



MEDIOBANCA

CONSOLIDATED NON-FINANCIAL STATEMENT

2017-2018

CONSOLIDATED
NON-FINANCIAL
STATEMENT

2017-2018

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METHODOLOGY

1.1 Reporting standards applied

[GRI 102-52], [GRI 102-54]

The Consolidated Non-Financial Statement (the “Statement” or the “CNFS”) for the Mediobanca Group (the “Group”), drawn up in accordance with the provisions of Article 4 of Italian Legislative Decree 254/16 (the “Decree”), contains information on environmental, social and staff-related issues and on human rights and measures to tackle bribery and corruption, of use to provide an understanding of the activities performed by the Group, its performance, results and the impact produced by it.

The Statement, which will be published annually, has been drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and in accordance with the core option of the Global Reporting Initiative Sustainability Reporting Standards (the “GRI Standards”) published in 2016 by the Global Reporting Initiatives (GRI), which are currently the most widely used and internationally-recognized standards in non-financial reporting.

To facilitate stakeholders in locating information within the document, the GRI Content Index is reproduced on p. 93. References to the GRI indicators are provided in the text in order to facilitate understanding, using the symbol [GRI N.].

The non-financial reporting contained in the Statement reflects the principle of materiality, or relevance, one of the prerequisites set down by the regulations and a key feature of the GRI Standards. Accordingly, the issues presented in the Statement are the ones which, following the materiality analysis described on p. 27 of the CNFS, are considered relevant in terms of being able to reflect the social and environmental impact of the Group’s activities or influence the decisions of its stakeholders.

Account has also been taken of the following principles for the purposes of the reporting

Stakeholder inclusiveness

the expectations and interests of all stakeholders, i.e. parties which on various grounds contribute to or are otherwise affected by the Group's activities, are taken into consideration

Sustainability context

the results of the non-financial reporting have been presented taking into account the social and economic context in which the Group operates and the main issues in the sector of which it forms part

Completeness

the issues reported on and the scope of the Statement enable stakeholders to make a full judgement of the Group's principal social and environmental impacts

Balance between positive and negative aspects

the Statement presents the Group's main non-financial performances, describing aspects in which the Group shows positive results and trends, and areas which reflect margins for further improvement

Comparability

the indicators have been used in such a way as to allow results to be constructed and reconstructed over time, thus allowing performance to be monitored on an ongoing basis

Accuracy

the reporting has been based on data recorded directly, limiting the use of estimates as far as possible

Timeliness

the Statement is prepared annually and published in the same period as the consolidated financial statements

Reliability

all the data and information shown have been validated by the heads of the relevant company units and have been processed on the basis of substantiated evidence which is sufficient to prove the existence, completeness and accuracy of such data and information

Clarity

the Mediobanca Group's Disclosure contains information presented in a way that is understandable and accessible to all the organization's range of stakeholders

1.2 Scope of reporting

[GRI 102-10], [GRI 102-45], [GRI 102-48], [GRI 102-49], [GRI 102-50], [GRI 102-51]

The qualitative and quantitative data and information contained in the Statement refer to the performances by the Mediobanca Group in the financial year ended 30 June 2018. As provided by Article 4 of Italian Legislative Decree 254/16, the CNFS comprises the data of the parent company Mediobanca S.p.A. ("Mediobanca") and its fully consolidated Group companies listed below, selected on the basis of quantitative criteria and materiality thresholds, to provide a representation of the impacts generated by the Group's activities

- ◆ No. of staff > **50**
- ◆ Total assets > **5% total consolidated assets**
- ◆ Total revenues > **5% total consolidated revenues**
- ◆ Total operating costs > **5% total consolidated operating costs**
- ◆ Total administrative expenses > **5% total consolidated administrative expenses**

The following companies have also been included in the CNFS scope of reporting, despite not meeting the above criteria, following a qualitative assessment of their impacts

- ◆ **Mediobanca International**: significant for wholesale banking business
- ◆ **Mediobanca SGR**: significant for the Mediobanca Social Impact Fund
- ◆ **MB Facta**: growing company

Companies included in the CNFS scope of reporting

Mediobanca – Banca di Credito Finanziario S.p.A.

Mediobanca International (Luxemburg) S.A.

CheBanca! S.p.A.

SelmaBipiemme Leasing S.p.A.

Compass Banca S.p.A.

Cairn Capital Group Limited

Compagnie Monégasque de Banque – CMB S.A.M.

Spafid S.p.A.

Mediobanca SGR S.p.A.

Mediobanca Innovation Services S.C.p.A.

MB Facta S.p.A.

Futuro S.p.A.

MB Credit Solutions S.p.A.

In March 2018, Mediobanca completed the acquisition of a 69% stake in RAM Active Investments, a leading European systematic fund manager. Given that the acquisition was completed so recently, RAM has not been included in the scope of reporting for this year.

Any limitations to this scope of reporting, with reference to the coverage of specific indicators, have been disclosed where appropriate in the CNFS itself. Such limitations do not affect the representativeness of the Group's results and assets, as required by Italian Legislative Decree 254/16. Furthermore, as provided in the Decree, given the first-time adoption scenario, only a summary and qualitative comparison to previous years' performances has been provided.

1.3 Reporting process

The Mediobanca Group's Consolidated Non-Financial Statement as at 30 June 2018 has been drawn up on the basis of a structured reporting process which entailed

- ◆ The involvement of all company units and divisions responsible for the material areas and for the information included in the Statement. The representatives identified described the significant initiatives and have helped to assess the material issues, already included in the first Group Sustainability Reporting. They also assisted at the stage of collecting, analysing and consolidating the data, with the responsibility for checking and validating all the information stated in the Statement, each for their own area of responsibility. In particular, in order to meet the requisites of Italian Legislative Decree 254/16 and the GRI Standards, the information contained in the Statement has been managed via data collection reports for the qualitative data, while the quantitative data has been entered in the same IT platform used to manage the Group's accounting. This process is governed via a specific internal Directive, which includes formal validation by the contributing units. The data is processed via extractions and point-in-time calculations, and also estimates (where specifically stated). The earnings and financial data and information have been taken from the Mediobanca Group's consolidated financial statements for the year ended 30 June 2018
- ◆ Approval of the Statement by the Board of Directors, called to adopt the accounts for the financial year ended 30 June 2018, subject to prior review by the Group CSR and Risks Committees
- ◆ Assurance for the Statement by PricewaterhouseCoopers S.p.A. in the form of a limited review
- ◆ Publication of the Statement on the company website to make it fully transparent and available to all stakeholders

Table to show intersections between areas covered by the Decree, material issues and GRI Standards¹

AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16	MATERIAL ISSUES IDENTIFIED BY MEDIOBANCA	RELEVANT TOPIC-SPECIFIC GRI STANDARD	IMPACT SCOPE	
			GROUP INTERNAL IMPACT	GROUP EXTERNAL IMPACTS ²
Corruption	Ethics and integrity in business	Ethics and integrity Anti-corruption (GRI 205)	Whole Group	Community
-	Stability, regulation and resilience of financial system	(*)	Whole Group	
	Management and systematic assessment of risk and brand reputation	(*)	Whole Group	Clients
	Business model and strategy	(*)	Whole Group	
Social	Transparency of information on products and services	Marketing and labelling (GRI 417)	Whole Group	Clients
	Customer satisfaction and quality of service	(*)	Whole Group	Clients
	Data protection and security	Customer privacy (GRI 418)	Whole Group	Clients
	Innovation, multi-channel approach and digitalization	(*)	Whole Group	Clients
	Contribution to economic system and to society	(*)	Whole Group	Community
	Financial inclusion, access to resources and education	(*)	Whole Group	Clients Community
	Impact on and investment in the community	(*)	Whole Group	Community

1) The most significant areas for the Group are in bold, as per the top right-hand square of the Materiality Matrix (Section 3.5. Material issues and areas covered by Italian Legislative Decree 254/16)

2) The contents which refer to impacts external to the Group in the table shown below constitute qualitative information to aid comprehension of the scope of the business versus the main stakeholders, but do not provide quantitative data from within the scope of consolidation

METHODOLOGY

AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16	MATERIAL ISSUES IDENTIFIED BY MEDIOBANCA	RELEVANT TOPIC-SPECIFIC GRI STANDARD	IMPACT SCOPE	
			GROUP INTERNAL IMPACT	GROUP EXTERNAL IMPACTS ²
Staff	Training and professional development	Training and education (GRI 404)	Whole Group	
	Managing, attracting, developing and retaining talent	Employment (GRI 401) Training and education (GRI 404)	Whole Group	
	Job creation and protection	Employment (GRI 401)	Whole Group	
	Staff commitment, engagement and satisfaction	(*)	Whole Group	
	Diversity, inclusion and equal opportunity	Diversity and equal opportunities (GRI 405)	Whole Group	
	Staff incentives, benefits and remuneration	Employment (GRI 401)	Whole Group	
	Staff health, safety and welfare	Health and safety (GRI 403)	Whole Group	
Environment and human rights	Responsible investments and sustainable products	(*)	Whole Group	Clients
Environment	Management of direct and indirect environmental impact of business	Water (GRI 303) Effluents and waste (GRI 306)	Whole Group	Environment
	Energy consumption and CO ₂ emissions	Energy (GRI 302) Emissions (GRI 305)	Whole Group	Environment
	Sourcing and consumption of sustainable products	Materials (GRI 301)	Whole Group	Environment
Supply chain	Responsible supply chain management	(*)	Whole Group	Suppliers and trading partners

*) For issues marked with an asterisk (which do not match directly with a Topic-Specific GRI Standard), the Group illustrates the management approach adopted and related performance indicators considered to be material in the document itself

STRATEGY

[GRI 102-14]

The results for FY 2017-18 demonstrate the Group's solidity and capability to deliver success in an increasing complicated competitive scenario.

