manager of Mediobanca and Group HR informed accordingly. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined annual bonus target and calculation method. For each Group legal entity that has its own individual RAF, checks are carried out to ascertain if the risk profile has been kept consistent during the year with the objectives and limits set on an individual basis, to enable the incentivization system for identified staff at the individual company to be accessed. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings



performance delivered by the company (the indicator used for the Group companies is usually the Economic Profit and/or ROAC delivered by the business division in which they work or by other specific risk-adjusted metrics based on the type of activity, as is the case with Wealth Management and Asset Management, and other secondary, quantitative objectives, *inter alia* ESG-related. The evaluation is completed by the achievement of individual management and project objectives.

Specific long-term incentivization plans may also be implemented, with performances evaluated over a time horizon of several years if linked to new strategic initiatives related to the relevant business unit or if related to inclusion in management roles; some of the recently-acquired non-Italian entities also have their own incentive schemes based on equity instruments, consistent with their governance structure.

For the commercial branch and credit management network, the variable component takes due consideration *inter alia* of the supranational and national regulations in the area of transparency. The EBA Guidelines and the Bank of Italy's Supervisory Instructions serve to protect consumers against disputes that could derive from improper incentives for sales staff, based exclusively on commercial objectives, or of a kind that would encourage them to sell products that are inappropriate to the consumers' financial needs. Intermediaries are asked to adopt remuneration policies and practices for staff and third parties forming part of the sales network which are based on criteria of professionalism, transparency and proper conduct in relations with clients, that take due account of consumers' rights and interests.

The incentivization system for the networks is therefore based on specific quantitative indicators that can be applied individually or collectively by organizational unit:

- ◆ For Compass, the incentivization system for the commercial network is based on commercial and credit objectives being set at branch level rather than for individual collaborators. The performance criteria are balanced between objectives based on volumes and the quality of the risk assumed, with upper limits set both at the branch and the individual levels;
- ◆ For CheBanca! the system is based on commercial objectives set at both individual and team level. No incentive is based on individual products. The weightings for each of the two components and the target bonuses are based on the individual recipient's role, with a cap set in both relative terms (i.e. as a percentage) and absolute terms.

Furthermore, for all the networks valuation indicators are also adopted, to incentivize proper relations with clients, including (but not limited to): customer satisfaction analysis, commodity checks, lack of complaints attributable to specific responsibilities due to improper conduct versus clients, transparency in banking and financial transactions and services offered to clients, evaluation of other quality indicators (e.g. correct MiFID profiling, absence of contractual irregularities, observance of internal processes in the area of powers, proxies and guidelines). Due consideration is also taken of the results of checks made by the control units. The evaluation is completed by consideration of whether or not individual and project objectives have been achieved.

For the staff, support and control units, allocation is based primarily on qualitative criteria.

All staff are required to adopt socially responsible conduct, in line with the Group Corporate Social Responsibility policies, with reference in particular to the protection of environmental resources and corporate diversity and to the defence of human and social rights.

Below given limits, the bonus is paid entirely in cash in the year in which it accrues. Above such limits provision is made for forms of deferral, on a three-year basis. In the event of losses related (including, but not limited to) to provisions which prove to be insufficient, contingent liabilities or other items which might prejudice the integrity of the accounts (such instances not to be



construed restrictively; the “malus conditions”), and subject to the beneficiary continuing to work for the company at the time when payment is made, all or part of the deferred share may not be paid.

In line with the provisions in place for Mediobanca, the incentivization schemes in operation at the Group companies too place particular emphasis on the issue of proper individual conduct (i.e. compliance with regulations and internal procedures, and transparency versus clients) by adopting the concept of compliance breaches, both at the stage of award of the variable component, and in assessment of whether or not to pay any deferred components.

## **g) Persons working for asset management companies**

The Group includes companies in the asset management sector (UCITS and AIFs) which operate in different jurisdictions (Italy, United Kingdom, Switzerland, Luxembourg, Principality of Monaco). The general principles of the Group Remuneration and Incentivization Policy are applicable to such companies, with the proviso that the companies continue to be subject to the sector regulations instituted by the local regulators (for the European companies this means the national regulations transposing the UCITS V and AIFMD directives<sup>30)</sup> based *inter alia* on the criteria of proportionality and within the broader framework of the consolidated banking regulations on subjects including:

- ◆ Role of shareholders in general meeting, governing bodies, Remunerations Committee, and governance processes in general where applicable;
- ◆ Definition of identified staff at individual and consolidated levels;
- ◆ Remuneration and incentivization system structures correlated to performance indicators for the manager and the UCITS and AIFs managed and measured net of the risk concerning their operations, and which take account of the level of the capital and liquidity resources necessary to cover the activities and investments made;
- ◆ Use of carried interest plans among the variable remuneration instruments;
- ◆ Integration of ESG criteria into the investment processes and the remuneration and incentivization systems, also in order to integrate sustainability risks;
- ◆ Application of specific means of deferral between different categories of risk-takers, including variable remuneration assigned in the form of financial instruments linked to shares in funds or equivalent non-cash instruments, and including specific rules for the non-Italian companies to manage such components during the holding period;
- ◆ Caps on variable remuneration, if any, as a result of forming part of the banking group and the regulations applicable to it from time to time and/or the relevant jurisdiction (see section above on “Limits on variable remuneration” and exceptions to the 2:1 cap on variable to fixed remuneration);
- ◆ Observance of gender neutrality and the principle of equal opportunities in the respective remuneration policies;
- ◆ Specific malus clauses and clawback mechanisms;
- ◆ Dismissal or resignation;

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30) In Italy this refers to the deed amending the joint Bank of Italy/Consob regulations issued on 27 April 2017 which transposes and combines the UCITS V and AIFMD guidelines, and which, since December 2019, have been included in the Bank of Italy's Regulations in pursuance of Article 4-undecies and Article 6, paragraph 1, letters b) and c) bis of the Italian Finance Act.



- ◆ Disclosure requirements.

#### **h) External networks, FAs and senior advisors**

To achieve its strategic objectives and provide services to its clients, the Group also uses financial advisors retained on the basis of agency contracts in the Wealth Management division, and wealth managers in the Consumer Banking division. This allows them to promote and sell financial products and services without representation, on an independent and exclusive basis.

The FAs' incentivization system differs from that for employees, as it consists entirely of fee-based mechanisms which in turn are distinguished on the basis of the activities performed and the products sold. In view of the independent nature of their employment relationship, the FAs' remuneration is entirely variable but split, in accordance with the Bank of Italy's instructions, between recurring and non-recurring components.

- ◆ The recurring component chiefly consists of:
  - ◆ Direct commissions (on various products, such as asset management, individual portfolio management, insurance, asset administration, direct funding, bank services, bank products offered by the Mediobanca Group);
  - ◆ Indirect commissions ("oven" fees if a management mandate is issued, calculated based on the business promoted by the advisors co-ordinated and concluded by the Bank).

These are credited back on various grounds (e.g. sales, maintenance, management, negotiation and distribution fees) based on the commission table in force from time to time and attached as an annex to the agency contract. They constitute the more stable, ordinary component of their remuneration and in themselves do not serve for incentivization purposes (comparable to the fixed remuneration component for employees).

- ◆ The non-recurring component does serve for incentivization purposes (and is therefore comparable to the variable remuneration component for employees) and is linked, for example, to beating certain targets in terms of funding (bonus for developing portfolios or growing the Bank's customers), launch of new products, long-term incentivization schemes operative over several years, etc.

As required by the regulations in force, the Group includes staff members belonging to this category in its definition of Identified Staff based on the qualitative (i.e. responsibility for the relevant organizational units or for the earnings, financial or reputational risk to which they could expose the Group) and quantitative criteria set by the regulations.

As for staff employed by the Group, for Financial Advisors too assessment of individual conduct is taken into account, along with control of operational and reputational risks (such as compliance with the regulations and internal procedures, and transparency versus clients) through adoption of the mechanism known as compliance breach. Specific events or behaviours are monitored ex post, including (without limitation): sanctions or precautionary measures taken by the supervisory authorities against the financial advisor, complaints made by clients for actions attributable to the financial advisor, fraudulent behaviour or wilful misconduct by the financial advisor, failure to comply with the sector regulations, internal procedures and conduct obligations versus clients, with reference in particular to the duty to act in accordance with the principles of professionalism and proper conduct in relations with clients. Appropriate organizational procedures to prevent such situations from occurring are put in place ex ante; and such attention is also aligned with the requirements of the regulations on transparency.



The same rules apply to non-recurring remuneration received by financial advisors included in the definition of Group Identified Staff as apply to the payment of variable remuneration for the other Identified Staff (i.e. gateways, cap, deferral, malus clause and clawback, ban on hedging strategies).

Mediobanca and the Group legal entities which operate in the Corporate & Investment Banking sector may also enter into agreements with external collaborators, or “Senior Advisors”, who, working on a freelance basis, facilitate commercial relations and the expansion of business initiatives with clients and counterparties. This kind of agreement is common practice among investment banks and advisory boutiques, and serve to increase the likelihood of success, for the bank and/or the boutique as the case may be, of securing investment banking mandates that are typically one-off and do not entail an ongoing relationship with the client being established. Such agreements generally include a fixed retainer fee and/or expense refunds, plus an additional fee, where an amount is paid which is calculated as a percentage of the fee collected by the investment bank/advisory boutique for the individual deal which the Senior Advisor has helped secure and execute.

Similar to the system used for financial agents, insurance brokers and Financial Advisors, the remuneration structure envisaged for agreements with Senior Advisors – arrangements which in many ways are equivalent to the three types just mentioned – is based on the distinction between recurrent or non-recurrent remuneration as defined in the sector regulations. The fees received for each deal completed as part of the Senior Advisor's ordinary contractual activity qualifies as recurrent, as no incentivization mechanisms are provided, whereas non-recurrent remuneration occurs only where there is an effective incentivization mechanism in place, including (without limitation), a percentage fee which increases as the number of deals increases, or which differs according to the size of the deal concerned.



## 8 Policies in the event of the beneficiary leaving office or the employment arrangement being terminated

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

### a) Treatment for directors leaving office early

Mediobanca does not make payments other than the ordinary component to directors who leave office for any reason.

### b) Treatment for employees

Treatment for individuals linked to Mediobanca Group companies under the terms of employment contracts (i.e. including directors who are members of the Group's senior management and all Identified Staff, including the aggregate of management with strategic responsibilities) may involve payment of:

- ◆ The amount established and due in accordance with the provisions of law and the locally applicable contractual regulations in respect of the cost of failure to give notice<sup>31</sup> and other entitlements payable upon termination (severance provision, holiday leave etc.);
- ◆ An additional amount by way of severance if appropriate: severance pay is the main instrument recognized in the various jurisdictions for cases where the employment arrangement is terminated by mutual consent, in order to minimize the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes;
- ◆ Other types of arrangement, e.g. to cover non-competition agreements.

### c) Severance

The amount of severance pay is determined by taking into account the various factors normally stipulated in the applicable provisions of employment law and jurisprudence and in employment contracts (collective or individual), as well as the practice adopted on the respective reference markets. Although it is difficult to provide an exhaustive definition of the concrete situation *ex ante*, given the variety of individual cases, the following factors in particular are taken into account: number of years' service within the Group, age and personal and social conditions, role and organizational position held, the historical performance in qualitative/quantitative terms delivered by the individual, the reasons for employment arrangement being terminated (which in some cases may be organizational and strategic rather than related to individual performance), the performance of activities that have caused problems for the risk profile decided by the Group, personal conduct that does not conform to company values, and the existence of risks for the Bank linked to possible disputes. The approach adopted reflects the effective and long-term results of the individual and company performance.

The basis for calculating the additional monthly salaries to be paid by way of severance is usually the most recent fixed salary, the average variable remuneration paid over a given time horizon (generally the last three years), and in some cases the value of fringe benefits.

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31) In Italy the period of notice required is established on the basis of the national collective labour contracts in force at the time. Usually the notice period will be from six to twelve months, depending on the employees' number of years' service.



Mediobanca defines the total maximum amount payable by way of severance as 24 monthly salaries, as previously defined and in any case no more than €5m, unless provided otherwise by shareholders in general meeting. Such maximum limits do not imply any right or even the expectation that they will be fully applied, as application follows the criteria set by practice and/or by the legal and contractual provisions locally in force.

For non-identified staff only, severance does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.).<sup>32</sup> Severance does, however, include any sums paid under non-compete agreements. Severance payments may not under any circumstances exceed the limits set by the law, regulations and applicable collective bargaining contracts.

No provision is made for individual agreements that trigger the application of particular terms or conditions upon termination of the employment arrangement when the employment contract is signed.

#### **d) Severance for Identified Staff**

For all Group Identified Staff, including the Executive Directors and members of strategic management, Mediobanca has set a maximum of amount payable by way of severance as 24 monthly salary payments and, without prejudice to the foregoing, €5m. This amount includes any indemnity payable in lieu of notice<sup>33</sup> and/or sums paid in connection with non-compete agreements, save where provided otherwise by the shareholders in Annual General Meeting.

Amounts paid as severance, with the exception of the equivalent of the cost of any indemnity payable in lieu of notice and sums payable in connection with non-compete agreements, as specified below, are included in calculating the limit on variable remuneration as a percentage of fixed remuneration represented by the cap, where instituted, with reference to the last year of employment.

Any amounts agreed and/or paid under the terms of a non-competition agreement are included for purposes of calculating the cap only up to the amount which exceeds the share of the last year's annual fixed salary, for each year of the non-competition agreement's duration.

However, as provided by the regulations in force, in calculating whether or not the cap has been reached, no account is taken of any amounts agreed and/or paid under the terms of an agreement between the Bank and staff to settle a dispute that has already arisen (or at least is feared with good reason), at any stage of the settlement process, calculated as illustrated below. In order to quantify the risk objectively, the Bank takes advice from external lawyers specializing in employment law whose opinions are substantiated by objective legal references.

Amounts agreed and/or paid as severance under the terms of an agreement between the Bank and staff in order to settle a dispute which has already arisen (or at least is feared with good reason), without reference to the cap, are therefore determined<sup>34</sup> on the basis of the following formula:

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32) To express this in terms of number of years' annual fixed salary, for staff members who have received variable remuneration equal to 2x their fixed salaries (given the 2:1 cap) on an ongoing basis over the whole time horizon taken into consideration, a total of six annual fixed salaries would be payable. This estimate, which is purely theoretical, is balanced by the maximum amount payable in absolute terms established by the remuneration policies.

33) Cf. note 31 on the number of months' notice to be included in the total.

34) Net of the cost of any amounts paid by way of indemnity in lieu of notice and amounts due in connection with severance mentioned in point b) above, and with the provisions specified in the foregoing note 26.



Severance = monthly salary (MTC) x indicator representing number of years' service (Y) ± correction factor (CF)

or

$$\text{Severance} = (\text{TCM} \times \text{Y}) \pm \text{FC}$$

where:

<b>TCM</b>
<b>Y</b>
<b>FC</b>

Calculation basis: average monthly total gross compensation, or fraction thereof, usually derived from the most recent annual fixed salary, the average variable remuneration paid over a given time horizon (last three years where applicable), and the value of any fringe benefits.

Indicator representing the number of years' service in the Mediobanca Group: these are considered as not less than 7 and not more than 12.

Correction factor: determined and justified, on the basis of objective and suitably documented parameters, to be calculated according to the criteria set forth below:

- ◆ Age;
- ◆ Personal and social conditions provided for under the internal regulations;
- ◆ Role and position within organization;
- ◆ Historical individual qualitative and quantitative performance delivered;
- ◆ Reason for end of employment arrangement (in some cases may be organizational and strategic and not strictly related to individual performance);
- ◆ Activities performed that have caused problems with respect to the risk profile adopted by the Group;
- ◆ Personal behaviour not aligned with company values;
- ◆ Existence of risks for the Bank as a result of disputes that have already arisen or are feared with good reason, based on opinions obtained from leading lawyers; and
- ◆ Specific refinements which take into account the employment law provisions in force in the specific countries other than Italy where the Group operates.

The Bank determines analytically in its internal regulations the weightings used to define the overall correction factor applicable in practice, which in general terms may vary between - 100% and + 100%.

Severance may not be paid in cases where the conduct of individual staff members has damaged the integrity of the Bank's capital, profitability and earnings/financial or reputational situation, whether or not fraud and/or wilful misconduct is established.





#### **e) Timing and payment instruments**

For identified staff included in clusters 2 and 3 in the table shown in the section entitled “Policies for identification of Material Risk-Takers”, the methods and timescales provided for in making severance payments and any compensation for non-competition agreements (except in the latter case for the share of any such amounts that does not exceed the last year’s payment in terms of fixed salary) entered into upon terminating an employment relationship, and excluding the equivalent of the cost of the indemnity in lieu of notice, include payment based on the timescales and deferral mechanisms instituted for payment of variable remuneration, use of shares or instruments related to them, payment being made subject to malus conditions in the event of liability being established in cases of fraud and/or wilful misconduct and/or attributed in a court of law to the individual staff member’s own responsibility during the period in which they worked for the company which emerge after the employment relationship has been terminated. For other identified staff, forms of deferral and risk adjustment may be applied, with the appropriate methods to be identified based on the amount to be paid by way of severance, in addition to the considerations described under point c) above. The Bank also reserves the right to use the claw back mechanism in the cases provided for in the applicable employment law regulations.

#### **f) Treatment of deferred component and fringe benefits**

Entitlement to receive deferred variable remuneration components, in cash and/or equity, awarded in previous years but not yet paid, is forfeited in cases where staff members tender their resignations or are dismissed, as does the entitlement to any company benefits.

#### **g) Treatment of “good leavers”**

“Good leavers” are defined as those staff members whose employment arrangement ends by mutual consent (including in cases of retirement or early retirement, collective retirement incentive schemes addressed to the population at large or to groups of staff following extraordinary transactions or restructuring processes defined *inter alia* on the basis of agreements with trade unions and in accordance with the legal and regulatory provisions in force at the time, possible terminations as a result of business units being spun off, or agreed transfers to legal entities not part of the Mediobanca Group), or by death or permanent incapacity, duly certified, if it renders the staff member concerned unable to perform their duties.

For treatment of good leavers, exceptions providing for more favourable treatment in individual cases may be granted, with the possibility also of applying more favourable local legislations, with regard to: i) management of any deferred items outstanding, including in view of their value; ii) assignation of any variable remuneration payable pro rata for the financial year still in progress (but in any case referring to results actually delivered, in accordance with the Remuneration and Incentivization policies in force); iii) retention of fringe benefits (generally temporary and for a limited period of time following the termination of the employment relationship). Consultancy and/or collaboration agreements may also be entered into. The responsibility for this lies with the governing bodies in accordance with their respective powers, namely the Board of Directors, Remunerations Committee, the Related Parties Committee, and the Chief Executive Officer of Mediobanca.

In all other cases where the employment arrangement is ended, including resignations, the staff members concerned are considered “bad leavers”, even though the Bank may decide to treat them as “good leavers” in any case, in view of the specific features of the case concerned, to be evaluated on the basis of suitably justified and documented objective criteria



**h) Decisions by third parties**

The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies.

**i) Involvement of governing bodies**

Regular reporting is made to the Remunerations Committee on any decisions taken vis-à-vis employees qualifying as Identified Staff, and the Committee itself is involved promptly in deciding on the treatment of the most significant individual cases.

**j) Arrangements for the Chairman, CEO of Mediobanca and Group General Manager**

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any reason, the provisions of the Group's remuneration policy for Identified Staff and the sector regulations in force from time to time shall apply. Any amounts paid in cash, in addition to notice, shall be subject to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any deferred components in cash and financial instruments assigned to them up to the time when the employment arrangement is terminated.



## 9 Activities and checks performed by the Compliance unit on the Mediobanca Group Remuneration and incentivization policy

Under the regulations on remuneration policies and practices, the Compliance unit is required to check that the reward system in place meets the objectives of complying with the regulations and the company's Articles of Association and Code of Ethics. The Compliance unit has reviewed the new Remunerations Policy to be submitted to the approval of shareholders at the Annual General Meeting, and has carried out its own checks on its compliance with the regulatory framework.

In addition to its review of the document governing the new Remuneration Policy, the Compliance Unit has also performed other activities and checks during the year, to ascertain that the incentivization system is compliant with the regulations, in particular as follows:

- ◆ Identification of identified staff: the Compliance unit has participated in the process of identifying the consolidated scope of identified staff, and has ascertained that: i) the scope of identified staff is consistent with the regulatory criteria; ii) the process has been adequately formalized and tracked, including with the support of an external consultant who has issued a specific opinion, confirming that the choices have been made by following a proper process. The unit has also worked with Group HR to update the Group Directive for identifying staff with a material impact on the Mediobanca Group's risk profile;
- ◆ Asking for information on the accounts/transactions of MRTs: the Compliance unit, once again in co-operation with Group HR, has, like in previous years, asked the MRTs to provide disclosure on the custody accounts held by them and the transactions they have executed that could impact on the risk alignment mechanisms, and more generally, on pursuit of the objectives of the regulations in the area of remuneration. Such requests also enable sample-based controls to be run to ascertain compliance with the Supervisory Instructions (e.g. no hedging strategies implemented on remuneration);
- ◆ Identifying possible compliance breach: the Compliance unit, in conjunction with Group HR and the Group Audit Unit, has checked whether or not any compliance breaches have been committed that could impact on variable remuneration.

The unit has checked that the remuneration and incentivization systems are in line with the Bank's objectives in terms of sound and prudent management, and meet the fundamental objectives of the regulations in this area. Based on the considerations summarized above, and having regard to the activities and controls performed in FY 2020-21, the unit has found that the new Remunerations Policy is compliant with the regulations. Similar checks were also run by the Compliance units of the main Group legal entities for their relevant companies. The evidence compiled by the Compliance unit was submitted to review by the Board of Directors of Mediobanca at the meeting held on 23 September 2021.



MEDIOBANCA



## Section 2

### Disclosure on Compensation paid in FY 2020-21



## a) Introduction and scenario

The Mediobanca Group's diversified business model, coupled with the ongoing enhancement of the growth initiatives and rigorous asset quality governance, paved the way to delivering record results in the financial year ended 30 June 2021 in terms of revenues and return to pre-Covid profit levels, despite the ongoing pandemic situation. The divisions continue to show improvement in terms of positioning, revenues and profitability. The significant progress made by CIB, at the highest levels seen in recent years in terms of revenues and profits, offset the consolidation in Consumer Banking and Principal Investing.

Highlights were as follows:

- ◆ Record revenues (€2,628m, up 5% YoY), driven by the increasing scale and profitability in WM and the strong performance in CIB activities;
- ◆ Record fee income of €745m (up 18% YoY), with net interest income resilient at €1,415m (down 2%);
- ◆ Material reduction in the cost of risk, now stable at 52 bps (down 30 bps YoY, vs 82 bps), with asset quality at its best-ever levels and with substantial overlays;
- ◆ GOP back to 2019 pre-Covid levels at €1,142m (up 20% YoY);
- ◆ Cost/income ratio stable at 47%, despite ongoing enhancement of distribution;
- ◆ Net profit up 35% to €808m, EPS up 34% to €0.91
- ◆ ROTC 9% (CET1 16.3%, up 20 bps YoY) on growing capital base (TBVPS up 10% to ~€11 per share);
- ◆ Group capital position even stronger, with return to dividend: CET1 ratio phase-in 16.3%, CET1 ratio fully-loaded up to 15.08%, Total Capital ratio for the year 18.91%;
- ◆ Distribution policy: DPS €0.66 (7% yield), cash payout ratio 70% of net profit, cancellation of treasury shares held and new buyback scheme (up to 3% of share capital);
- ◆ Acceleration on ESG roadmap.

With reference to the 2019-23 Strategic Plan, the guidelines, objectives, capital optimization policy and shareholder remuneration have all been confirmed.

Decisions on staff remuneration and incentivization have therefore been taken with a view to realizing a business scenario which:

- ◆ Rewards outstanding professionals operating in the business areas who have impressed by their contribution to the Group's results, with a particular focus on WM and CIB ("Pay for performance");
- ◆ Pursues a remuneration policy geared towards attracting and retaining the best talent available in a highly competitive market in its search for high-quality collaborators ("talent attraction and retention");
- ◆ Consistently respects, on remuneration matters, the principles of prudence, long-sightedness and sustainability ("Sustainability").



## b) Governance

The corporate bodies and company units have governed the entire process of applying the Remuneration Policy.

In particular, as described *inter alia* in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on nine occasions, and the meetings on average lasted around 1 hour and 30 minutes. The Committee is made up of five non-executive members, all of whom qualify as independent. The Statutory Audit Committee also participated in the Committee meetings, as did (apart from in one case) the Chief Executive Officer and the General Manager as guests. The Chief Risk Officer and the head of Group HR also took part, along with other members of the Group's staff.

