

# REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING ON 18 APRIL 2023



## 2. Remuneration Policies:

- 2.1. Approval of the Report on Remuneration Policies - section I, also pursuant to Art. 123-ter of Italian Legislative Decree no. 58/1998;
- 2.2. Approval of the Report on Remuneration Policies - section II, also pursuant to Art. 123-ter of Italian Legislative Decree no. 58/1998;
- 2.3. Approval of the criteria for determining the remuneration to grant in the event of early termination of employment or early termination of office.

**ENGLISH TRANSLATION FOR COURTESY PURPOSES ONLY. IN CASE OF DISCREPANCIES BETWEEN THE ITALIAN VERSION AND THE ENGLISH VERSION, THE ITALIAN VERSION SHALL PREVAIL**

## Board of Directors' Report

- pursuant to art. 125-ter of Legislative Decree 58/1998, as subsequently amended - to the

**Ordinary Shareholders' Meeting of 18 April 2023 on single call**

Dear Shareholders,

You have been called to the ordinary Shareholders' Meeting to resolve, among other things, on the item explained below:

### **2. Remuneration Policies:**

**2.1. Approval of the Report on Remuneration Policies - section I, also pursuant to Art. 123-ter of Italian Legislative Decree no. 58/1998;**

**2.2. Approval of the Report on Remuneration Policies - section II, also pursuant to Art. 123-ter of Italian Legislative Decree no. 58/1998;**

**2.3. Approval of the criteria for determining the remuneration to grant in the event of early termination of employment or early termination of office.**

This report of the Board of Directors of Banca Mediolanum S.p.A. ("**Banca Mediolanum**" or the "**Bank**") is drafted in accordance with art. 125-ter, paragraph 1, of the TUF (Consolidated Finance Act) and illustrates the "*Board of Directors' report on the Group policy on remuneration and compensation paid*" (the "**Report**" drafted and approved by the Board of Directors, with the support of the Remuneration Committee.

As set forth in the legislation in force, Banca Mediolanum submits to a binding vote of the Shareholders' Meeting, Section I of the Report, and Section II of the aforementioned Report to an advisory vote of

the Shareholders' Meeting. Said document, in compliance with the applicable regulatory provisions, will be made available to the public by 28 March 2023 at the company's registered office (Basiglio, Milan 3, Via Ennio Doris, Palazzo Meucci), on the storage mechanism of Teleborsa S.r.l. (at the address [www.emarketstorage.com](http://www.emarketstorage.com)), as well as on the *Bank's* website ([www.bancamediolanum.it](http://www.bancamediolanum.it) – *Corporate Governance*, Shareholders' Meeting section).

The Report has been prepared in compliance with the "*Supervisory provisions for banks, circular no. 285 of 17 December 2013*" – as amended in November 2021 in order to acknowledge the changes introduced by CRD V (directive 2019/878/EU) and the guidelines of the European Banking Authority in implementation of directive (EBA/GL/2021/04) (the "**Supervisory Provisions**") - as well as pursuant to and in accordance with art. 123-*ter* of the TUF (Consolidated Finance Act) and art. 84-*quater* of the Issuers' Regulations.

The Remuneration Policies (with an annual duration) for the year 2023 are described in Section I of the Report, which are proposed for adoption (Resolution pursuant to item 2.1 on the agenda), relating to the Mediolanum Banking Group, prepared in compliance with the applicable industry legislation (the "**2023 Remuneration Policies**").

With specific reference to the main contents of the document, it should be noted that the 2023 Remuneration Policies have been updated in order to provide information on the characteristics of the New Long Term Incentive Plan 2023-2025 based on financial instruments intended for the Key People of the banking Group, submitted for your approval as item 4) on the agenda of the Shareholders' Meeting. Moreover, it should be noted the introduction of a specific chapter (see section 3.1 of Section I of the Report) on the interconnections between remuneration and incentive policies and the priorities expressed in terms of Environmental, Social and Governance (ESG) Sustainability by the Materiality Matrix. The annual incentive plans based on financed instruments (2023 Performance Shares Plans) for Directors, Employees and Collaborators of the Sales Network – submitted for your approval as item 3) on the agenda of the Shareholders' Meeting – are finally in continuity with the 2022 financial year, as more fully described in the related explanatory report and

information document and will be made available to the public within the terms and according to the law and regulations. It should also be noted, for the purposes of clarity, that the 2023 Remuneration Policies do not cover the remuneration policies of the insurance sector of the Group, for which the sector regulations pursuant to Ivass Regulation no. 38/2018 remain in place, that the subsidiary Insurance Companies are required to apply, without prejudice to the necessary compliance with the main principles defined by the Parent Company in the remuneration policies it has approved.

Section I, in compliance with the Supervisory Provisions (37 update), also outlines the “policy for the process of the identification of the material risk takers” of the Bank, which forms an integral part of Section I, and as such is therefore subject to the approval of the shareholders’ meeting (for a description of the aforementioned policy see paragraph 2 of Section I of the Report).

With reference to the ratio of fixed to variable components of remuneration, please recall that the Shareholders' Meeting of 9 April 2019 resolved to maintain the ratio of 2:1 between the variable and fixed components of the personal remuneration for the “material risk takers” and the linked right under the applicable legislation to exclude the personnel belonging to the Group’s asset management companies from the above-mentioned limit. In this regard, it should be noted that the proposed 2023 Remuneration Policies possess, on this point, characteristics that almost fully match those defined in 2022. Based on the above, after receiving the favourable opinion of the Remuneration Committee, Board of Directors saw fit not to propose to the shareholders to issue an opinion again on the matter, as well as to maintain - in line with the Remuneration Policies relating to previous years - the adoption of a maximum ratio between the variable component and the fixed component of remuneration of up to 2:1 for several specific categories of parties falling under the category of “the material risk takers”.

For the sake of completeness, it should be noted that maintaining a 2:1 ratio between the variable remuneration and the fixed remuneration will have no impact on the Bank’s ability to continue to observe all prudential rules, and particularly the requirements concerning own funds, in the present and in the future.

With reference to the criteria for determining the compensation to be agreed in the event of the early termination of the employment relationship or early cessation of office (Resolution pursuant to point 2.3 of the agenda), the proposal is presented to the Shareholders' Meeting, competent in accordance with the regulations in force and art. 10, paragraph 3, letter (c), of the Bank's By-Laws, to confirm said criteria – in continuity with what was approved for the financial year 2022 – as outlined in paragraphs 4.6.4 and 5.2 of Section 1 of the Report, with regard to the categories of entities that qualify as "material risk takers" as regards Directors, Employees and the Sales Network.

Lastly, please note that in compliance with the Supervisory Provisions and the applicable legal provisions:

- the *Compliance Function* of Banca Mediolanum has checked the overall compliance of the Group remuneration Policies and remuneration practices against the regulatory framework of reference regarding both application for 2022 and for the updates planned in 2023;
- the *Internal Audit Function* of Banca Mediolanum has checked that the remuneration and incentive practices meet the approved policies and regulations of reference based on the existing decision-making and operational processes.
- the independent auditors tasked with auditing the financial statements verify the preparation, by the directors, of Section II of the Report pursuant to art. 123-ter, paragraph 8-bis, of the Consolidated Finance Act.

\* \* \*

Dear Shareholders,

In consideration of what is explained above, we ask you to approve the following resolution proposal (on which three distinct votes shall be proposed, based on the topic, one for each resolution item):

*"The ordinary shareholders' meeting of Banca Mediolanum S.p.A., having examined the Report of the Board of Directors prepared in accordance with art. 123-ter of Legislative Decree no. 58/1998:*

### RESOLVES

Resolution on item 2.1 on the agenda:

*"to approve the First Section of "the Board of Directors' Report on the Group policy 2023 regarding remuneration and compensation paid", pursuant to and in accordance with art. 123-ter, paragraph 3-ter, of the Consolidated Finance Act.*

Resolution on item 2.2 on the agenda:

*"to approve the Second Section of "the Board of Directors' Report on the Group policy 2023 regarding remuneration and compensation paid", pursuant to and in accordance with art. 123-ter, paragraph 6, of the Consolidated Finance Act.*

Resolution on item 2.3 on the agenda:

*"to approve, pursuant to Art. 10, paragraph 3(c) of the By-laws and to all other effects of law, the criteria for determining the remuneration to grant in the event of early termination of employment or early termination of office, including the limits set on said remuneration in terms of annuity of the fixed remuneration and the maximum amount that derives from their application, as explained in the Board of Directors' Report".*

Milan 3, 7 March 2023

For the Board of Directors  
The Chairman  
(Giovanni Pirovano)