In the twelve months ended 30 June 2018, the Mediobanca Group earned a **net profit of over €850m, up 15.2% year-on-year** with a significant increase in shareholder remuneration³.

The year was an important one in terms of growth in both earnings and balance sheet terms, driven by robust commercial activity in all business lines.

These results are in part due to the investments made to further strengthen the front-end, Risk Management and IT areas, which have enabled further improvements in relations with clients. Investment banking activity also delivered strong growth, with Mediobanca heavily involved in the leading transactions in Italy and elsewhere, with an increase in the number of deals in the strategic mid-cap segment.

Another significant aspect has been our M&A activity, which has complemented the Group's organic growth and supported it with targeted acquisitions, intended to strengthen all business units. The following acquisitions were made during the year under review: completion of the merger of Barclays into CheBanca!; the merger of Banca Esperia into Mediobanca S.p.A. and institution of the Mediobanca Private Banking division; and acquisition of RAM, which expands the range of alternative asset management products available to our clients.

3) The Board adopted a resolution to submit a proposal to shareholders at the annual general meeting to be held on 27 October 2018 to pay a gross dividend of €0.47 per share. The amount will be paid on 21 November 2018, with the record date 20 November and the shares going ex-rights on 19 November. The proposed dividend of €0.47 is 27% higher than the €0.37 dividend paid last year, and translates to a payout ratio of 48% (43%)

The Bank's capital is also sufficient to allow further transactions, with the objective of increasing not only revenues but also revenue quality, and of growing the volumes and profitability of the various specialist banking areas on which the business model is based.

The objectives of **the 2016-19 strategic plan** have been reached one year ahead of schedule, completing the Group's strategic repositioning from holding company to highly specialized banking group, based on a business model offering higher profitability for lower use of capital, while maintaining its traditional prudent approach to risk and continuing to pay dividends without having to rely on capital increases.

For **Alberto Nagel, Mediobanca Group's CEO**, "Our ability to adapt our business model has enabled us to reposition ourselves on the market while maintaining our identity and corporate culture intact which have always been our hallmarks. To borrow a quote from Darwin, we may say that it is not always the strongest or smartest of firms that survive but the ones which react best to changes".

All this has been possible because of our staff members, who are an essential part of the Group's capital and the key component in its competitiveness.

Indeed, long-term economic growth cannot be achieved without valorizing human capital, increasing social welfare in general and protecting natural resources. In this sense, conduct which is fair, transparent and responsible can increase and protect a company's reputation, credibility and consent over time, all of which are prerequisites for business development which is sustainable to create and protect value for all stakeholders.

In order to promote respect for human rights, the fight to tackle corruption, to protect and promote diversity and equal opportunities, protect the environment and invest responsibly, Mediobanca has drawn up its own **Group Sustainability Policy**, which complements the Code of Ethics and Code of Conduct which had previously been adopted.

The Group also intends to contribute to the spread of the universal principles of the **Global Compact**, in which it is a participant, and to the implementation of the **Sustainable Development Goals (SDGs)** set out by the United Nations in its Agenda 2030.

To promote this commitment, numerous environmental, cultural and social initiatives and ventures have been promoted.

The Group also supports scientific and economic research, and seeks to valorize its own architectural and archival resources.

Aware of the rapidity with which climate and environmental change is occurring, Mediobanca also considers it its duty to promote responsible management of scarce resources, for future generation in particular.

Firm in its conviction that an inclusive society must be based on mutual respect and solidarity, guaranteeing equal opportunities and a decent lifestyle for all, in the last year the Group has launched certain initiatives to promote social cohesion and help embed certain values among the youngest members of society.

The convictions and commitment described above have been given concrete form in this document: **the Group's first Consolidated Non-Financial Statement**.

IDENTITY

3.1 Mediobanca Group

[GRI 102-1], [GRI 102-2], [GRI 102-4], [GRI 102-5], [GRI 102-6]

Founded in 1946 to support the reconstruction of the post-war Italian economy, Mediobanca interpreted the changing needs of the country, transforming itself into banking group offering loans and specialized financial services to corporates and households (mortgages, personal loans and consumer credit), with operations also in the asset management segment.

The Bank's **solidity** and **stability**, along with its **ability to innovate**, its **professionalism** and **proper conduct, care** and **respect for its clients and partners**, are the values which have guided Mediobanca from its very inception.

Tradition and innovation combine in the areas which go to make up the Group and contribute equally to its performance: lending and investment banking, consumer credit and wealth management.

These activities over the years have been complemented by substantial equity holdings, which in recent years have seen significant sales. Equity investing requires a substantial outlay of capital in an increasingly volatile market scenario, and the Group has decided to focus on highly-specialist banking activities which use up less capital while offering opportunities for higher returns.

Business model based on highly specialized activities		
Corporate & Investment Banking	Consumer Banking	Wealth Management
<ul style="list-style-type: none"> ◆ Business historically part of Mediobanca's identity ◆ Client-driven, highly specialized business ◆ Fee-generating business, profitable but cyclical ◆ Business which has always been well diversified by source and product but now by geography as well 	<ul style="list-style-type: none"> ◆ Historical business launched in the 1960s ◆ Specialist, domestic business with high entry barriers ◆ Stable revenue source, driver of net interest income for the Group, highly profitable ◆ Credit risk highly fragmented 	<ul style="list-style-type: none"> ◆ Business with highly specialized content ◆ Recurrent fee-based and low capital-absorption activity ◆ Solutions business, profitable, albeit not on a large scale ◆ Private banking synergistic with Corporate and Investment Banking ◆ Strategy: acquire small-/medium-sized companies

The business model is based on three highly specialized businesses

Corporate & Investment Banking

Provides high-level advice and a full range of credit products, from simplest and most traditional instruments to the most sophisticated solutions available on financial markets. CIB also includes Specialty Finance, Factoring and Credit Management activities, all of which strengthen the service offering provided to medium-sized enterprises

Consumer banking

Compass Banca can boast indepth knowledge of a growing sector, in which the capabilities it has acquired over the years allow it to successfully identify risks, products and further growth opportunities

Wealth management

This business leverages on the Group's strengths, groups companies based on the category of client they target

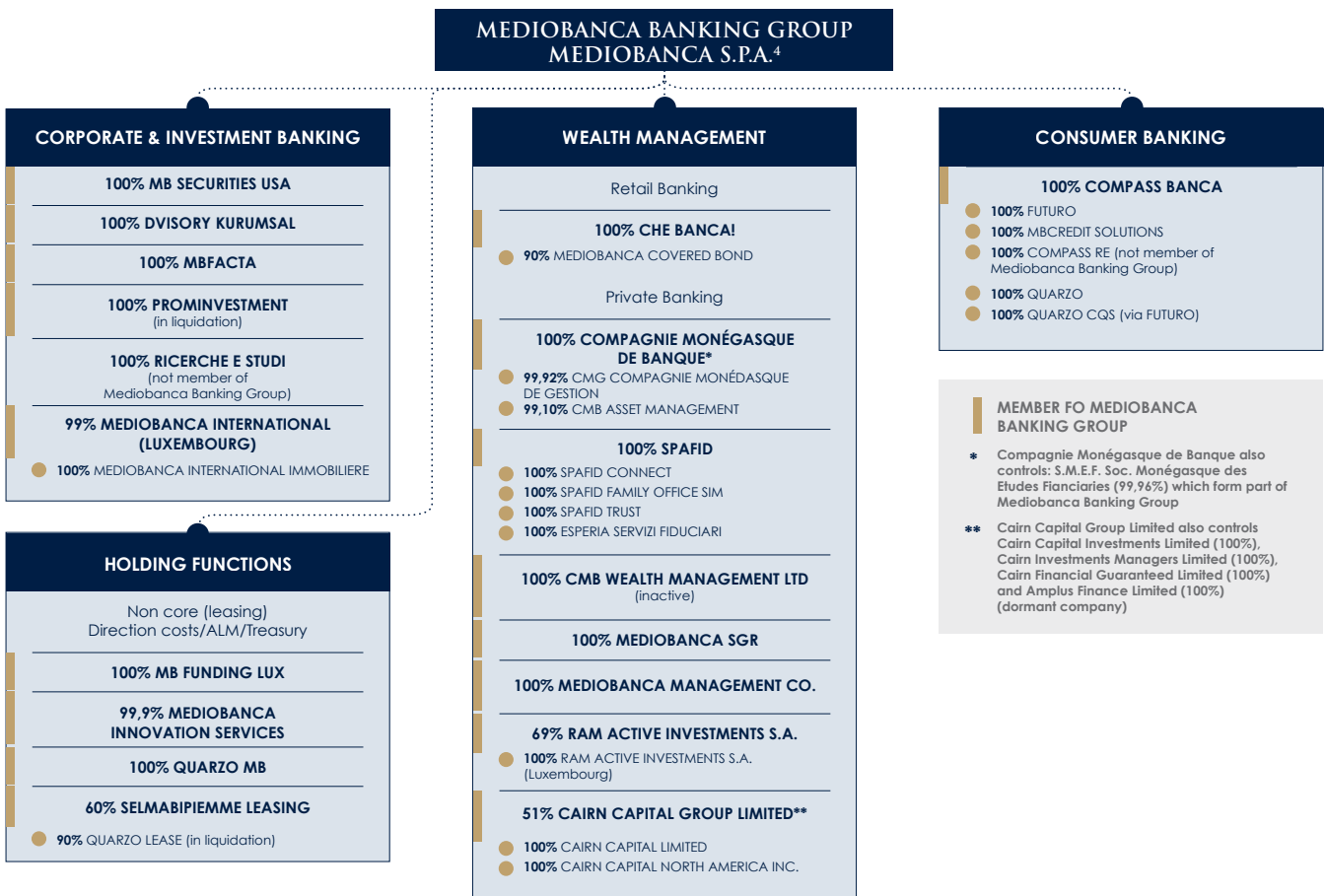
◆ **Affluent e Premier**

customers addressed by CheBanca!, the multi-channel bank launched in 2008 to provide answers to customers looking for transparent and innovative banking products and which, with its recent acquisition of Barclays' Italian operations, has already gained a solid positioning among the most technologically sophisticated clients

◆ **Private & HNWI (High Net Worth Individual)**

targeted in Italy by Mediobanca Private Banking and Spafid (the Group's fiduciary company which assists in the execution of complex banking transactions and more recently has added a sophisticated administrative platform for management of family and company estates), while Compagnie Monégasque de Banque operates in the Principality of Monaco

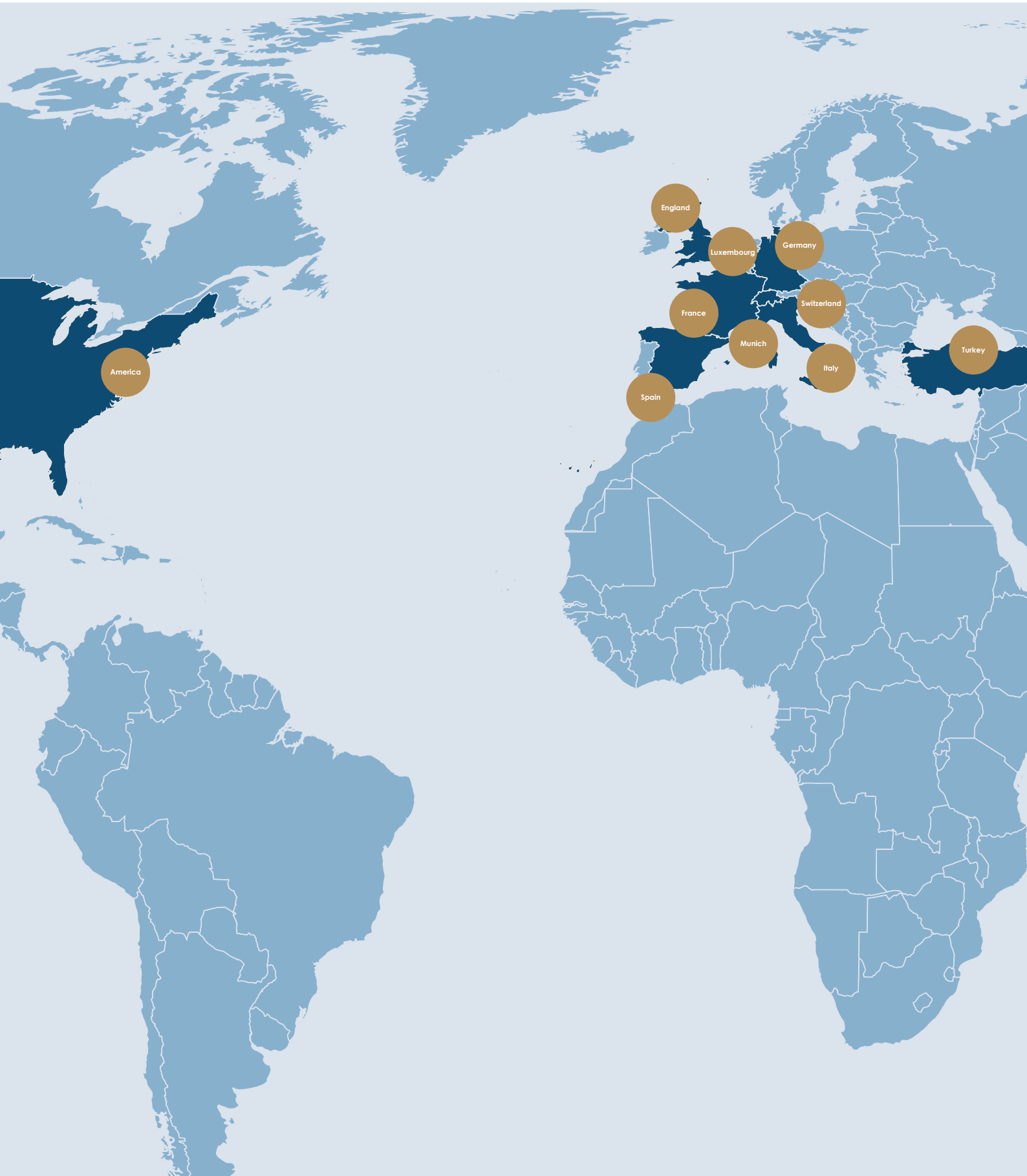
This division also comprises **Mediobanca Asset Management**, the product factory serving the Group's distribution networks by leveraging initially at least on our existing capabilities: Cairn Capital (alternative AM), Compagnie Monégasque de Gestion (CMG, formerly CMB), Mediobanca SGR and RAM Active Investments.



4) The organizational chart shown below refers to all companies forming part of the Mediobanca Group which differs from the companies included in the CNFS scope, as described in the section on Methodology

IDENTITY

The Group's international network has also been expanded, through the establishment of companies set up to operate in the various countries in which Mediobanca has a footprint.



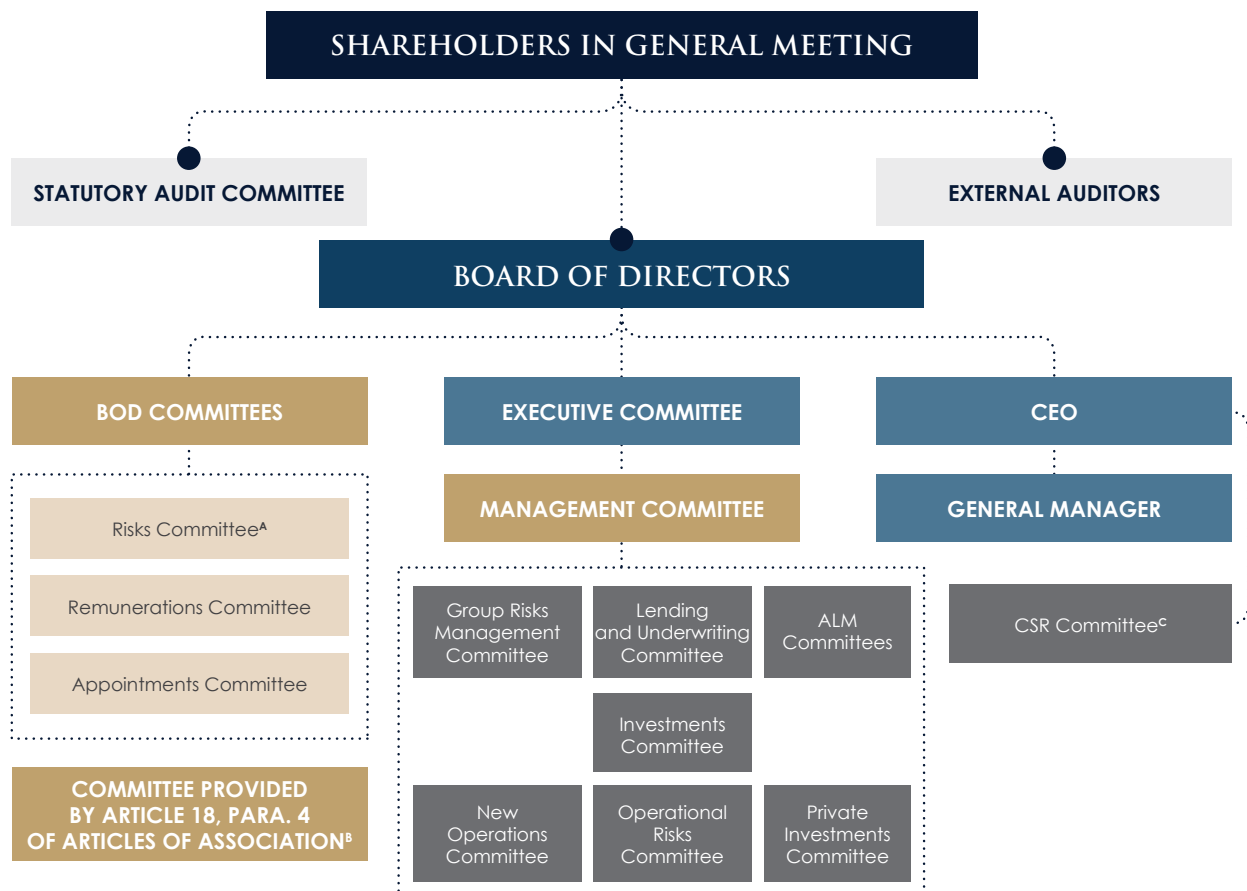
3.2 Governance model

[GRI 102-18], [GRI 102-22], [GRI 102-24], [GRI 405-1]

Mediobanca has adopted a traditional system of governance based on the appointment of a Board of Directors and Statutory Audit Committee by shareholders gathered in annual general meeting. Within this model, the Group's governance provides for a clear division of roles and responsibilities between governing bodies, as stipulated in the Articles of Association

- ◆ The Board of Directors is responsible for strategic supervision, approving the strategic direction of the Bank and monitoring to ensure it is implemented in practice
- ◆ Management of the Group is the responsibility of the Executive Committee (if appointed) and the Chief Executive Officer, who are responsible for executing the strategic direction and for managing the company's day-to-day operations
- ◆ The Statutory Audit Committee is vested with duties of control

The existing model works as follows



A) Also performs the duties of the Related Parties Committee

B) This Committee adopts resolutions on the decisions to be taken regarding appointments to the governing bodies of listed investee companies by their shareholders gathered in general meetings, in which the Bank's investment is equal to at least 10% of the investee company's share capital, and in an amount which is above 5% of the Group's own consolidated regulatory capital

C) CSR = Corporate Social Responsibility

IDENTITY

Under the terms of the Articles of Association, the Board of Directors is appointed on the basis of a list voting mechanism in which lists may be submitted by the Board of Directors and/or by shareholders representing at least 1% of the company's share capital in the aggregate.

The Directors must be in possession of the qualifications expressly set by the regulations in force and the requisite time commitment; they must comply with the limits on the number of posts held, and not be in any situations of incompatibility pursuant to Article 36 of Italian law 214/11. Three Directors are chosen from among staff members who have been members of Group companies' senior management for at least three years. At least one-third of the Directors must qualify as independent according to the definition provided in Article 19 of the Articles of Association, and no-one over the age of 75 may be appointed. The Board's composition also complies with the law on equal gender representation.

The lists of candidates must also take account of the guidelines released by the Board of Directors itself in the "Report on the Qualitative and Quantitative Composition of the Board of Directors".

With the Annual General Meeting of shareholders held on 28 October 2017, the provisions of Article 15 of the company's Articles of Association came into force, which provide for a more streamlined Board of Directors consisting of 15 members, one-third of whom are women and at least one-third of whom qualify as independent Directors.

The Board of Directors currently in office consists of 13 members⁵, one-third of whom are women, around half of whom qualify as independent under the definition provided in Article 19 of the Articles of Association, and with two Directors appointed by minority investors. There are four executive and nine non-executive members on the Board.

Breakdown of Board members by age

Age bracket	Number of Directors
26-30 years	1
46-50 years	2
Over 50 years	10

In accordance with the recommendations made by Borsa Italiana in its Code of Conduct for Listed Companies and with the Bank of Italy's Supervisory Instructions on corporate governance, the Board of Directors has instituted a Risks Committee, Remuneration Committee and Appointments Committee,

5) Following the resignations of César Alierta on 8 March 2018 and Massimo Tononi on 25 July 2018

all three of which consist entirely of non-executive Directors, the majority of whom are independent, from which a Chair is appointed. The Board of Directors has also instituted an Executive Committee.

The Statutory Audit Committee consists of three standing auditors and three alternate auditors, appointed by shareholders at the Annual General Meeting held on 28 October 2017 and in office for the 2018, 2019 and 2020 financial years.

The three standing auditors and three alternate auditors are appointed based on lists submitted by shareholders representing at least 1% of the company's share capital on an aggregate basis. Lists containing a number of candidates equal to or above three must ensure at least compliance with the regulations in force on equal gender representation (one-third).

The candidate gaining the highest number of votes in the section for standing auditors in the list which comes second in terms of the number of votes is appointed Chairman of the Statutory Audit Committee.

Mediobanca provides detailed information on its corporate governance and the composition of its governing bodies in its "Annual Statement on Corporate Governance and Ownership Structure" which is published on its website at www.mediobanca.com under *Corporate Governance/2018 AGM*, and in its Annual Report.

3.3 Compliance, internal control and risk management

[GRI 102-11], [GRI 102-15]

The Mediobanca Group is distinguished by its prudent and selective approach to risk management, its excellent asset quality and high capitalization levels which are comfortably above the minimum requisites among the highest of any Italian banks reported.

In order to manage the degree of uncertainty which is implicit in banking and financial activity, the Group has adopted a series of rules, procedures and organizational structures with the objective of

- ◆ Safeguarding the integrity of the Bank's capital, to the direct benefit of its shareholders, clients and employees
- ◆ Supporting the formulation and implementation of the company's strategies
- ◆ Promoting the sustainable and enduring growth of the Bank and the return for its shareholders
- ◆ Structuring effective and reliable company processes and procedures

The internal control system is the set of rules, procedures and company functions intended to achieve effectiveness and efficiency of process, ensure the reliability of the accounting and management information, guarantee compliance with the regulations and appropriate risk management.

Risk management involves, with different roles and responsibilities, the management and control bodies and business units of Mediobanca S.p.A. and the Mediobanca Group companies. The other principal company units involved in the management and control of risks are as follows

Group Audit Function

the Group Audit Function operates on behalf of all the Group companies, and its mission consists of assessing the Group's operations to check that they are being performed correctly and monitoring changes in the company's risks, reviewing the organizational structure and other internal control system components to check that they are adequate, properly functioning and reliable, and providing advice to the Group's various units, including through participation in project-based activities. The function performs its activities based on a plan drawn up using a risk-based approach; for it to perform its duties, it has direct access to all useful information, and has adequate means available to it. The head of the Group Audit Function, who reports directly to the Board of Directors, reports to the governing bodies (Board of Directors, Risks Committee and Statutory Audit Committee) on the results of its audit activities, has direct access to the Statutory Audit Committee, and communicates with the Committee without restrictions or intermediation

Compliance and Group AML

this function presides over the regulatory and reputational risks facing the Group, and has specific responsibility for reviewing the internal procedures to check they are consistent with the objective of preventing the laws and regulations applicable to the Bank and the Group from being breached. For Mediobanca S.p.A., the function proposes the adoption of procedures to ensure the risk of non-compliance is managed (and checks that they have been implemented), provides updates on changes to the domestic Italian and European regulatory framework, and prepares adequate reporting flows to the corporate bodies and the units involved.

For the Group it handles relations with the supervisory authorities for the matters falling within its own remit.

The function presides over the risks of non-compliance facing the Group, calling on the assistance of the management and officers of the various Group companies who in this connection report functionally to the head of the Compliance function and ensure adequate regular and occasional reporting flows to him, in accordance with the provisions of the Compliance function's own regulations.

Within the Compliance function itself, a Group AML function has been established with the objective of preventing and tackling breaches of the regulations on money laundering and terrorist financing⁶. The head of the Group Compliance function, who reports directly to the Chief Executive Officer, takes part in Risks Committee meetings, providing support to the Committee in its controls activity

Group Risk Management

the Group Risk Management function is responsible for identifying and implementing the risk management process and for applying it across the Group as a whole. It presides over the functioning of the Group's risk control system, defining the appropriate current and future risk measurement methodologies. The function ensures ongoing control of the Group's overall exposure and the exposure of each individual unit to credit risk, financial risks, liquidity risk, operational risk and the other relevant risks, up to the limits established by the internal and supervisory regulations, with the assistance inter alia of the Group companies' Risk Management functions which to this end report functionally to the Group Chief Risk Officer.

The Group Chief Risk Officer is responsible for the risk management process, developing risk management policies which include definition and quantification of risk appetite, and policies and risk limits at the individual business unit and Group level. The Chief Risk Officer, who reports to the CEO, takes part in Risks Committee meetings, providing support to the Committee in its own control activities

Heads of business areas

the heads of the business areas, also known as risk owners, are responsible for ensuring that risk management activities are performed properly with respect to their own operations, and for implementing the appropriate control measures

Moreover, as far as regards the individual risks identified by the Group, in addition to those typical of the financial sector, notably credit risk, market risk, exchange rate risk, liquidity risk and operational risks, extended to include the detection and monitoring of IT risks (for further details please see the section entitled *Information on risks and related hedging methods* of the Annual Report for the year ended 30 June 2018), the following non-financial risks are also managed, notably

- ◆ **Strategic risk:** both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk)

6) The Italian Group companies have outsourced their AML activities to the Mediobanca S.p.A. AML function, whereas the non-Italian Group companies have identified an AML officer reporting in functional terms to the head of Group AML

- ◆ **Compliance risk:** the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations
- ◆ **Reputational risk:** the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities

The monitoring of these risks is a necessary prerequisite to generate and protect value in a way that is sustainable over time and impacts on issues considered to be priorities for the Group, such as maintaining a high service and customer satisfaction levels, transparency of information on products and services, innovation, multi-channel approach, digitalization and data security, in order to guarantee ethics, business integrity and brand protection. Such risks are classified and analysed in depth in the relevant sections.

As a further safeguard in terms of reputational risk, the Group, fully aware of the need to identify and manage even non-financial aspects, such as social and environmental issues, has adopted a Group Sustainability Policy.

This Policy is sub-divided according to the various areas in which the Group is committed to assessing its own risk profile, integrating it where appropriate into the existing monitoring and management processes, in the awareness that responsible investment policies and good corporate practices help to consolidate investor and market confidence and to strengthen the Bank's reputation.

3.4 Sustainability governance

[GRI 102-18]

The Mediobanca Group is convinced that fair, transparent and responsible conduct increases and protects its reputation, credibility and consensus over time, all of which are prerequisites to deliver sustainable growth for the business with a view to creating and protecting value for all its own stakeholders.

At a Board meeting held on 14 June 2017, the Directors of Mediobanca mandated the Chief Executive Officer to take charge of activities regarding sustainability and the actions to be implemented and monitored, including the institution of the CSR Committee to support the CEO and report to him.

In particular the Chief Executive Officer, with the Committee's assistance

- ◆ Defines the Group's policy in terms of corporate social responsibility (CSR) for submission to the approval of the Board of Directors
- ◆ Promotes implementation of practices which are consistent with the Group Sustainability Policy
- ◆ Proposes the CSR budget at Group level and monitors its performance
- ◆ Prepares the draft version of the Consolidated Non-Financial Statement and decides on the methods of disclosure
- ◆ Reports regularly to the Board of Directors on the activities performed⁷

The CEO's management of such activities forms part of the overall assessment of his performance.

The CSR Committee consists of the

Chairman

Chief Executive Officer

General Manager

CEO of Compass and CheBanca!

Planning, Accounting and Financial Reporting

Group HR and Organization

Group Sustainability

The heads of specific units are also involved from time to time, depending on the specific issues under discussion.

The Group Sustainability unit reports to the Chief Executive Officer, supporting him in all issues relating to social responsibility and ensuring the Group is positioned correctly on these issues in its various areas of operation.

In 2017, to define its commitment in this area, the Mediobanca Group adopted the **Group Sustainability Policy**: sub-divided into five areas held to be priorities: **measures to tackle bribery and corruption, Human Rights, diversity and equal opportunities, environmental issues and responsible investing.**

7) An induction session for the Board of Directors on sustainability issues is held once a year

IDENTITY

The Group Sustainability Policy contributes to the strengthening and implementation of the values of ethics, integrity and responsibility as a form of respect towards people, the environment and society as a whole.

The Policy is based on the primary declarations and regulations issued with respect to the above areas, with the commitment to constantly improve the Group's conduct to ensure that sustainability is an integral part of the strategy and operation of its business.

The Policy applies to the Group as a whole, in all countries in which it operates and in accordance with: the Code of Ethics, the Code of Conduct, the organizational model instituted pursuant to Italian Legislative Decree 231/01, and all other policies, guidelines, procedures, directives and provisions related to the areas covered by the Policy, defined at Group and local level.

The Group Sustainability Policy was approved by the Board of Directors of Mediobanca S.p.A. on 3 August 2017, and has been adopted by all Group companies.

To embed and promote a corporate culture based on ethics, integrity and sustainable business, the Group has adopted a Code of Ethics which sets out the main principles on which the protection of its reputation rests, and contains the values underpinning the Group's day-to-day operations.

These principles are also set out in the Code of Conduct, as described in more detail in section 4.1 *Policies and initiatives to prevent and tackle corruption*.

3.5 Stakeholder engagement

[GRI 102-40], [GRI 102-42], [GRI 102-43]

The Group considers it vital to take into consideration the opinions and expectations of its stakeholders, i.e. those parties which on account of their role have an interest in the company's activities. The Group comes into contact with many and varied stakeholders in the course of its business, and for purposes of convenience it has been decided to sub-divide them into a total of eight different categories. The principal stakeholder engagement initiatives are summarized in the table below.

Stakeholder	Channels and means of engagement
Shareholders and investors	<ul style="list-style-type: none"> ◆ The eMarket SDIR platform and eMarket STORAGE mechanism⁸ ◆ Meetings, conference call and dedicated meetings
Clients	<ul style="list-style-type: none"> ◆ Customer satisfaction surveys ◆ Touch points ◆ Direct Email Marketing (DEM) channels, text messages, home banking and app ◆ Website and dedicated guides ◆ Social media ◆ One-to-one meetings to ensure ongoing dialogue between advisors and clients
Staff	<ul style="list-style-type: none"> ◆ Corporate engagement surveys ◆ Performance assessment processes ◆ Company intranet ◆ Internal communication instruments
Trade union organizations	<ul style="list-style-type: none"> ◆ Regular meetings with trade union representatives
Entities and institutions	<ul style="list-style-type: none"> ◆ Initiatives and events ◆ Meetings with representatives ◆ Working groups
Community	<ul style="list-style-type: none"> ◆ Initiatives and events ◆ Meetings with representatives ◆ Working groups
Suppliers and trading partners	<ul style="list-style-type: none"> ◆ Portal to manage purchasing by Mediobanca Group
Agents and promoters	<ul style="list-style-type: none"> ◆ Regular training activities in financial products and new regulations

8) As a listed company, Mediobanca is obliged to disclose relevant information which could affect its stock market performance via a regulated procedure. For this reason, disclosure is made via the eMarket SDIR (Sistemi di Diffusione delle Informazioni Regolamentate) system. Similarly, information disclosed is stored for a certain number of years to ensure it remains accessible and can be consulted (via eMarket STORAGE)

3.6 Material issues and areas covered by Italian Legislative Decree 254/16

[GRI 102-43], [GRI 102-44], [GRI 102-46], [GRI 102-47]

Material issues are defined as aspects which reflect **significant economic, environmental and social impacts** by the organization or which could substantially **influence stakeholder assessments and decisions**. These aspects are also important with regard to **risk management** and **strategy**, and form the basis for the non-financial reporting.

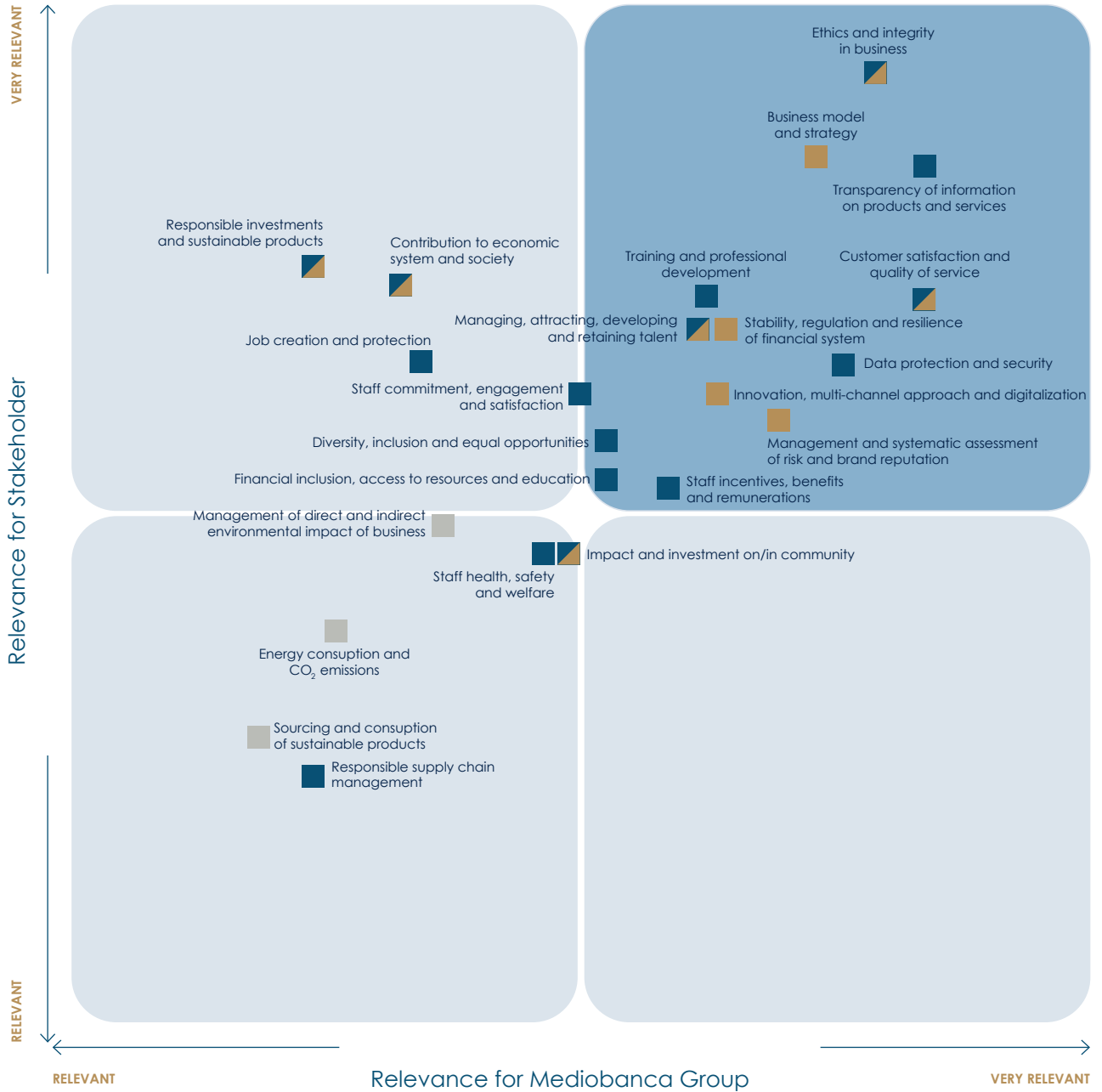
The Mediobanca Group carried out its first materiality analysis in 2017, with the aim of identifying the most relevant issues for the Group itself and its stakeholders, i.e. issues which impact significantly on the ability to create value in the short, medium and long term.

The process of analysing these issues took place in two stages

- ◆ **In 2017** a benchmark analysis was performed of the financial sector and specific surveys and guidance in the sustainability area, which resulted in more than 50 issues being identified with the potential to impact on the financial sector. Subsequently these issues were analysed in greater depth with the heads of 15 different Group units and companies, in order to establish their relevance
- ◆ **In April 2018**, a multi-stakeholder forum was held with the objective of updating the Materiality Matrix. The meeting with internal and external stakeholders, identified with the support of the relevant company units, involved shareholders and investors, clients, staff, entities and institutions and representatives of the third sector. At the forum, the sustainability path undertaken by the Group to date was illustrated, and the issues included in last year's Materiality Matrix were presented. The stakeholders in attendance discussed and classified the relevance of the issues based on their own experience, expertise and expectations versus the Group

The results of this activity enabled **the 23 most relevant issues for the Group and its stakeholders** to be identified and the Materiality Matrix updated as shown below

IDENTITY



PERFORMANCE

- Economic
- Social
- Environmental

3.7 Sustainable Development Goals

[GRI 102-12]

On 25 September 2015, the leaders of the 193 member states of the United Nations met in New York to approve the **17 Goals to Transform our World: 2030 Agenda for Sustainable Development**, a manifesto identifying seventeen global objectives, or Sustainable Development Goals, structured into 169 targets of the new agenda to be implemented by 2030 to ensure sustainable development of the planet.



Common objectives means that all member countries and individuals are required to contribute, combining forces on a collaborative basis and in partnership. Businesses too are therefore required to play an activity role, as with their resources and capabilities they are able to have a fundamental impact on the achievement of these global objectives.

The Mediobanca Group, aware of the close connection between some of the SDGs and its own business, is keen to make its own contribution to making a positive change at the global level, beginning by focusing on projects and activities which are more in line with the global objectives (see section 8. *Objectives and future commitments*).



The Group promotes and runs financial education and training via a series of instruments and ventures for clients and vulnerable areas (section 6.1.5. *Financial inclusion, access to financial resources and education*). It also provides specialist training to its staff, helping them develop and maintain their skills (section 5.5. *Professional training and development*)



The Group is a signatory to the Valore D manifesto, a programmatic and strategic statement of intent to deliver increased diversity and gender inclusion within the company organization (section 5.3. *Diversity, inclusion and equal opportunities*)



The Group's continuing growth fosters ongoing job creation and protection, with priority given to recruiting young people (section 5.2. *Mediobanca Group staff: job creation and protection*) and indirectly influencing both clients (section 6.1.2. *Group clients*) and suppliers (section 6.2. *Responsible supply chain management*)



The Group's Italian companies acquire 100% of their electricity derives from certified renewable (section 7.3. *Energy consumption and CO₂ emissions*)



The Group has adopted strict internal procedures to prevent the risk of instances of bribery and corruption from being committed (section 4. *Ethics and integrity in business and anti-corruption measures*). Furthermore, since 25 April 2018 the Group has officially been a participant in the United Nations' **Global Compact**: an initiative based on voluntary adherence to a set of principles to promote sustainability values such as human rights, employment, the environment and anti-corruption measures, in order to contribute to a new phase of globalization to be characterized by sustainability and international co-operation

ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

4.1 Policies and initiatives to prevent and tackle corruption

[GRI 102-16], [GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 205-2]

As stated in the Sustainability Policy, the Mediobanca Group is committed to conducting its business in accordance with **the highest ethical standards, and does not tolerate any form of corruption, whether active or passive.**

The Group acquires and maintains commercial relations solely on the basis of its own offering of services and the specific needs of its clients. It does not engage in any form of conduct which is or could appear to be intended to obtain and/or offer improper advantages. The approach it adopts is also intended to prevent instances of corruption occurring in the structuring and execution of transactions or commercial agreements. To ensure corruption is tackled effectively and guarantee compliance with all applicable laws and regulations, the Group has prepared its own internal regulations, procedures and controls, drawing inter alia on the regulations in force in the various countries in which it operates; arranges regular training; and carries out checks and audit activities.

All the companies included in the scope of the Statement have adopted anti-corruption policies and procedures. In particular Mediobanca S.p.A. has adopted the following anti-corruption instruments, which are available on the company intranet

Organizational Model pursuant to Italian Legislative Decree 231/01

The purpose of the Model is to prevent crimes from being committed which could entail administrative liability for the Bank, including crimes of bribery and corruption (inter alia between private individuals). The Model, which is approved by the Board of Directors, was updated in July 2018.

All the Italian companies included in the scope of the Statement have adopted their own organizational, management control models pursuant to Italian Legislative Decree 231/01; the

London branch office and the companies incorporated under English law have adopted their own anti-bribery and corruption regulations to incorporate the provisions of the UK Bribery Act.

Code of Ethics

The Board of Directors of Mediobanca S.p.A has approved a Code of Ethics, which forms an integral part of the Model instituted pursuant to Italian Legislative Decree 231/01, and sets down the set of values which direct the Group's conduct. The Code is a fundamental instrument in defining a good system of corporate governance. The Code of Ethics contains references and guidance which complements the legal requirements and self-regulation obligations, with a view to ensuring that behaviour is consistent and compliant with the Group's mission and its fundamental values.

The Code of Ethics lays down principles, models and regulations in terms of behaviour which the Group undertakes to pursue in all its businesses

- ◆ **Fairness and honesty**
- ◆ **Impartiality**
- ◆ **Professionalism and valorization of staff**
- ◆ **Confidentiality**
- ◆ **Conflicts of interest**
- ◆ **Transparency and full disclosure of information**
- ◆ **Health and safety**
- ◆ **Environment**
- ◆ **Copyright and intellectual property**
- ◆ **Use of company assets**

The principles and provisions of the Code are binding for Directors, Statutory Auditors, management, staff and collaborators of the Group, and also apply to individuals or entities with which the Group enters into supply or advisory agreements.

The administrative and management units and their various divisions undertake to circulate the Code of ethics and promote its observance. In particular, each recipient is obliged to

- ◆ Refrain from behaviour which is contrary to the Code and to comply with the company's body of regulations

- ◆ Direct, wherever possible, their own collaborators to comply scrupulously with the Code
- ◆ Circulate the Code to third parties with which the Group companies enter into a relationship

Code of Conduct

The Code of Conduct is the document which, along with the Code of Ethics, sets out the fundamental principles on which the Bank's reputation is based, and contains the values which underlie its everyday operations. It constitutes the benchmark for regulating relations inside and outside the Bank in ethical terms, setting the standard of conduct required of all its staff and collaborators.

The core values on which the Code of Conduct is based are

- ◆ **Proper conduct**
- ◆ **Professionalism**
- ◆ **Protection of the client's interest**
- ◆ **Responsibility**

The Code, which is approved by the Board of Directors, was revised in July 2018.

All the Bank's staff members and collaborators must familiarize themselves with the Code of Conduct and ensure their behaviour is based on the principles and values set forth in it. The Recipients must also complete the training initiatives which the Bank organizes on relevant regulations, contribute to spreading an ethical corporate culture, and act as positive role models for their colleagues, promptly reporting any violations and co-operating actively with any further enquiries.

Third parties that provide the Bank with their professional activity (are informed of the contents of the Code of Conduct and of the need for their behaviour to be consistent with it.

The heads of the organizational units must ensure that the Recipients under their supervision maintain the highest ethical and professional standards. If they fail to exercise their powers of supervision appropriately, If they do not carry out their powers of supervision with due care, they may be held jointly responsible for the breaches committed by their own staff.

In the event of breaches of the Code of Conduct and the internal regulations, action may be taken involving the offender's variable remuneration, and disciplinary measures based on the seriousness, extent and external relevance of the infringement.

Group companies which perform banking or financial activities have adopted their own Codes of Conduct⁹⁾, in accordance with the principles expressed in the document and the specific operating characteristics of each company

⁹⁾ Mediobanca SGR, acquired in April 2017, will finalize its adoption of the Code of Conduct by year-end 2018

Non-compliance risk management policy

The policy, which is approved by the Board of Directors and is in the process of being updated, describes the model used for managing the risk of non-compliance with the regulations in force. The policy has been adopted by all companies included in the scope of application¹⁰, and has been adapted on the basis of their specific operations

Whistle-blowing policy

The Whistle-blowing Policy sets out the principles, means and measures adopted to allow staff members to report any malfunctioning within the organizational structure or internal controls system, or any other irregularity in the Bank's operations or breach of the regulations governing banking activity.

The policy is approved by the Board of Directors and was revised in July 2018. All companies covered by the Statement have adopted their own internal regulations to allow staff members to report any breaches

Gift directive

The Gift Directive, updated in September 2015, sets out precise rules on the possibility of receiving and offering gifts from and to third parties, to avoid behaviour that could give the appearance of being intended to exert improper influence on the conduct of recipients. Most of the companies included within the scope of application have adopted regulations on this issue, in accordance with their own internal corporate governance regulations

Agents directive

The Agents Directive, updated in October 2015 and currently in the process of being revised (scheduled for end-December 2018), defines the procedure for appointing agents, i.e. persons who procure potential clients or business opportunities for Mediobanca, introducing criteria and controls to take into account the risks of bribery and corruption

Internal staff selection procedures

The Group has defined measures to tackle corruption in its internal recruitment procedures, updated in January 2017. In particular controls have been instituted to check whether a new candidate has any relations of kinship or other ties with the person who proposed his/her candidature and/or with existing or potential clients

¹⁰⁾ Mediobanca SGR, acquired in April 2017, will finalize its adoption of the Policy by year-end 2018

Mediobanca and the leading Group companies included in the scope of application put on e-learning courses addressing the issue of bribery and corruption when new staff members are recruited (on Italian Legislative Decree 231/01 for Italian staff). Completion of the course and passing the test at the end are monitored by the Group HR unit and Compliance functions. The courses are revised and provided again when significant changes are made to the organizational structure or in the relevant regulations. The annual training plan prepared by Group HR and Compliance may also contain further initiatives in the area of bribery and corruption, for example in the form of seminars or classes.

During the reporting period, a total of 1,303 hours' training was provided within the Group on anti-corruption issues, with a total of 734 staff participating in the training. The anti-corruption policies and procedures have been sent to 92% of the Group's workforce.

The Board of Directors of Mediobanca approved the new organizational model instituted in pursuance of Italian Legislative Decree 231/01 at a meeting held on 31 July 2018. The model will be analysed in greater depth at an induction session to be held on the relevant regulations, including on bribery and corruption inter alia between private individuals.

Mediobanca and the Group companies take part in meetings of the respective category associations for banking and financial activity, including on the fight against corruption. In particular, Mediobanca is a participant in the ABI working group to revise the guidelines for preparing the organizational models to be instituted pursuant to Italian Legislative Decree 231/01.

Mediobanca has also adopted a Policy for managing conflicts of interest, in order to identify and prevent or manage situations in which the Bank could, in the performance of its business, damage the interests of a customer by acting in its own interests or the interests of another customer. Employees' personal conflicts are also detected; hence staff members are required to report any such situations in a timely manner, to allow specific measures to be adopted if necessary.

Mediobanca has also adopted a Directive on external personal interests, which requires staff members to obtain authorization from top management before acquiring personal financial interests or accepting positions in companies external to the Group.

The banks and asset management companies included in the scope of the Statement have adopted their own internal regulations on conflicts of interest, requiring measures to be taken to govern also personal conflicts.

Group employees who have received communications on the anti-corruption policies and procedures

Categories of staff	No.	%
Top management ¹¹	11	100
Management	312	87
Middle management	1,565	88
White collar	2,340	95
Total	4,228	92

Geographical region	No.	%
Italy	3,924	94
France	17	77
Spain	25	100
Germany	12	100
United Kingdom	108	65
Rest of world	142	66
Total	4,228	92

Group employees who have participated in anti-corruption training activities

Categories of staff	No.	%
Top management	2	18
Management	69	19
Middle management	275	15
White collar	388	16
Total	734	16

11) "Top management" refers to the eleven strategic management figures under the Consob regulations in force

Geographical region	No.	%
Italy	647	16
France	5	23
Spain	15	60
Germany	5	42
United Kingdom	40	24
Rest of world	22	10
Total	734	16

4.2 Relevant risks in the area of corruption

[GRI 102-15], [GRI 205-1], [GRI 205-3]

Further to the details provided in the previous section, with reference to the internal regulations adopted to tackle corruption and comply with the relevant external regulations, the main Group companies perform an annual assessment of the risk of non-compliance with the regulations, which includes the regulations instituted in order to tackle corruption, active and passive.

This risk assessment activity takes the following factors into consideration: the risk of potential breach (taking into account the probability of occurrence in the absence of measures, the seriousness of the sanctions for such breaches, and the potential impact in reputational terms); the existing mitigation measures in place; and the degree of compliance noted in the existing conduct. Following the assessment process, the residual risk of non-compliance can be identified, based on which a decision as to whether or not to institute controls or mitigation measures can be taken.

Mediobanca S.p.A. also performs a specific self-assessment exercise linked to the risk of corruption for the various business divisions once every two years.

The 24 risk assessment exercises, which regard approximately 69% of the Group companies' business lines, have not revealed any significant residual risks for Mediobanca and the companies involved in the area of corruption, taking into account the measures adopted (as stated in the previous section) and the checks carried out.

Indeed, the checks carried out by the control functions have not revealed any episodes in terms of corruption. In particular, the ordinary audit activities performed by the Group Audit Function may include controls which are relevant for the risk of corruption, for example on the nature of the counterparties involved in financial transactions, checks regarding consistency of prices in financial transactions with market standard, and checks on the existence of independent price validation measures. Some audits, for example on issues such as accounting procedures, transfers of funds to suppliers, cash management and powers to represent/operate on behalf of the company may be especially relevant for purposes of tackling corruption.

Material issues	Risks identified by Mediobanca	Mitigation activity
Ethics and integrity in business	Non-compliance with legal and regulatory provisions and/or with self-regulation provisions	<ul style="list-style-type: none"> ◆ Institution of a Compliance function, adoption of a Non-compliance risk-management policy and Policy on the internal controls system ◆ Adoption of internal operational regulations to ensure compliance of activities performed ◆ Implementation of control measures at various levels to check the performance of significant activities with respect to non-compliance risk
Ethics and integrity in business	Conflicts of interest	<ul style="list-style-type: none"> ◆ Adoption of a policy for managing conflicts of interest, including of a personal nature, linked to business activities ◆ Implementation of staff monitoring and selection processes to prevent conflicts of interest
Training and professional development	Lack of or insufficient training/ communication initiatives for staff and top management	<ul style="list-style-type: none"> ◆ Monitoring of anti-corruption training activities and scheduling training/ information initiatives
Management and systematic assessment of risk and brand reputation	Reputational risk versus third parties	<ul style="list-style-type: none"> ◆ Implementation of counterparty monitoring and selection processes (with reference to suppliers and commercial partners)

PEOPLE AND HUMAN RIGHTS

5.1 Relevant policies and risks

[GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 102-15]

In a competitive scenario where the business and consumption models are undergoing constant and in-depth transformation, the Mediobanca Group is aware that change, a fundamental prerequisite for tackling the challenges posed by the market, has to involve leveraging its staff and developing their professional abilities.

Our staff members are our human capital and the indispensable foundation of the Group's competitiveness. The trust which underpins every employment relationship is regulated by a body of **internal policies and procedures**, as formalized and approved by the governing bodies or internal offices responsible.

The Group has adopted a *Staff Management Policy* which describes the roles and responsibilities of all bodies involved in the staff management process: the Board of Directors, Chief Executive Officer, General Manager and Human Resources. The internal procedures and general staff selection, assessment and development processes, training and remuneration are governed by separate policies.

In the performance of their work, Group employees are required to adopt conduct which is in line with our principles and values, which are based on ethics and integrity.

Group HR has the task of managing, developing and monitoring human capital and its changes within the Group, ensuring the quality and adequacy of its professional capital.

It is also responsible for ensuring that the activities of selecting, training, assessing and developing human resources are performed correctly, with attention in particular to the administrative activities related to employment arrangements. In the exercise of its activities, Group HR has the objective of increasing the sense among staff of belonging to the Group and of valorizing talent.

For the Mediobanca Group, professional development is at the basis of our growth and hence also that of our staff, which is why we guarantee: adequate training, practical work experience, experience in different positions, performance assessment, career progression and promotion, all of which on a meritocratic basis and in accordance with the principle of equal opportunities and staff needs, as well as the its own strategic decisions and organizational requirements. Furthermore, as required by the regulators, the Bank undertakes to ensure that its staff members are equipped with the competence and professional skills necessary to perform the responsibilities assigned to them.

Material issues	Risks identified by Mediobanca	Mitigation activity
Training and professional development	Lack of or insufficient staff training activities, resulting in inadequacy in terms of professional profiles within the Group	<ul style="list-style-type: none"> ◆ Definition of a system for tracking competence and performances; Adoption of internal operational regulations to ensure compliance of activities performed ◆ Gap analysis to map out the areas for improvement in terms of competences, with the gaps to be filled through training initiatives
Staff commitment, engagement and satisfaction	High turnover, due in particular to aggressive staff attraction strategies on the part of financial institutions in the Brexit	<ul style="list-style-type: none"> ◆ Build sense of belonging to the Group
Managing, attracting, developing and retaining talent	Lack of or inadequate specific programmes for attractive talent	<ul style="list-style-type: none"> ◆ Develop partnerships with universities to identify and recommend talented individuals and implement ad hoc recruitment programmes
Diversity, inclusion and equal opportunities	Lack of or inadequate attention paid to diversity issues	<ul style="list-style-type: none"> ◆ Develop an employee climate survey to gauge staff satisfaction, with a particular focus on diversity issues with a view to increasing female representation within the Mediobanca Group
Managing, attracting, developing and retaining talent	Loss of key figures (<i>key man risk</i>)	<ul style="list-style-type: none"> ◆ Preparation of "Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders"

It should be noted that the health and safety risks facing staff members detected by the Group are dealt with in depth in a separate section (5.9. *Staff health, safety and welfare*).

5.2 Mediobanca Group employees: job creation and protection

[GRI 102-7], [GRI 102-8], [GRI 401-1], [GRI 405-1]

At the end of the financial year under review, the Mediobanca Group had a total of 4,595 employees on its books, 43% of whom are women. The majority of the Group's employees, some 90%, is based in Italy, confirming our strong local roots. The most-represented professional category is that of "employee", which accounts for 53% of the total.

Employees by geography and contract type (permanent and temporary)

Contract type	Italy	France	Spain	Germany	United Kingdom	Rest of world
Permanent	4,032	22	25	11	165	202
Temporary	123	0	0	1	2	12
Total	4,155	22	25	12	167	214

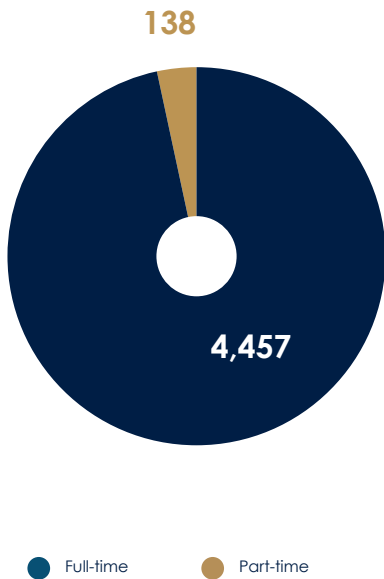
Employees by category and gender

Category of employees	Male	Female	Total
Top management	10	1	11
Management	309	49	358
Middle management	1,198	586	1,784
White collars	1,118	1,324	2,442
Total	2,635	1,960	4,595

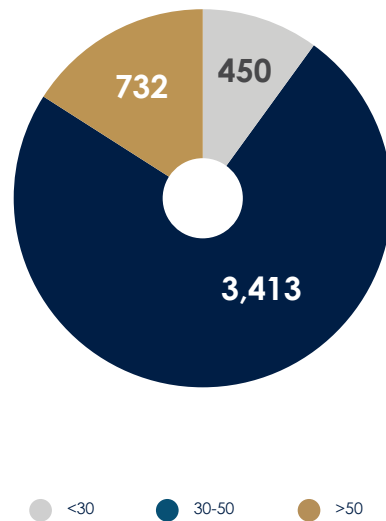
Employees by category and age

Category of employees	<30	30 – 50	>50
Top management	-	4	7
Management	-	239	119
Middle management	101	1,297	386
White collars	349	1,873	220
Total	450	3,413	732

Full-time and part-time employees



Employees by age bracket



Women represent 41% of the Group's full-time employees (1,824), and 99% of the workforce employed part-time (136).

The majority of our employees, some 74%, are between thirty and fifty years of age, while the average age is around 41 years. In terms of length of service, the highest concentration is in the 0-5 years bracket (42% of the Group population), a level which is consistent with our continuing growth as a company.

PEOPLE AND HUMAN RIGHTS

Some 97% of the contracts are permanent (4,457), 42% of which are in respect of women (1,894). As at end-June 2018, a total of 218 other people were engaged to work on behalf of the Bank under a variety of contractual arrangements (internships, other collaborations, etc.), in accordance with the legal and regulatory provisions in force in this area and in relation to the business requirements. During the course of the year a total of 642 new employees were added, 93% in Italy. This increase was driven primarily by the growth in private banking (Wealth Management). A total of 521 employees left the Group's employment during the twelve months under review.

Employees hired and Employees leaving the Group by gender and age	Total	Male	Female	< 30	30-50	>50
Employees hired	642	395	247	185	344	113
Employees leaving the Group	521	328	193	71	337	113

Employees hired and Employees leaving the Group by geography	Total	Italy	France	Spain	Germany	United Kingdom	Rest of world
Employees hired	642	598	5	3	1	19	16
Employees leaving the Group	521	454	10	1	6	34	16

Turnover rate by gender and age	Total	Male	Female	< 30	30-50	>50
Recruitment rate ¹²	14%	15%	13%	41%	10%	15%
Termination rate ¹³	11%	12%	10%	16%	10%	15%

Turnover rate by geography	Total	Italy	France	Spain	Germany	United Kingdom	Rest of world
Recruitment rate ