



BOARD OF DIRECTORS' REPORT

Appointment of Board of Directors for 2018-20 three-year period:

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

The mandate of the Board of Directors currently in office expires with the imminent Annual General Meeting; accordingly, you are invited to appoint the new Board of Directors in accordance with the provisions of Article 15 of the company's Articles of Association and the applicable regulations.

In particular shareholders in Annual General Meeting are called to:

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

The duration of the term of office is three years and said term will therefore expire on the date of the Annual General Meeting held to approve the Group's financial statements for the twelve months ending 30 June 2020.

With this reappointment of the Board of Directors, the amendments to the Articles of Association approved by the shareholders in the Annual General Meeting held on 28 October 2015. In particular, the Board shall consist of between nine and fifteen members, at least two of whom shall be appointed from the minority list; and at least one-third of the members must qualify as independent according to the definition provided in Article 19 of the Articles of Association.

Furthermore, pursuant to Article 15, paragraph 9, of the Articles of Association, lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain three candidates numbered consecutively, starting from the first, who are in possession of the requisites stipulated under Article 15, paragraph 4 (who are employees with at least three years' experience working for Mediobanca Banking Group companies at senior management level).

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

Lists containing a number of candidates equal to or above three must ensure that the balance between male and female candidates complies with at least the minimum requirement stipulated by the regulations in force, which at present is one-third (five Directors).

In view of the significant responsibilities which the Directors will be called to assume, in submitting their lists shareholders are invited to take into careful considerations the recommendations made in the Report on the qualitative and quantitative composition of the Board of Directors: recommendations to shareholders and the new Board of Directors approved by the Board of Directors at a meeting held on 14 June 2017, which illustrates the qualitative and quantitative profile which the Directors must collegiately reflect, and refers to



the qualifications instituted by the applicable regulatory provisions currently in force. The Report is available on the company's website at (www.mediobanca.com, in the section entitled Corporate governance/General meeting 2017). Without prejudice to the need to read the whole of the above document with due care, as already stated, in this report we shall confine ourselves to highlighting the following salient points:

i) Professional qualifications in terms of:

- ◆ Basic knowledge of the banking sector in the following areas: financial markets; regulatory framework and legal requirements; strategic planning, and an understanding of a credit institution's business strategy or business plan and implementation thereof; risk management and monitoring (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a credit institution); accounting and auditing; assessing the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight and controls; and Interpreting a credit institution's financial information, identifying key issues based on this information and appropriate controls and measures;
- ◆ Knowledge and experience in at least one of the following areas of expertise: businesses in which the Mediobanca Group operates (Corporate Investment Banking, Wealth Management, Consumer Banking); financial accounting and reporting; macroeconomics/international economics; risk management, compliance and internal audit; information technology and security; Legal and regulatory frameworks; and managerial capabilities and entrepreneurial experience;

ii) Need to ensure that the candidates have the appropriate amount of time available to be able to perform the duties required of them properly, taking into consideration the possibility of taking part in Board committees as well as the Board itself. In FY 2016-17, the following were held:

- ◆ Eleven meetings of the Board of Directors;
- ◆ Thirteen meetings of the Executive Committee;
- ◆ Twelve meetings of the Risks Committee;
- ◆ Eight meetings of the Remunerations Committee;
- ◆ Eight meetings of the Appointments Committee;
- ◆ Thirteen meetings of the Related Parties Committee;
- ◆ Six induction sessions for Directors and Statutory Auditors.

iii) The numerous personal qualifications and requisites (along with the "Fit & Proper" questionnaire) set out analytically in the "Report on the qualitative and quantitative composition of the Board of Directors"

iv) Careful assessment of the potential conflicts of interest which could compromise the Directors' independence. In particular our hope is that no Directors would be appointed who perform executive duties for banks, insurances or asset management companies; are members of the advisory boards of such entities; or are, directly or indirectly, a relevant shareholder (i.e. with interests of over 10%) in any banks, insurances or asset management companies.



Appointment to the Board of Directors is made on the basis of lists.

The means by which lists for appointment to the position of Director should be submitted are illustrated in detail in the Notice of Meeting.

The procedure for the appointment of Directors is as follows: all Directors save two are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other Directors are chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered.

In the event of an equal number of votes being cast, a ballot shall be held.

In the event that following the procedure set out above does not result in a sufficient number of Directors in possession of the requisites in terms of independence, i.e. Directors who are employees with at least three years' experience working for Mediobanca Banking Group companies at senior management level, as provided by Article 15, paragraphs three and four of the Articles of Association, and if the number of Directors of one or other gender proves to be fewer than the number required by the regulations in force, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the requisite qualifications or characteristics, from the same list based on their consecutive numbering. If it proves impossible to complete the number of Directors required via this procedure, again in order to comply with the provision of the Articles of Association, the remaining Directors shall be appointed by shareholders in general meeting on the basis of the legal majority, at the proposal of the shareholders in attendance.

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

For the appointment of those Directors who for whatever reason could not be elected to comply with the provisions set out in the paragraphs above, or if no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of the legal majority, again without prejudice to the requirements stipulated in the Articles of Association.

The shareholders in general meeting are also called to determine the remuneration payable to the Board of Directors. In this connection, it should be noted that for the Board of Directors currently in office, at the Annual General Meeting held on 28 October 2014 the shareholders of Mediobanca set the aggregate gross annual compensation payable to the Board at €2,750,000, and authorized the Board itself to decide on its allocation. The cost incurred in this respect during the last financial year was €2,567,808.

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

Milan, 3 August 2017

THE BOARD OF DIRECTORS