The main items discussed in Committee meetings, in addition to this report, are as follows:

- ◆ Formulation of proposals to the Board of Directors regarding the determination of the Directors' compensation following the reappointment of the Board of Directors at the Annual General Meeting held on 28 October 2020;
- ◆ The proposals regarding the variable remuneration of the Chief Executive Officer and General Manager (defining and marking their annual scorecards);
- ◆ Decisions made by the Chief Executive Officer regarding the variable remuneration for staff, including definition of the aggregate bonus pools and the amount set aside for Identified Staff;
- ◆ Revision of scope of Identified Staff;
- ◆ The gender neutrality of the Remuneration Policy, and gender pay gap data;
- ◆ Update of regulations based on documents issued by national and supranational regulators on the subject of remuneration;
- ◆ Analysis of market benchmark compensation and guidance from institutional investors and proxy advisors;
- ◆ Application of the severance policy.

Group HR has provided full support in all activities, co-ordinating the process of formulating the proposals and resolutions, and executing them. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the new Policy.

The Compliance unit has issued a report stating that the remunerations policies conform to the Bank of Italy and internal regulations, and the Group Audit Unit checked that they were implemented correctly. A summary of their reports is also contained in this document. The Risk Management unit, too, has been involved in ascertaining that the gateways have been met. The Planning, Accounting and Financial Reporting areas also provided the data for determining the business areas' performances and gateways.

At the Annual General Meeting held on 28 October 2020, approx. 81% of shareholders voted in favour of the Disclosure on compensation paid in 2020.



**c) Incentivization system: determination of variable remuneration and allocation using risk-adjusted metrics based on sustainable results over time**

**I. Assessment of gateways**

All the Group's gateways for the year ended 30 June 2021 were met:

Group Gateways	KPI - 30 June 2021
CET 1 ratio	16.3%
Leverage ratio	9.1%
AFR/ECAP	196%
Liquidity Coverage Ratio	158%
Net Stable Funding Ratio	116%
Group GOP	€1,142m

For the banks in the Mediobanca Group which adopt their own RAF on an individual basis (Compass, CB! and Mediobanca International), in the course of the twelve months their risk profile remained consistent with the objectives and limits set, with no breaches of the thresholds recorded.

The other quantitative and qualitative metrics were also met, in the sense that the Group's results reflected the required risk/return balance, in compliance with all the objectives set in the Risk Appetite Framework. From a qualitative perspective, Mediobanca confirmed its positioning and market share in a difficult market scenario.

**II. Results of main business units**

As previously mentioned, the Group delivered record results in the year ended 30 June 2021:

- ◆ Revenues at all-time highs (€2.6bn);
- ◆ Profitability (net profit €808m and ROTE 9%), rapidly returning to pre-Covid levels;
- ◆ Solid capital base (CET1 16.3%);
- ◆ High asset quality (gross NPLS 3.2% of total loans, coverage ratio 1.36% of performing loans and non-performing loans 65%).

Wealth Management delivered a net profit of €100m for the first time, on revenues up 7.5% (to €627.3m, approx. 54% of which from fee income), with the cost/income ratio down to 75% (vs 77% last year). ROAC increased to 21% (19%). The robust commercial activity, which did not slow during the pandemic, coupled with the buoyant trend on financial markets, drove growth in TFAs (to €71.5bn, up 12.4% YoY), in indirect funding in particular (to €46.3bn up 16.3% YoY and up 5% QoQ), and an increase in the average return of portfolios (ROA up from 84 bps to 87 bps). In line with the 2019-23 Strategic Plan guidelines, during the twelve months the distribution network was strengthened with the addition of more than 80 professionals.

For Mediobanca Private Banking, the results reflect:



- ◆ Strong growth in AUM/AUA (gross, €13.7bn, vs €10.9bn at end-June 2020; deposits €4.0bn (€4.3));
- ◆ NNM €1.2bn; outflows from deposits (approx. €360m), roughly half of which converted to AUM/AUA;
- ◆ Trend in TFAs underpins growth in revenues (up 13%), with fees up 17% (following on from 29% growth in 2020) and GOP (up 24%, to €30.2m);
- ◆ Fees of €82m (€70m) confirm ongoing growth in management fees (up 12%, following on from 20% growth last year), plus commissions in relation to private markets deals and income following the exit from investments made via "The Equity Club" initiative;
- ◆ ROA (fees receivable/average AUM) stable at 61 bps.

As for the Premier segment of Wealth Management operations (CheBanca!), the following results should be noted:

- ◆ TFAs up 17% to €32.5bn, €15.6bn of which AUM/AUA, up 25%; deposits also grew, from €15.3bn to €16.9bn
- ◆ NNM €3.7bn, €2.1bn of which in AUM/AUA;
- ◆ Material growth in revenues (up 13% YoY) to €358m, driven by fees (up 24%);
- ◆ Further acceleration in fee income (up 24% YoY, following on from 19% growth in 2020), driven by management fees (up 30%) with ROA increasing from 118 bps to 122 bps;
- ◆ Cost/income ratio decreasing.

For Mediobanca SGR, revenues were stable at €25m, on TFAs up from €12bn to €12.5bn due to an increase in the captive component (up from €8.5bn to €9.6bn), more than offsetting the outflows from institutional clients; effective co-operation with the Premier network has also facilitated the placement of €200m in Target Maturity funds (Mediobanca Diversified Credit Portfolio), while on the Private Banking side, new deposits were gathered in portfolio management products for a total of over €260m.

Corporate and Investment Banking delivered a record net profit for the twelve months of €284.5m (up 57.4%), on the back of an outstanding performance in Investment Banking which helped drive revenues up 21.4% to €698.2m and keep the cost/income ratio down to 44%. The excellent trend in Wholesale Banking (net profit of €268.2m) absorbed the reduction in Specialty Finance (net profit of €16.3m, versus €25.4m), and allowed ROAC to increase to 16%.

The performance in Wholesale Banking, which is part of the CIB Division, reflects growth in GOP of 73%, on the back of material, 26% growth in revenues. The main income items performed as follows:

- ◆ Net interest income up 12%, driven by a positive contribution from client business (up 16%) and an impressive performance in fees which rose from €191m to €270m, driven by domestic Investment Banking (up 42%) which was boosted by the excellent momentum in ECM and growth by Messier & Associés (up 167%);
- ◆ Recovery in trading income due to good performances by the proprietary desks;
- ◆ Loan loss provisions which were boosted by the Burgo writeback and the improvement in the macroeconomic scenario, enhanced by the high quality of the loan book which in turn enabled substantial overlays to be made.





The accounting Economic Profit earned by Mediobanca Wholesale Banking excluding Messier & Associés (which is not included in the gateways, but is a risk-adjusted indicator for assessing the sustainability of the bonus pool) totalled €316m, representing an improvement both on last year (30/6/20: €125m) and end-June 2019 (€253m).

The performance in CIB Client business reflects:

- ◆ Record results, with Economic Profit bouncing back to €277m (vs €139m, an increase of 99%), better than the 2019 result (€263m, i.e. 5% higher);
- ◆ Revenues up by approx. €60m, to near end-June 2019 levels, albeit reflecting a mix more focused on IB activities (up from €217m to €252m, due to good performances in Corporate Finance and ECM) and lending activities (up from €191m to €214m);
- ◆ Against a backdrop of strong growth in the M&A market, Mediobanca has strengthened its leadership position in the domestic market and in France (which now generates some 40% of the Group's advisory revenues) and reinforced its position in the mid-cap segment where it has become the leading domestic operator, as a Private Investment Bank addressing mainly companies that are family-owned and run.

As for the Consumer Banking Division, in a difficult market scenario, in which the consumer credit sector has been strongly impacted by the pandemic emergency, with volumes and revenues dropping as a result of the repeated lockdowns, Compass has confirmed its position as a primary operator, with a top line in excess of €1bn and a market share of 10%, and highly profitable (net profit €278.9m, ROAC 27%), on the back of its extensive franchise and established capabilities in risk assessment. The main results were as follows:

- ◆ Revenues down 6.4%, with NII in particular down 7% on lower volumes of new business during the first lockdown in particular, coupled with increasing competitive pressure on margins;
- ◆ Cost of risk down from 247 bps to 198 bps, reflecting ongoing improvement despite the prudential provisioning policy which has resulted in approx. €200m in overlays;
- ◆ GOP down 5% YoY to €415m but still significantly above budget (€280m);
- ◆ ROAC for the Consumer Banking division in the 27% area, stable YoY but lower than the 30% reported in 2019.

The Principal Investing division made a positive contribution to the Group's earnings, up 4.6% to €309m, following a solid performance in 4Q which offset the other quarters when results were impacted by certain non-recurring items; ROAC 14%.

### **III. Determination of variable component and bonus pool for Identified Staff at the main business units**

Having therefore ascertained that all the conditions precedent to the distribution of the variable component had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer of Mediobanca, after consulting with the Group General Manager, and the relevant internal and control units, thus set the overall amount for Mediobanca S.p.A. at approx. €80.1m, some €26m of which for Material Risk Takers (MRT), 53% higher than in 2020 (€52.1m, of which €18m to MRTs) and 9% higher than in 2019 (€74m, of which approx. €29m to MRTs). This reflects the results delivered as shown by the product and business unit scorecards. The overall bonus pool for the parent company is thus realigned with the 2019 trends, including the higher staff numbers and the growing contribution made by Mediobanca Private Banking.



The variable component for Mediobanca Wholesale Banking has been set at approx. €52.5m (versus approx. €31m in 2020 and €48.2 in 2019), representing a YoY increase of 70% (approx. €17.7m to the MRTs, vs €11m in 2020 and €19.2m in 2019). Of the amount payable to the WB Division, €47.6m has been assigned to CIB Client, up 65% YoY (€28.8 in 2020 and €46m in 2019), representing payouts equal to 16.5% of Economic Profit for the whole WB Division (25% in 2020 and 19% in 2019) and of 17.3% for CIB Client (21% and 17% respectively).

The fixed/variable ratio for staff employed in Mediobanca WB is 100%, compared to 58% in 2020, and 98% in 2019, while for MRTs it is 129% (vs 69% in 2020 and 116% in 2019).

The variable component in Mediobanca Private Banking was equal to some €9.5m, €1.3m of which for MRTs (versus €7.8m in 2020, some €1.4m of which for MRTs, and €7.2m in 2019), with a payout of 21% (vs 22% in 2020 and 29% in 2019). The fixed/variable ratio for MB Private Banking staff is 54%, compared with 45% in 2020 and 38% in 2019, while for MRTs it is 147% (vs 120% in 2020 and 128% in 2019).

A total of €18.2m has been earmarked for staff in the PI division, MAAM and the Holding Functions units, €7.1m of which for MRTs (vs €13.5m in 2020, representing an increase of 38%, of which approx. €5.5m to MRTs, and vs €18.6m in 2019, i.e. lower, of which approx. €8.2m for MRTs – down 33%), which includes the variable component assigned to the Chief Executive Officer and the Group General Manager, as well as the heads of the control units.

Considering all staff employed by the parent company Mediobanca S.p.A., the variable/fixed ratio is 66%, compared with 43% in 2020 and 65% in 2019.

Some of the primary objectives in making individual awards of variable remuneration are to:

- ◆ Reward the record results delivered by CIB Client and MB Private Banking;
- ◆ Acknowledge the positive performances by the high-profit, capital-light CIB product areas by means of higher payouts;
- ◆ Maintain a competitive compensation package for talented staff, in order to motivate and retain them in a market scenario where there is strong competition for talented bankers;
- ◆ In view the excellent performances delivered by both the Group and the individual divisions (WB and WM in particular), make up the gap versus other banks due to the fact that Mediobanca's financial year starts on 1 July, meaning that the variable remuneration component has been penalized by the first half of the financial year being more impacted than the other banks by the Covid-19 crisis.

Group HR and the Compliance unit both reviewed potentially relevant instances in connection with application of the compliance breach mechanism.

The 2021 variable component for MB SGR was approx. €2m, stable versus 2020 (with the share paid to MRTs approx. €0.5m, the same as in 2020).

In CheBanca! the variable remuneration component amounted to approx. €11.3m, €0.5m of which to MRTs, slightly higher than the €11.2m in 2020 (of which approx. €0.6m to MRTs), due to the excellent results achieved. The variable/fixed ratio for CheBanca! staff was around 160%, compared to 43% in 2020 (due to the completion of the FAs' long-term incentivization plan); considering all staff employed by the company, the ratio was 16%, versus 13% in 2020.

The long-term, non-recurring incentivization plan (2017-21) for certain select Financial Advisors and the Head of the FAs division (involving a total of ten beneficiaries) linked to the achievement of certain objectives set in relation to the initiatives launched in 2017 has now



reached its conclusion. All the objectives have been met in full, resulting in a total payout of €4.4m.

The amount of the variable remuneration for the Consumer Banking division is approx. €7.1m, €1.6m of which to MRTs, slightly higher than last year (when €6.4m was paid, approx. €1.3m of which to MRTs). The variable/fixed ratio for identified staff in the Consumer Banking division was around 80%, compared with 65% in 2020; considering all staff employed by the division, the ratio was stable at approx. 12% (vs 9% in 2020).

The variable component assigned to the Group's Identified staff accounts for some 4 bps of CET 1 (approx. €29m, vs €21.3m in 2020, when the impact on CET 1 was approx. 3 bps, and €31.7m/ 5 bps in 2019), with a minimal impact on the Group's solidity requisites.<sup>35</sup>

Attention has been devoted to the issue of the gender pay gap during the year under review. Such gaps as have been noted are primarily due to professional seniority and to differences of role. From the benchmarking analysis performed, Mediobanca appears to be aligned with the market, both in terms of the number of women employed and in terms of their payment. The best mix in terms of male-female is among white-collar staff, which is the largest segment in terms of the number employees. The Consolidated Non-Financial Statement, to which reference is made, provides a breakdown of the Group's situation by professional categories for the financial year ended 30 June 2021.

As at 30 June 2021, management with strategic responsibilities as defined in Article 3 of Regulation (EU) 596/2014 (i.e. other than Directors) consisted of seven persons: the three heads of the control units, the Group CFO/Head of Company Financial Reporting, the Group HR & Organization Director, the head of the Consumer Banking division and the Wealth Management/Premier business line, plus the head of the Corporate and Investment Banking division. Their remuneration package reflects the provisions of the Remuneration policy, based on the individual category of Identified Staff to which they belong.

#### **d) Annual variable remuneration of Mediobanca CEO and Group General Manager (Short-term incentive scheme)**

The annual variable remuneration reflects the achievement of the quantitative and qualitative targets assigned in the annual individual scorecards approved by the Board of Directors. If the quantitative objectives are met, the amount of the annual variable remuneration payable to the CEO and the Group General Manager may be between 50% and 150% of their gross fixed annual salary. This amount may be adjusted by the BoD according to whether or not qualitative objectives have also been met up to 160% of the fixed salary (without prejudice to the 2:1 cap on an annual basis in connection with the long-term incentive scheme described below).

The quantitative performance indicators assigned for the financial year ended 30 June 2021 for the CEO were as follows:

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<sup>35)</sup> The aggregate bonus pool for Mediobanca Group companies whose financial year ended on 31 December 2020 (CMB Monaco, RAM, CAIRN and MMA) amounted to approx. €19m, approx. €2.2m of which to Group MRTs.



Objective	Weighting	FY 2021	State of progress				
			Below target	Near target	On target	Above target	Well above target
<b>Profit before Taxes (PBT) Group banking activities/Capital absorbed</b> <i>Optimization of return on capital allocated to core activities</i>	30%	24.2%					X
<b>Cost of risk (bps)</b> <i>Focus on main source of Group revenues and asset quality</i>	30%	52.3					X
<b>Total fees/banking revenues</b> <i>Focus on share of capital-light revenues out of total</i>	20%	31.6%					X
<b>RWA density banking activities: RWAs/Finrep assets</b> <i>Focus on loan quality</i>	20%	52.2%		X			

For the Group General Manager the targets assigned were as follows:

Objective	Weighting	FY 2021	State of progress				
			Below target	Near target	On target	Above target	Well above target
<b>Profit before Taxes (PBT) Group banking activities/Capital absorbed</b> <i>Optimization of return on capital allocated to core activities</i>	25%	24.2%					X
<b>Cost of risk (bps)</b> <i>Focus on main source of Group revenues and asset quality</i>	25%	52.3					X
<b>Banking cost/income ratio</b> <i>Balanced growth in income and costs</i>	20%	52.5%					X
<b>ROAC Wealth Management</b> <i>Optimization of return on capital allocated to the WM division</i>	30%	21.9%					X

The qualitative objectives for the Chief Executive Officer were as follows:

- ◆ Corporate Social Responsibility, with a focus on diversity, inclusion and employee engagement;
- ◆ Ongoing strengthening of the distribution platform for the Wealth Management and Consumer Banking divisions.

The qualitative objectives for the Group General Manager were as follows:

- ◆ Maximize synergies between distribution network and product factories;



- ◆ Develop projects to enable an “agile and smart working platform” to be fully adopted by all the Group’s legal entities consisting with the ESG objectives.

For both, the objectives have been found to have been comfortably achieved.

The full-year scorecards, which were devised in a reflecting considerable uncertainty due to the Covid 19 pandemic and against a deteriorating macroeconomic scenario, show that overall the targets assigned have been reached, even to the highest limits of any ranges set (approx. 125% of the average weighted quantitative objectives). In view of the record results delivered in terms of revenues, fees, cost of risk and capitalization at Group level achieved in spite of the ongoing pandemic, and in view of the ECB’s recommendation to adopt moderation in assigning variable remuneration to senior management, the Board of Directors, at the Remunerations Committee’s proposal, resolved to award variable remuneration of €1,800,000 to the Chief Executive Officer (€964,000 in 2020, an increase of 87%, and €2,650,000 in 2019, a reduction of 32%), and of €1,500,000 to the Group General Manager (€1,175,000 in 2020, an increase of 28%, and €1,900,000 in 2019, a reduction of 21%), in both cases equal to 1x their fixed salaries (versus 53.6% and 78.3% respectively in 2020 and 147% e 126% in 2019). Contributions to the complementary pension scheme are paid on the upfront cash component only. Of the variable remuneration awarded, 47% in cash and 53% in shares, 60% will be deferred over a five-year time horizon and is subject to performance conditions being met. The upfront equity component is subject to a one-year holding period.

The ratio in 2021 between the CEO’s gross total compensation and the average gross total compensation for Group staff members was approx. 49x.<sup>36</sup>

#### **e) Means of distributing the variable component**

The means of distribution are as provided in the Remuneration Policy.

The equity component (“performance shares”) to be paid to Identified Staff is equal to approx. €16m which in part will be booked to the accounts over the next five financial years under the accounting standards currently in force. Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 1,719,524 performance shares<sup>37</sup> (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €9.822 per share) including those awarded to Identified Staff employed at Group companies. For Identified Staff employed in the asset management area (Mediobanca SGR), the financial instruments component was awarded in cash, linked to an index representative of the SGR funds’ stock units, as permitted by the sector regulations in force.

#### **f) Long-Term Incentive 2019-23**

The component linked to the 2019-23 LTI Plan approved on 19 December 2019 for the Chief Executive Officer of Mediobanca, the Group General Manager, and the CEO of Compass and CheBanca! will be finalized when the Plan itself ends (between July and September 2023). Via an individual scorecard, when the quantitative/financial and qualitative/non-financial objectives have been met, the amount of the bonus awarded may be comprised within a range of between 20% and 40% of the amount of the annual gross fixed salary for each year of the Plan (for details, see Section I(7), paragraph c, point 3).

One-third of 2020 was marked by the outbreak of the public health and economic emergency, and by strong uncertainty over the future impact in economic and social terms. Despite also seeing repeated lockdowns, 2021 has benefit from improvement in the political and

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36) See the relevant table in the section at the end of this document, providing analytical quantitative information.

37) Of these, 97,129 were awarded to the Chief Executive Officer and 80,941 to the Group General Manager. The total includes 111,337 performance shares already assigned to Group identified staff employed by CMB Monaco for the financial year ended 31 December 2020 and under severance agreements for Group legal entities in the period from November 2020 to September 2021.



macroeconomic scenario as a result of the introduction of the vaccines, the launch of the various anti-crisis measures implemented by the European Union and the stronger political situation in Italy. The Group has at all times continued to implement its strategy of strengthening and growth in all business segments in which it operates, and after an initial slowdown, has seen growth rates and profitability return to pre-Covid levels, due not least to major efforts in terms of asset quality monitoring. The high capitalization ratios reflect the Group's capability to generate substantial earnings even in years of profound stress, thus confirming the validity and resilience of its business model.

At present the targets for 2023 remain unchanged, as does the strategy underpinning them and the actions planned to execute it.

Furthermore, over and above the financial aspects, the conviction that environmental, social and governance (ESG) objectives are fundamental to the long-term performance of a company has become even more firmly embedded. As for the qualitative and quantitative ESG targets, the state of progress made thus far is consistent with the time horizon contemplated in the Plan:

- ◆ Training: 71% increase in the number of hours' training to strengthen staff competences (25% above the 2019-23 Strategic Plan target);
- ◆ Focus on equal opportunities;
- ◆ Strong growth in responsible investing;
- ◆ Support to the local community, with €7.3m invested in projects with positive social and environmental impact and 43% growth in AUM invested in the MB Social Impact Fund (2019-23 Strategic Plan target:  $\geq 20\%$ )
- ◆ Responsible consumption and production, with 40% of spending on suppliers assessed according to ESG criteria (2019-23 Strategic Plan target: 40%), plus ongoing focus on customer satisfaction indexes for CheBanca! and Compass;
- ◆ Initiatives in support of energy transition;
- ◆ Reduced direct environmental impact.

The Group's increasing commitment to ESG issues has enabled some of the ESG targets contained in the 2019-23 Strategic Plan to be reached early, resulting in some of the targets being revised upwards or updated in view of the results delivered. This impressive progress will be taken into account when the LTI plan is closed, based on assessment of the qualitative/non-financial ESG KPIs concerned.



**g) Activities and checks performed by the Group Audit unit on the Mediobanca Group Remuneration and incentivization policy and on Disclosure on Compensation paid in FY 2020-21**

As required by the regulations in force, the Group Audit Unit has carried out an audit of the adoption and implementation of the Staff remuneration and incentivization policy. The Remuneration Policy for FY 2020-21 approved by Mediobanca shareholders at the Annual General Meeting held in 2020 and its implementation during the course of 2021 were analysed in particular. The controls regarded the organizational and procedural aspects, the quantitative data and indicators impacting on the process under review, and the minutes taken of the various meetings of the relevant governing bodies and internal management. The main offices involved in the audits were Group HR, Planning, Accounting and Financial Reporting, Compliance & Group AML and Group Risk Management.

The audits performed were summarized in a report submitted to the governing bodies, and showed that the situation overall was adequate. It was ascertained that the Staff remuneration and incentivization policy had been applied correctly, and the checks on the process revealed no major issues. The documentation submitted was exhaustive, and the process for managing the remuneration and incentivization system found to be compliant with the internal regulations in force. The following aspects in particular were noted:

- ◆ Identification of MRTs: the process was conducted with the involvement of the required organizational units, having regard to organizational criteria and based on quantitative data; both the process itself and the end result were subjected to external assessment by a specialist consultant, whose opinion was positive. The minutes of the meetings, including the considerations shared, the decisions taken, and the final reports drawn up, were found to be thorough and exhaustive.
- ◆ Review of gateways: the process was found to be structured in accordance with the internal regulations and adequately formalized. The final data showing that the quantitative requisites stated in the Policy had been met were presented to the governing bodies at meetings held in June and July.
- ◆ Definition of variable remuneration bonus pool: regular updates were provided in the course of the year on the state of progress in the business areas' results, in specific meetings held with management, as shown in the minutes for the meetings obtained by the Group Audit Unit. The business units' scorecards were also checked as part of the audit. The material prepared for the governing bodies was found to be exhaustive.
- ◆ The composition of the remuneration structure for the Chief Executive Officer of Mediobanca and the Group General Manager was also reviewed: the structure comprises a fixed salary plus a variable component linked to the achievement of quantitative and qualitative objectives, short-term and long-term, set in specific individual scorecards, as described in the Remuneration Policy.
- ◆ Performance evaluation: based on the information provided by Group HR and Organization, the performance evaluation process was implemented correctly at Bank level.
- ◆ Allocation of individual variable remuneration: it was verified that for all Group staff, based on anonymous payroll data supplied by Group HR, that the quantitative limits (caps of 200% and 33% for MRTs employed in the control units) for payment of the variable component had been met, checking also, where applicable, the deferral and split (cash vs equity) criteria adopted. For the share-based remuneration mechanisms, it was ascertained that the internal policies had been properly applied for all the Group's Material Risk Takers, making further enquiries in specific cases where necessary.



MEDIOBANCA



- ◆ Management of specific cases (severance/good leavers, compliance breach, malus conditions).





Dear shareholders,

In view of the foregoing, we invite you to adopt the following proposed resolution, with the proviso that approval of section 2 of this Report containing the disclosure on compensation paid in FY 2020-21 is purely for consultation purposes:

“At an ordinary general meeting, the shareholders of Mediobanca,

in view of the Board of Directors' report on the Policy on remuneration and compensation paid

## HEREBY RESOLVE

- a) To approve the new staff remuneration policies for the Mediobanca Group for FY 2021-22, as illustrated in Section 1 of the Board of Directors' report, including the provisions contained in the section entitled “Limits on variable remuneration”;
- b) To approve, under a vote which has purely consultative status, the disclosure on compensation paid in FY 2020-21, as illustrated in Section 2 of the Board of Directors' report;
- c) To adopt the provision instituted in the section entitled “Policy in the event of the beneficiary leaving office or the employment arrangement being terminated” establishing the criteria for determining the compensation to be agreed in cases where directors or staff leave office or cease working for Mediobanca early, including the limits on such compensation in terms of the number of annual fixed salary payments to be made and the maximum amount deriving from their application;
- d) To confer on the Board of Directors and the Chief Executive Officer and/or the General Manager on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement each of the three foregoing resolutions including the power to make all amendments to the new staff remunerations policy that prove necessary to bring them into line with the law and regulations in force from time to time”.

Milan, 23 September 2021

The Board of Directors



## Tables of analytical quantitative data

### 1. Tables compiled pursuant to Consob resolution no. 18049 of 23 December 2011 as amended

#### Comparative data for FY 2019-21 on changes in company results, staff compensation and remuneration

As required by Consob's Regulations for Issuers, as updated on 11 December 2020, the comparative data for the past three financial years is presented below, illustrating the annual change in the:

- Total remuneration of each of the persons for which named information is provided in this section of the Report;
- The company's results;
- The annual average gross remuneration, based on the number of FTEs, for staff other those for whom named information is provided in this section of the Report.

		30.6.2021	30.6.2020	30.6.2019	Delta 2021/2020
CEO	Alberto Nagel	4,171,694	3,119,475	5,004,804	34%
	Of which fixed salary including emolument	1,900,000	1,800,000	1,900,000	
	Of which non-cash benefits	471,694	355,475	454,804	
	Of which STI variable awarded	1,800,000	964,000	2,650,000	
GM	Francesco Saverio Vinci	3,454,293	3,016,637	3,869,045	15%
	Of which fixed salary including emolument	1,600,000	1,500,000	1,600,000	
	Of which non-cash benefits	354,293	341,637	369,045	
	Of which STI variable awarded	1,500,000	1,175,000	1,900,000	
Chairman	Renato Pagliaro	2,290,150	2,155,475	2,250,356	6%
	Of which fixed salary including emolument	1,900,000	1,800,000	1,900,000	
	Of which non-cash benefits	390,150	355,475	350,356	
Director	Maurizia Angelo Comneno	218,288	205,000	225,000	6%
Director	Virginie Banet	93,973	-	-	
Director	Maurizio Carfagna	255,000	235,000	255,000	9%
Director	Laura Cioli	137,603	-	-	
Director	Maurizio Costa	131,712	105,000	125,000	25%
Director	Angela Gamba	200,137	160,000	180,000	25%
Director	Valérié Hortefeux	173,082	190,000	210,000	-9%



Director	Maximo Ibarra	126,849	80,000	77,808	59%
Director	Alberto Lupoi	178,973	143,233	150,000	25%
Director	Elisabetta Magistretti	199,863	200,000	220,000	-
Director	Vittorio Pignatti-Morano	180,000	160,000	140,055	13%
Director	Gabriele Villa	233,288	220,000	193,699	6%
Director	Marie Bolloré	39,452	100,000	120,000	-61%
Director	Alberto Pecci	54,247	145,000	165,000	-63%
Chairman/Member of Statutory Audit Committee	Francesco Di Carlo	166,849	112,000	140,000	49%
Member of Statutory Audit Committee	Elena Pagnoni	93,973	-	-	
Member of Statutory Audit Committee	Ambrogio Virgilio	93,973	-	-	
Chairman of Statutory Audit Committee	Natale Freddi	59,178	144,000	180,000	-59%
Member of Statutory Audit Committee	Laura Gualtieri	46,027	112,000	140,000	-59%
Employees	Average annual Group total remuneration	85,600	84,200	82,500	2%
Group Mediobanca results	Group Net Profit	€ 807.6 mln	€ 600.4 mln	€ 823 mln	35%
	Group Gross Operating Profit	€ 1,142 mln	€ 949 mln	€ 1,140 mln	20%
	Revenues	€ 2,628 mln	€ 2,513 mln	€ 2,524.7 mln	5%
Total Remuneration Pay Ratio between CEO and Employees		49	37	61	

The table reflects the reappointment of the governing bodies during FY 2020-21 (at the Annual General Meeting held on 28 October 2020), as per Table 1, Regulations for Issuers (see below).

For the CEO and Group General Manager: fixed remuneration, emolument for holding office, and other benefits/ compensation, as per Table 1, Regulations for Issuers; the variable remuneration refers to the remuneration assigned for short-term performance (the financial year), as stated in section d) of the Disclosure on compensation paid (for the cash component, column 5 of Table 1, Regulations for Issuers; for the equity component, of €954,000 and €795,000, stating their value in accounting terms in accordance with IFRS in column 5 of Table 3A).

For full-time employees, this figure refers to the total gross annual remuneration payable for the financial year concerned, i.e.: fixed salary, variable remuneration assigned (regardless of any deferral mechanisms applied), excluding any marginal benefits provided under the terms of their contracts, including complementary pension schemes/housing allowance for identifies staff (as per CRR REM table).



Table 1: Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities.

(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-equity)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Renato Pagliaro	Chairman	01/07/2020	30/06/2021	30/06/2023	100,000	1,800,000	1,900,000				390,150		2,290,150		
	Member of Appointments committee										386,387				
	(I) Compensation in company preparing the accounts				100,000	1,800,000	1,900,000	-	-	-	390,150		2,290,150	-	-
	(II) Compensation from subsidiaries/associates at 30/06/2021														
Maurizia Angelo Commeno	Deputy Chairman of Board of Directors	01/07/2020	30/06/2021	30/06/2023	135,000		135,000						135,000		
	Member of Executive Committee	01/07/2020	30/06/2021	30/06/2023	83,288		83,288						83,288		
	(I) Compensation in company preparing the accounts				218,288		218,288						218,288		
	(II) Compensation from subsidiaries/associates at 30/06/2021														
Alberto Nagel	CEO	01/07/2020	30/06/2021	30/06/2023	100,000	1,800,000	1,900,000			846,000	421,694	50,000.00	3,217,694	1,037,610	
											416,806				
	(I) Compensation in company preparing the accounts (4)				100,000	1,800,000	1,900,000	-	846,000	-	421,694	50,000.00	3,217,694	1,037,610	-
	(II) Compensation from subsidiaries/associates at 30/06/2021														
Francesco Saverio Vinci	General Manager	01/07/2020	30/06/2021	30/06/2023	100,000	1,500,000	1,600,000			705,000	354,293		2,659,293	875,637	
											347,265				
	(I) Compensation in company preparing the accounts				100,000	1,500,000	1,600,000	-	705,000	-	354,293		2,659,293	875,637	-
	(II) Compensation from subsidiaries/associates at 30/06/2021														
Virginie Banet	Director	29/10/2020	30/06/2021	30/06/2023	67,123		67,123						67,123		
	Member of Remunerations committee	29/10/2020	30/06/2021	30/06/2023	20,137		20,137						20,137		
	Member of Corporate Social Responsibility committee	29/10/2020	30/06/2021	30/06/2023	6,712		6,712						6,712		
	(I) Compensation in company preparing the accounts				93,973		93,973						93,973		
Maurizio Carlagna	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000						100,000		
	Member of Risks committee and Related parties committee	01/07/2020	30/06/2021	30/06/2023	80,000		80,000						80,000		
	Chairman of Remunerations committee	01/07/2020	30/06/2021	30/06/2023	40,000		40,000						40,000		
	(I) Compensation in company preparing the accounts				220,000		220,000						220,000		
Laura Clai	Director	29/10/2020	30/06/2021	30/06/2023	67,123		67,123						67,123		
	Member of Risks committee and Related parties committee	29/10/2020	30/06/2021	30/06/2023	53,699		53,699						53,699		
	Member of Appointments committee	29/10/2020	30/06/2021	30/06/2023	16,781		16,781						16,781		
	(I) Compensation in company preparing the accounts				137,603		137,603						137,603		
(II) Compensation from subsidiaries/associates at 30/06/2021													0		
	(III) Total				137,603		137,603						137,603		



(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-equity)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Maurizio Costa	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Chairman of Appointments committee	01/07/2020	30/06/2021	30/06/2023	31,712		31,712					31,712			
	<b>(I) Compensation in company preparing the accounts</b>				<b>131,712</b>		<b>131,712</b>					<b>131,712</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>131,712</b>		<b>131,712</b>					<b>131,712</b>			
Angela Gamba	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Risks committee and Related parties committee	01/07/2020	28/10/2020	30/06/2020	80,000		80,000					80,000			
	Chairman of Risks committee and Related parties committee	29/10/2020	30/06/2021	30/06/2023	13,425		13,425					13,425			
	Member of Corporate Social Responsibility committee	29/10/2020	30/06/2021	30/06/2023	6,712		6,712					6,712			
	<b>(I) Compensation in company preparing the accounts</b>				<b>200,137</b>		<b>200,137</b>					<b>200,137</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>200,137</b>		<b>200,137</b>					<b>200,137</b>			
Valérie Harteaux	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Remunerations committee	01/07/2020	30/06/2021	30/06/2023	30,000		30,000					30,000			
	Member of Appointments committee	29/10/2020	30/06/2021	30/06/2023	16,781		16,781					16,781			
	Member of Risks committee and Related parties committee	01/07/2020	28/10/2020	30/06/2020	26,301		26,301					26,301			
	<b>(I) Compensation in company preparing the accounts</b>				<b>173,082</b>		<b>173,082</b>					<b>173,082</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>173,082</b>		<b>173,082</b>					<b>173,082</b>			
Maximo Ibarra	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Remunerations committee	29/10/2020	30/06/2021	30/06/2023	20,137		20,137					20,137			
	Member of Corporate Social Responsibility committee	29/10/2020	30/06/2021	30/06/2023	6,712		6,712					6,712			
	<b>(I) Compensation in company preparing the accounts</b>				<b>126,849</b>		<b>126,849</b>					<b>126,849</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>126,849</b>		<b>126,849</b>					<b>126,849</b>			
Alberto Lupoi	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Remunerations committee	01/07/2020	30/06/2021	30/06/2023	30,000		30,000					30,000			
	Member of Appointments committee	01/07/2020	30/06/2021	30/06/2023	23,356		23,356					23,356			
	<b>(I) Compensation in company preparing the accounts</b>				<b>153,356</b>		<b>153,356</b>					<b>153,356</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021 (2)</b>				<b>25,616</b>		<b>25,616</b>					<b>25,616</b>			
	<b>(III) Total</b>				<b>178,973</b>		<b>178,973</b>					<b>178,973</b>			
Elisabetta Magistrelli	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Chairman of Risks committee and Related parties committee	01/07/2020	28/10/2020	30/06/2020	6,575		6,575					6,575			
	Member of Risks committee	01/07/2020	30/06/2021	30/06/2023	80,000		80,000					80,000			
	Member of Corporate Social Responsibility committee	29/10/2020	30/06/2021	30/06/2023	6,712		6,712					6,712			
Member of Appointments committee	01/07/2020	28/10/2020	30/06/2020	6,575		6,575					6,575				
	<b>(I) Compensation in company preparing the accounts</b>				<b>199,863</b>		<b>199,863</b>					<b>199,863</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>199,863</b>		<b>199,863</b>					<b>199,863</b>			
Vittoria Pignatelli-Morano	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Risks committee and Related parties committee	01/07/2020	30/06/2021	30/06/2023	80,000		80,000					80,000			
	<b>(I) Compensation in company preparing the accounts</b>				<b>180,000</b>		<b>180,000</b>					<b>180,000</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>				<b>180,000</b>		<b>180,000</b>					<b>180,000</b>			



(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-equity)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Gabriele Villa	Director	01/07/2020	30/06/2021	30/06/2023	100,000		100,000					100,000			
	Member of Executive Committee	01/07/2020	30/06/2021	30/06/2023	83,288		83,288					83,288			
	<b>(I) Compensation in company preparing the accounts</b>					<b>183,288</b>		<b>183,288</b>				<b>183,288</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021 (3)</b>					<b>50,000</b>		<b>50,000</b>				<b>50,000</b>			
<b>(III) Total</b>					<b>233,288</b>		<b>233,288</b>					<b>233,288</b>			
Alberto Pecci	Deputy Chairman of Board of Directors	01/07/2020	28/10/2020	30/06/2020	44,384		44,384					44,384			
	Member of Remunerations committee	01/07/2020	28/10/2020	30/06/2020	9,863		9,863					9,863			
	<b>(I) Compensation in company preparing the accounts</b>					<b>54,247</b>		<b>54,247</b>				<b>54,247</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
<b>(III) Total</b>					<b>54,247</b>		<b>54,247</b>					<b>54,247</b>			
Marie Balloré	Director	01/07/2020	28/10/2020	30/06/2020	32,877		32,877					32,877			
	Member of Appointments committee	01/07/2020	28/10/2020	30/06/2020	6,575		6,575					6,575			
	<b>(I) Compensation in company preparing the accounts</b>					<b>39,452</b>		<b>39,452</b>				<b>39,452</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
<b>(III) Total</b>					<b>39,452</b>		<b>39,452</b>					<b>39,452</b>			
<b>Management with strategic responsibilities (8)</b>						4,003,550	4,003,550		1,909,800		320,460	6,233,810	2,235,342	185,000	
											of which complementary pension scheme				
<b>(I) Compensation in company preparing the accounts (5)</b>						4,003,550	4,003,550		1,909,800		320,460	6,233,810	2,235,342	185,000	
<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>						765,671	765,671		437,100		6,827	1,209,598			
<b>(III) Total</b>						4,769,221	4,769,221		2,346,900		327,287	7,443,408	2,235,342	185,000	
Francesco Di Carlo	Chairman of Statutory Audit Committee	29/10/2020	30/06/2021	30/06/2023	120,822		120,822					120,822			
	Member of Statutory Audit Committee	01/07/2020	28/10/2020	30/06/2020	46,027		46,027					46,027			
	<b>(I) Compensation in company preparing the accounts</b>					<b>166,849</b>		<b>166,849</b>				<b>166,849</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
<b>(III) Total</b>					<b>166,849</b>		<b>166,849</b>					<b>166,849</b>			
Elena Pagnoni	Member of Statutory Audit Committee	29/10/2020	30/06/2021	30/06/2023	93,973		93,973					93,973			
	<b>(I) Compensation in company preparing the accounts</b>					<b>93,973</b>		<b>93,973</b>				<b>93,973</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>					<b>93,973</b>		<b>93,973</b>					<b>93,973</b>		
Ambrogio Virgilio	Member of Statutory Audit Committee	29/10/2020	30/06/2021	30/06/2023	93,973		93,973					93,973			
	<b>(I) Compensation in company preparing the accounts</b>					<b>93,973</b>		<b>93,973</b>				<b>93,973</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>					<b>93,973</b>		<b>93,973</b>					<b>93,973</b>		
Natale Fredi	Chairman of Statutory Audit Committee	01/07/2020	28/10/2020	30/06/2020	59,178		59,178					59,178			
	<b>(I) Compensation in company preparing the accounts</b>					<b>59,178</b>		<b>59,178</b>				<b>59,178</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>					<b>59,178</b>		<b>59,178</b>					<b>59,178</b>		
Laura Guallieri	Member of Statutory Audit Committee	01/07/2020	28/10/2020	30/06/2020	46,027		46,027					46,027			
	<b>(I) Compensation in company preparing the accounts</b>					<b>46,027</b>		<b>46,027</b>				<b>46,027</b>			
	<b>(II) Compensation from subsidiaries/associates at 30/06/2021</b>														
	<b>(III) Total</b>					<b>46,027</b>		<b>46,027</b>					<b>46,027</b>		

1) Fees due in respect of position held in Mediobanca SGR.

2) Fees due in respect of position held in Spafid Trust.

3) Fees due in respect of position held in Spafid.

4) Other compensation: amount payable by way of loyalty bonus for 30 years' service in Mediobanca, established as a fixed amount in accordance with the provisions of the complementary contract adopted by the company.

5) Indemnity payable upon leaving office or as severance: senior advisor contracted based on success fees (not quantifiable).

Includes one member of strategic management who ceased to work for Mediobanca on 18 April 2021. At 30 June 2021 there were a total of seven members of strategic management.

For employees, the fixed salary may also include amounts payable by way of holiday leave not taken.



**Table 3A: Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities**

A	B	(1)	Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and allocated	(11)	Financial instruments attributable to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(12)
Name and surname	Post	Scheme	No. and type of instrument	Vesting period	No. and type of financial instrument	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Alberto NAGEL CEO		28/10/2015 (FY 2016)	22,075	Nov. 2021							44,149	311,833	17,390
		28/10/2015 (FY 2017)	54,859	Nov. 2021–Nov. 2022							36,573	258,322	78,822
		28/10/2015 (FY 2018)	90,589	Nov. 2021–Nov. 2023							60,392	426,561	125,096
		28/10/2015 (FY 2019)	142,358	Nov. 2021–Nov. 2024									281,222
		28/10/2015 (LT1 2019 - 2023)	150,597	Nov. 2024–Nov. 2028									150,377
		28/10/2015 (FY 2020)	74,071	Nov. 2021–Nov. 2025									139,455
	28/10/2020 (FY 2021)				97,129	728,408	Nov. 2022–Nov. 2026	27/09/21	10.159				245,248
francesco Saverio VINCI GM		28/10/2015 (FY 2016)	10,995	Nov. 2021							21,991	155,327	8,662
		28/10/2015 (FY 2017)	42,059	Nov. 2021–Nov. 2022							28,039	198,045	60,431
		28/10/2015 (FY 2018)	75,491	Nov. 2021–Nov. 2023							50,327	355,470	104,247
		28/10/2015 (FY 2019)	102,067	Nov. 2021–Nov. 2024									202,629
		28/10/2015 (LT1 2019 - 2023)	125,496	Nov. 2024–Nov. 2028									125,313
		28/10/2015 (FY 2020)	90,284	Nov. 2021–Nov. 2025									169,979
	28/10/2020 (FY 2021)				80,941	607,009	Nov. 2022–Nov. 2026	27/09/21	10.159				204,376
Managerial staff with strategic responsibilities (8)		28/10/2015 (FY 2016)	35,614	Nov. 2021									28,056
		28/10/2015 (FY 2017)	88,287	Nov. 2021–Nov. 2022							75,004	538,179	127,101
		28/10/2015 (FY 2018)	147,917	Nov. 2021–Nov. 2023							62,010	447,924	205,647
		28/10/2015 (FY 2019)	282,782	Nov. 2021–Nov. 2024							106,392	767,679	564,551
		28/10/2015 (LT1 2019 - 2023)	62,748	Nov. 2024–Nov. 2028									62,828
		28/10/2015 (FY 2020)	304,382	Nov. 2021–Nov. 2025									591,330
	28/10/2020 (FY 2021)				252,298	1,907,627	Nov. 2022–Nov. 2026	27/09/21	10.159				655,829
<b>Total</b>			<b>1,902,671</b>		<b>430,368</b>	<b>3,243,044</b>					<b>484,877</b>	<b>3,459,340</b>	<b>4,148,589</b>

Includes one member of strategic management who ceased to work for Mediobanca on 18 April 2021. At 30 June 2021 there were a total of seven members of strategic management.

Maximum number of performance shares (Mediobanca shares) that may be assigned upon the achievement of performance objectives and/or subsequent to the holding period based on the Remuneration Policies in force at the time. The maximum number of shares is calculated based on the average official Mediobanca stock market price in the 30 days prior to the date on which the Remuneration Committee and the Board of Directors adopt resolutions approving the incentivization system or the date on which the shares themselves are assigned (in cases where performance shares are assigned in connection with the recruitment of identified staff or employment termination agreements).

For the Long-Term Incentive Plan adopted on 19 December 2019 in connection with the 2019-23 Strategic Plan, the actual number of performance shares (Mediobanca shares) will be established only once the Plan itself has been completed.



**Table 3B: Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities**

A Name and surname	B Post	(1) Scheme	(2)			(3)			(4) Other bonuses
			Bonus for the year			Previous years' bonuses			
			(A) Payable/paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable/paid	(C) Still deferred	
Alberto Nagel CEO	FY 2020/2021	360,000	486,000	Nov.'23-nov.'26					
	FY 2019/2020						260,280		
	FY 2018/2019					318,000	477,000		
	FY 2017/2018						447,120		
	FY 2016/2017						486,000		
	FY 2015/2016						126,000	252,000	
Francesco Saverio Vinci GM	FY 2020/2021	300,000	405,000	Nov.'23-nov.'26					
	FY 2019/2020						317,250		
	FY 2018/2019					228,000	342,000		
	FY 2017/2018						372,600		
	FY 2016/2017						372,600		
	FY 2015/2016						62,760	125,520	
Management with strategic responsibilities (8)	FY 2020/2021	1,109,200	1,237,700	Nov.'23-nov.'26					
	FY 2019/2020						1,051,500		
	FY 2018/2019					635,520	905,280		
	FY 2017/2018						710,880		
	FY 2016/2017						23,450	758,700	
	FY 2015/2016						203,272.5	406,545	
<b>(I) Compensation in company preparing the accounts</b>		<b>1,583,200</b>	<b>1,877,600</b>			<b>1,447,238</b>	<b>6,533,046</b>		
<b>(II) Compensation from subsidiaries/associates</b>		<b>186,000</b>	<b>251,100</b>			<b>149,765</b>	<b>752,229</b>		
<b>(III) Total</b>		<b>1,769,200</b>	<b>2,128,700</b>			<b>1,597,002.5</b>	<b>7,285,275</b>		

Includes one member of strategic management who ceased to work for Mediobanca on 18 April 2021. At 30 June 2021 there were a total of seven members of strategic management.





**Investments held by members of the governing and control bodies and by general managers**

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
PAGLIARO RENATO	Chairman	MEDIOBANCA	2,000,000	==		<b>2,000,000</b>
NAGEL ALBERTO	CEO	MEDIOBANCA	2,857,550	141.114 <sup>1</sup>	59,614	<b>2,939,050</b>
VINCI FRANCESCO SAVERIO	GM	MEDIOBANCA	1,117,000	100.357 <sup>1</sup>	42,357	<b>1,175,000</b>
CARFAGNA MAURIZIO	Director	MEDIOBANCA	76,000	==	==	<b>76,000<sup>2</sup></b>
PECCI ALBERTO	Director	MEDIOBANCA	4,677,500	==	==	<b>4,677,500<sup>3</sup></b>
PIGNATTI-MORANO VITTORIO	Director	MEDIOBANCA	600,000	100,000	350,364	<b>349,636<sup>4</sup></b>
FREDDI NATALE	Chairman of Statutory Audit Committee	MEDIOBANCA	9,580	==	==	<b>9,580<sup>5</sup></b>

NB – For Directors appointed or leaving office during the financial year, the initial/final investment refers to the situation as at the date on which they were either appointed or left office.

1) Shares deriving from incentivization schemes.

2) Of which 75,000 shares held via controlled companies and 1,000 shares owned by their spouse.

3) Investment held via controlled companies.

4) Investment held via fiduciary companies.

5) Shares owned by their spouse.

**Investments held by other managerial staff with strategic responsibilities**

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
8*	MEDIOBANCA	267,302	243,406	109,280	401,428**

N.B. Holdings at the start and the end of the period may vary due to changes in the composition of management with strategic responsibilities.

\*Includes one member of strategic management who ceased to work for Mediobanca on 18 April 2021. At 30 June 2021 there were a total of seven members of strategic management.

\*\* Shares deriving from incentivization schemes.



## 2. Tables compiled pursuant to Article 450 of the CRR – EBA

**Table EU REMA - Remuneration policy**

<p>Institutions shall describe the main elements of their remuneration policies and how they implement these policies. In particular, the following elements, where relevant, shall be described:</p>	
<p><b>Qualitative disclosures</b></p>	
a)	<p>Information relating to the bodies that oversee remuneration. Disclosures shall include:</p>
	<ul style="list-style-type: none"> <li>Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;</li> </ul>
	<p>The Remuneration Committee consists of five non-executive members, all of whom are independent. In FY2020/21, the Remuneration Committee met nine times, with an average meeting duration of approximately 1 hour and 30 minutes. The Remuneration Committee has the task of making proposals on the remuneration of personnel whose remuneration is the responsibility of the Board of Directors; it has consultative tasks regarding the determination of criteria for the remuneration of all key personnel; it oversees the correct application of the rules relating to the remuneration of the heads of corporate control functions. It collaborates with the other internal committees, in particular with the Risk and CSR Committees; it ensures the involvement of the competent corporate functions in the process of drawing up and monitoring remuneration and incentive policies and practices. It expresses its opinion on the results of the identification process of the most relevant personnel, including any exclusions; on the achievement of the performance objectives to which the incentive plans are linked and on the verification of the other conditions set for the payment of remuneration, also making use of the information received from the competent corporate functions; it monitors the gender neutrality of the policy; it provides adequate feedback on the activities carried out to the corporate bodies.</p>
	<ul style="list-style-type: none"> <li>External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.</li> </ul>
	<p>n.a.</p>
	<ul style="list-style-type: none"> <li>A description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.</li> </ul>
	<p>The Mediobanca Group's Policy, as part of the activities of guidance and coordination of its subsidiaries, ensures the consistency of the remuneration and incentive systems within the Banking Group, in accordance with the specific nature of the sectors to which they belong, their organisational structures, and the applicable regulations based on the type of business and geographical location. In particular, it oversees the process of identifying the most relevant personnel, provides the guidelines to be adopted and collaborates in drafting the documents relating to any remuneration policies drawn up by Group companies. The identification of the most relevant personnel, i.e. personnel whose professional activities may have a significant impact on the Group's risk profile, takes place annually at the end of a formalised process involving the Parent Company and the subsidiaries. The information is forwarded for consolidation to the Parent Company, which carries out the assessment for the other non-banking subsidiaries.</p>
	<ul style="list-style-type: none"> <li>A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.</li> </ul>
<p>For the identification of the most relevant personnel, Mediobanca Group adopts the regulatory standards set out in Delegated Regulation (EU) 2021/923 of the European Commission of 25 March 2021, published in the EU Official Journal on 9 June 2021. The criteria are:</p> <ul style="list-style-type: none"> <li>- qualitative: relating to the role (including non-executive Directors), the decision-making powers granted, and the responsibilities assumed, declined within the Group structure consistently with the nature, scope and complexity of the activities carried out. Consideration is given to the organisational position within the Group, the relevance of the business unit (not only in terms of capital allocation, but also in terms of volumes and complexity), the risk profile assumed including the reputational one, participation in internal committees of the Group, decision-making and management autonomy, the place of work given the differences in pay mix between the various countries, the specificities of individual sectors, such as Asset Management.</li> <li>- quantitative: related to the total remuneration awarded in the previous year.</li> </ul> <p>The perimeter also includes agents in financial activities, insurance agents and financial advisors authorised to offer their services outside their offices. Details are given in Chapter 4 of the Remuneration Policy ("Policy on the identification of Key Personnel").</p>	



Qualitative disclosures	
b)	<p>Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:</p>
	<ul style="list-style-type: none"> <li>An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.</li> </ul>
	<p>The Group's remuneration and incentive policy is designed to seek the generation of long-term sustainable value through:</p> <ul style="list-style-type: none"> <li>- predetermined governance mechanisms that provide for the involvement of a plurality of bodies, organisational units and individuals to guarantee structured, controlled and ex-post verifiable processes;</li> <li>- an overall remuneration balanced between fixed and variable portions according to the company's role, which does not induce risky and short-term oriented behaviour;</li> <li>- a fair level of remuneration that reflects the skills, abilities and professional experience of each employee, thus ensuring the application of the principle of equal opportunities;</li> <li>- a structure of short- and long-term incentives, based on risk-adjusted indicators with a view to business continuity and sustainability of results in the long term;</li> <li>- the correlation of the incentive systems to the principles defined by the Group Sustainability Policy and Group ESG Policy; the inclusion of sustainability in the Group's strategies;</li> <li>- limits to variable remuneration (caps);</li> <li>- verification of the positioning of the remuneration package of the resources compared to the reference market and a careful assessment of the gender pay gap;</li> <li>- individual performance assessed in a clear and transparent manner, on a meritocratic basis and according to the principle of equal opportunities;</li> <li>- deferment and disbursement of variable remuneration over a multi-year horizon, including equity instruments to link incentives to long-term value creation;</li> <li>- centrality of ex ante and ex post reputational issues, through malus and clawback mechanisms to remuneration;</li> <li>- predetermined and transparent methods of treatment attributable in the event of termination of employment, with predefined caps in terms of maximum monthly payments to be assigned and the absolute value of the amount;</li> <li>- transparency in reporting.</li> </ul> <p>Every year, the Report on Remuneration Policy and Remuneration Paid is approved by the Shareholders' Meeting, after approval by the Board of Directors, with the opinion of the Remuneration Committee. The internal functions Group HR, Planning, Budget and Reporting, Group Risk Management, Compliance and Group Audit actively participate in the process, according to their respective competences. The activities are adequately tracked and documented.</p> <p>Details can be found in Chapter 2 "Principles of Transparency and Sustainability" and Chapter 3 "Governance" of the Remuneration Policy.</p>
	<ul style="list-style-type: none"> <li>Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.</li> </ul> <p>The determination of variable remuneration and the correlation between risk and performance is achieved through a process that aims to remunerate staff according to the risk-adjusted performance of the Bank and the Group, in compliance with the risk profile defined by the Risk Appetite Framework (RAF) and with a view to business continuity and sustainability of results in the long term. The payment of variable remuneration for the "most significant personnel" of each organisational division of the Group is envisaged only if the following indicators ("gateways") are met:</p> <p>(a) capital adequacy and liquidity requirements exceeding the values indicated in the Risk Appetite Framework approved by the Board of Directors and which are the main indicators considered in the ICAAP. They are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio.</p> <p>b) Positive Group Operating Result.</p> <p>The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most significant personnel, is determined on the basis of the risk-adjusted economic performance of the respective divisional perimeters (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and other secondary quantitative and qualitative objectives.</p> <p>For control functions, staff units and support, the total variable remuneration is determined according to general economic sustainability. Malus condition and claw back mechanisms are foreseen. Details are provided in Chapter 6 "The Incentive System" of the Remuneration Policy</p>

Qualitative disclosures



b)	<ul style="list-style-type: none"> <li>Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.</li> </ul>
	<p>In FY2020-21 the Corporate Bodies revised the Report on Remuneration Policy and Compensation Paid to bring it in line with new regulations and best practices. Compared to the previous one:</p> <ul style="list-style-type: none"> <li>- highlights the link between remuneration policy, corporate sustainability and ESG objectives;</li> <li>- provides more detail on the remuneration structure of the Chief Executive Officer, General Manager and other Executives with strategic responsibilities;</li> <li>- implements the governance rules provided for by the new Issuers' Regulation, which implements the provisions of the EU Shareholders Rights II Directive;</li> <li>- implements the new schemes for reporting changes in the remuneration of members of governing bodies, Group results, average remuneration of employees and material risk takers;</li> <li>- revises in a more restrictive form the limits set on the remuneration to be paid to top management and material risk takers in the event of termination of employment, specifying in greater detail the treatment of so-called "good leavers";</li> <li>- anticipates the indications contained in the draft of the new Bank of Italy Provisions with particular reference to the principles of neutrality that guarantee equal treatment regardless of gender as well as any other form of diversity, making explicit the Group's commitment to addressing the issue of the Gender Pay Gap;</li> <li>- similarly, it modifies the thresholds for the application of the deferral mechanisms of the variable remuneration assigned to material risk takers and the deferral time horizon;</li> <li>- reports excerpts of ex ante and ex post checks carried out by the control functions (Compliance and Audit).</li> </ul>
	<ul style="list-style-type: none"> <li>Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.</li> </ul>
	<p>For the Control Functions, staff and support units, the variable component, which is normally limited, is not related to the Group's economic performance and results but rather to individual qualitative performance (value of resources, quality of their performance, retention strategies) and the remuneration positioning of the role with respect to the reference market. For the staff of the Control Functions, i.e. Group Audit, Compliance, Risk Management, the constant monitoring and control of the Bank's processes and operations is assessed in an independent and autonomous manner for the prevention of risk situations and for the timely detection of anomalous behaviours or events, the continuous assessment of compliance with regulations through appropriate verification plans, the continuous assessment of compliance with regulations through adequate audit plans, the updating of procedures and internal guidelines, the training of internal structures, the correct development of models, methodologies and metrics for the measurement of market, credit and operational risks with adequate production of reports for their monitoring, as well as a precise analysis of new products with their relative risk profiles.</p>
	<ul style="list-style-type: none"> <li>Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.</li> </ul>
	<p>The Mediobanca Group adopts a so-called "New Joiner Policy", which provides for the possible assignment of "buy out", "sign on" and "entry" bonuses for particularly valuable figures, to be allocated solely at the time of recruitment and for the first year of employment with the company. It also provides for the possibility of assigning an amount at the time of hiring to compensate for any loss of compensation accrued in previous jobs, in accordance with established industry practice. Determination and payment are made in compliance with the provisions of the policy and regulations in force. The application of the other elements provided for by the Policy (possible deferment, disbursement in cash and financial instruments, subjection to the provisions of malus and clawback) guarantees in any case the constant alignment of this remuneration structure to the risks and long-term sustainability.</p> <p>As provided for by the regulations and the Articles of Association, the Ordinary Shareholders' Meeting approves the criteria for determining the remuneration to be granted in the event of early termination of office or termination of employment, including the limits set for said remuneration in terms of annual fixed remuneration and the maximum amount deriving from their application. Details are given in Chapter 8 "Policy in the event of termination of office or employment" of the Remuneration Policy.</p>
c)	<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.</p>
	<p>The determination of variable remuneration and the correlation between risk and performance is achieved through a process that aims to remunerate staff according to the risk-adjusted performance of the Bank and the Group, in compliance with the risk profile defined by the Risk Appetite Framework and with a view to business continuity and sustainability of results in the long term. Variable remuneration for the "most significant personnel" of each organisational division of the Group is paid only if indicators ("gateways") linked to capital adequacy and liquidity requirements (CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio) are met, which are higher than the values indicated in the Risk Appetite Framework approved by the Board of Directors and income. The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most relevant personnel, is determined on the basis of the risk-adjusted economic performance of the respective divisional perimeters (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and other secondary quantitative and qualitative targets.</p>

Qualitative disclosures



d)	The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.
	<i>Subject to the approval of the Shareholders' Meeting, in accordance with national and supranational regulations, the maximum limit set for the variable remuneration of all resources belonging to the Mediobanca Group, and therefore of the entire key personnel, is set at 200% of the fixed remuneration. The remuneration package of the Group's most significant personnel belonging to control functions (Group Audit, Compliance, Risk Management) is structured with a prevailing fixed component and a variable portion allocated annually on the basis of qualitative criteria and linked to the effectiveness and quality of control action. Their variable remuneration is capped at 33% of the fixed component and that of the Managers is decided annually by the Board of Directors, on the proposal of the Remuneration Committee. Different limits apply to Asset Management personnel.</i>
e)	Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:
	<ul style="list-style-type: none"> <li>An overview of main performance criteria and metrics for institution, business lines and individuals.</li> </ul>
	<i>First of all, the payment of variable remuneration to the "most relevant personnel" of each organisational division of the Group is envisaged only if indicators ("gateways") linked to capital adequacy and liquidity requirements exceeding the values indicated in the Risk Appetite Framework approved by the Board of Directors and income requirements are met. The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most relevant personnel, is determined on the basis of the risk-adjusted economic performance of the respective divisional perimeters (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and other secondary quantitative and qualitative targets. The individual incentive system and the allocation of variable remuneration to individual beneficiaries are determined through an annual performance evaluation process based on merit and professional quality, with particular attention to reputational issues.</i> <i>Details are given in Chapter 6 "The incentive system" of the Remuneration Policy.</i>
	<ul style="list-style-type: none"> <li>An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.</li> </ul>
	<i>Individual variable remuneration is mainly based on the overall performance of the Group and of the individual Entities/Business Units in order to determine the size of the bonus pools available and subsequently on individual performance.</i>
	<ul style="list-style-type: none"> <li>Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.</li> </ul>
	<i>A significant part of the variable remuneration is deferred and paid in part with equity instruments to link incentives to long-term value creation, making it possible to verify the continuity and sustainability of positive results. Payments are made annually on a pro-rata basis, depending, jointly, on the role held and the amount of variable remuneration awarded.</i> <i>For details, see Chapter 6 "The incentive system - e) Payment of the variable component" of the Remuneration Policy.</i>
	<ul style="list-style-type: none"> <li>Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.</li> </ul>
<i>The incentive system provides for gateway conditions for the disbursement of the bonus pool to the most Significant Personnel and the quantification of the total annual variable remuneration, depending on the risk-adjusted economic performance of the respective divisional perimeters (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and other secondary quantitative and qualitative objectives that allow the sizing of the bonus pools on the basis of the results obtained (pay for performance). The Board of Directors, on the proposal of the Chief Executive Officer and with the favourable opinion of the Remuneration Committee and the Related Parties Committee, may resolve to pay variable remuneration to the most important personnel in order to safeguard the most critical professional skills, also in the event of non-compliance with the "gateways". In particular, the disbursement of a variable retention component is assessed on the basis of the underlying causes of the failure to comply with the individual gateways and the relevance of the individual indicator on the Group's capital adequacy, liquidity and profitability, also verifying the causal link with the individual Divisions of which it is composed. Moreover, if the "gateways" are met, but the Economic Profit or other divisional risk-adjusted indicator is negative or of a limited amount, the Chief Executive Officer may propose a "floor pool" of variable remuneration for the most significant personnel, sharing the distribution logic with the corporate bodies, based on the contribution of the individual business activities to the company's results.</i>	
Qualitative disclosures	



	<p>Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include:</p> <ul style="list-style-type: none"> <li>An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.</li> </ul>
	<p>A significant part of the variable remuneration is deferred and paid in part with equity instruments to link incentives to long-term value creation, making it possible to verify the continuity and sustainability of positive results. Payments are made annually on a pro-rata basis, depending jointly on the role held and the amount of variable remuneration awarded.</p> <p>For executive directors and senior management, the deferral always takes place over a five-year period. The deferred component is</p> <ul style="list-style-type: none"> <li>- 60%, of which 55% in shares and 45% in cash, in case of variable remuneration equal or higher than € 435,000;</li> <li>- 50%, of which 56% in shares and 44% in cash, in the event of variable remuneration of less than €435,000.</li> </ul> <p>For the remaining key personnel, deferral takes place over a four-year time horizon, with shares of:</p> <ul style="list-style-type: none"> <li>- 60%, of which 50% in shares and 50% in cash, in the case of variable remuneration equal to or exceeding € 435,000;</li> <li>- 40%, of which 50% in shares and 50% in cash, in the event of variable remuneration of less than € 435,000.</li> </ul> <p>For the most significant personnel, the upfront component is paid half in cash and half in Mediobanca shares.</p> <p>For the most relevant personnel, the deferral applies from variable remuneration equal to or greater than € 50,000 (the so-called materiality threshold) and one third of total remuneration.</p> <p>The shares are subject, after vesting, to a one-year holding period for retention purposes.</p> <p>For details, see Chapter 6 "The incentive system - e) Payment of the variable component" of the Remuneration Policy.</p>
	<ul style="list-style-type: none"> <li>Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).</li> </ul>
f)	<p>Variable components, both at the time of allocation and at the time of deferred payment, may only be awarded if the beneficiary has not fallen into the cases envisaged by the Directive on compliance breaches (i.e., has not been subject to disciplinary action in accordance with, inter alia, the provisions of the Code of Ethics, the Organisational Model, the Business Conduct Policy and other internal regulations of Mediobanca) and no losses have been incurred as a result of his actions. The deferred component of variable remuneration, following the assessment of performance over the reference time horizon, whether annual (Short Term Incentive) or multi-year (Long Term Incentive), is paid on condition that</p> <ul style="list-style-type: none"> <li>- the beneficiary is still an employee of the Group and not in a notice period due to voluntary resignation or dismissal;</li> <li>- the performance conditions coinciding with the "gateways" are met in each financial year;</li> <li>- the business units to which they belong have achieved a positive risk-adjusted result, net of extraordinary items and anything attributable to strategic decisions, validated by the Risk Management Department.</li> </ul> <p>Mediobanca reserves the right to initiate all initiatives aimed at restoring variable remuneration already paid ("clawback") in the event of evidence of damage to its capital integrity, profitability, economic and financial situation or reputation, attributable to the conduct of individual resources, even in the absence of wilful misconduct or gross negligence.</p> <p>The application of the clawback clauses is applicable to the most significant personnel up to the fifth year following the payment of a portion of variable remuneration, whether upfront or deferred, and up to one year for the remaining personnel.</p> <p>For details, see Chapter 6 "The incentive system - e) Payment of the variable component" of the Remuneration Policy.</p>
	<ul style="list-style-type: none"> <li>Where applicable, shareholding requirements that may be imposed on identified staff.</li> </ul>
	<p>The Chief Executive Officer is required to hold in his portfolio, even after the shares deriving from the assignment of any variable component have actually been allocated, at the end of the vesting/holding periods, a number of Mediobanca shares with a value equal to twice his fixed remuneration (fixed remuneration, including the emolument for the office, at the end of the financial year and the average stock market value of the Mediobanca share recorded during the financial year) and the General Manager equal to once. The equivalent amount of shares - to be achieved within a period of five years from the first assignment - must be held for the entire duration of the mandate in order to align interests with those of shareholders (so-called "stock ownership requirement").</p>

Qualitative disclosures



	The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:
g)	<ul style="list-style-type: none"> <li>Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.</li> </ul> <p><i>The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most relevant personnel, is determined on the basis of the risk-adjusted economic performance of the respective divisions (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and other secondary quantitative and qualitative targets.</i></p> <p><i>A significant portion of variable remuneration is deferred and paid partly with equity instruments to link incentives to long-term value creation, allowing the continuity and sustainability of positive results to be verified. Payments are made annually on a pro-rata basis, depending, jointly, on the role held and the amount of variable remuneration awarded.</i></p> <p><i>For details, see Chapter 6 "The incentive system - e) Payment of the variable component" of the Remuneration Policy.</i></p>
h)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.
	See the "Tables with quantitative and analytical information" in the Report on Remuneration Policy and remuneration paid.
i)	Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.
	<ul style="list-style-type: none"> <li>For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</li> </ul> <p><i>Derogation based on point b): number of staff benefiting from the derogation 27; total remuneration € 5,891k, of which fixed € 4,525k, of which variable € 1,367k.</i></p>
j)	Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.
	See the "Tables with quantitative and analytical information" in the Report on Remuneration Policy and remuneration paid.



Table EU REM1: Remuneration awarded for the financial year

		a	b	c	d	
		Management body Supervisory function	Management body Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	13	2	10	85
2		Total fixed remuneration	4,380,319	4,278,880	8,067,194	30,068,280
3		Of which cash based	4,028,768	3,500,000	7,431,551	28,711,310
4		(Not applicable in UE)				
EU-4a		Of which shares or equivalent equity ownership interest				
5		Of which share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which other instruments				
6		(Not applicable in UE)				
7		Of which other forms	351,551	778,880	635,644	1,356,970
8	(Not applicable in UE)					
9	Variable remuneration	Number of identified staff		2	10	77
10		Total variable remuneration		3,300,000	8,302,000	22,096,086
11		Of which cash based		1,551,000	3,918,900	11,761,836
12		Of which deferred		891,000	2,208,400	5,470,500
EU-13a		Of which shares or equivalent equity participations		1,749,000	4,383,100	10,114,250
EU-14a		Of which deferred		1,089,000	2,704,600	5,338,500
EU-13b		Of which share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which deferred				
EU-14x		Of which other instruments				220,000
EU-14y	Of which deferred				132,000	
15	Of which other forms					
16	Of which deferred					
17	Total remuneration (2 + 10)	4,380,319	7,578,880	16,369,194	52,164,366	

Gross remuneration

Other forms of fixed remuneration: excludes contractual fringe benefits and benefits for the entire workforce, includes supplementary pension fund paid or house allowance.

Variable remuneration: includes any stability/extension of notice agreements and any guaranteed and excludes any incentives as reported in table REM2

Group Material Risk Takers as of June 30, 2021 (includes Strategic Executive/MRT who ceased to work for Mediobanca on 18 April 2021).

Includes Financial Advisors (recurring component included in fixed compensation and any non-recurring component in variable compensation).





**Table EU REM2: Special payments to staff whose professional activities have a material impact on institution's risk profile (identified staff)**

	a	b	c	d
	Management body Supervisory function	Management body Management function	Other senior management	Other identified staff
<b>Guaranteed variable remuneration awards</b>				
1	Guaranteed variable remuneration awards - Number of identified staff			
2	Guaranteed variable remuneration awards -Total amount			
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap			
<b>Severance payments awarded in previous periods, that have been paid out during the financial year</b>				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff		1	3
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount		94,000	61,522
<b>Severance payments awarded during the financial year</b>				
6	Severance payments awarded during the financial year - Number of identified staff			1
7	Severance payments awarded during the financial year - Total amount			270,000
8	Of which paid during the financial year			81,000
9	Of which deferred			189,000
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap			270,000
11	Of which highest payment that has been awarded to a single person			270,000

Gross remuneration

For incentives paid relating to prior years, Grpup MRT mapped to the relevant FYs



Table EU REM3: Deferred remuneration

	a	b	c	d	e	f	EU-g	EU-h
Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 Management body Supervisory function								
2 Cash based								
3 Shares or equivalent ownership interests								
4 Share-linked instruments or equivalent non-cash instruments								
5 Other instruments								
6 Other forms								
7 Management body - management	8,580,336	2,057,527	6,522,809			- 91,202	2,057,527	1,322,767
8 Cash based	4,187,130	734,760	3,452,370				734,760	
9 Shares or equivalent ownership interests	4,393,206	1,322,767	3,070,439			- 91,202	1,322,767	1,322,767
10 Share-linked instruments or equivalent non-cash instruments								
11 Other instruments								
12 Other forms								
13 Other members of senior management	15,082,937	2,932,574	12,150,363			- 84,386	2,932,574	1,730,399
14 Cash based	7,171,304	1,202,175	5,969,129				1,202,175	



15	Shares or equivalent ownership interests	7,911,633	1,730,399	6,181,234	-	84,386	1,730,399	1,730,399
16	Share-linked instruments or equivalent non-cash instruments							
17	Other instruments							
18	Other forms							
19	Other identified staff	18,122,606	6,339,356	11,783,250	-	228,617	6,339,356	2,967,643
20	Cash based	8,602,109	3,371,713	5,230,396			3,371,713	
21	Shares or equivalent ownership interests	9,203,497	2,911,743	6,291,754	-	228,617	2,911,743	2,911,743
22	Share-linked instruments or equivalent non-cash instruments							
23	Other instruments	317,000	55,900	261,100			55,900	55,900
24	Other forms							
25	Total amount	41,785,879	11,329,457	30,456,422	-	404,205	11,329,457	6,020,809

Gross remuneration

Group Material Risk Takers as of June 30, 2021 (includes Strategic Executive/MRT who ceased to work for Mediobanca on 18 April 2021).

1) Shares still deferred/subject to holding period: average value of Mediobanca share for the financial year 1/7/2020 - 30/6/2021 (€8.0601)

2) Correction calculated as the delta between the value at assignment and the average value of Mediobanca shares for the financial year 1/7/2020 - 30/6/2021 (€8.0601)



Table EU REM4: Remuneration of EUR 1 million or more per year

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 - 1,500,000	13
2	1,500,000 – 2,000,000	4
3	2,000,000 – 2,500,000	4
4	2,500,000 – 3,000,000	
5	3,000,000 – 3,500,000	1
6	3,500,000 – 4,000,000	1
7	4,000,000 – 4,500,000	1



**Table EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)**

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business area						
	Management body Supervisory function	Management body Management function	Total Management body	Investment banking	Retail Banking	Asset management	Corporate functions	Independent internal control functions	All Other	Total
1	Total number of key personnel									110
2	13	2	15							
3				6	3	1				
4				34	17	1	12	21		
5	4,380,319	7,578,880	11,959,199	39,585,581	18,728,113	782,400	4,840,484	4,596,982		
6			3,300,000	19,971,000	7,510,936	440,000	1,517,500	958,650		
7	4,380,319	4,278,880	8,659,199	19,614,581	11,217,177	342,400	3,322,984	3,638,332		

Gross remuneration - Definitions as included and specified in Table REM1  
 Group Material Risk Takers as of June 30, 2021 (includes Strategic Executive/MRT who ceased to work for Mediobanca on 18 April 2021).



**Aggregate quantitative information by division**

Mediobanca Division	FTE	Fixed Salary	Variable Remuneration	% Variable maximum	% Variable on fixed salary
1) Management body Supervisory function - Mediobanca	13	4,380,319	-	-	-
2) Management body - management – (CEO/GM) - Mediobanca	2	4,278,880	3,300,000	200%	100.0%
3) Staff, Support, holding units	1,176	73,612,289	13,956,927	200%	19.0%
4) Control functions (Risk Management, Audit, Compliance)	330	22,917,268	3,914,102	33%	17.1%
5) Investment Banking - business	653	67,672,559	55,770,728	200%	82.4%
6) Retail and Consumer - business	2,720	160,621,034	19,427,665	200%	12.1%
7) Private Banking - business	308	35,493,746	13,505,612	200%	38.1%
8) Asset Management - business	94	13,809,791	5,766,903	500%	41.8%
	<b>5,296</b>	<b>382,785,886</b>	<b>115,641,937</b>	<b>-</b>	<b>30.2%</b>

Gross amounts included for Group Directors emoluments payable in respect of their office.

Includes Financial Advisors (recurrent component in Fixed salary and non recurrent component in variable remuneration)

EBA classification (2021 Organizational structure). End FY data.

For CEO/GM Mediobanca: variable/fixed ratio calculated on employee compensation for scorecard purposes

Fixed remuneration: excludes contractual fringe benefits and benefits for the entire population, includes supplementary pension fund paid or house allowance for Group MRT.

Includes Group companies which ended FY on 31 December 2020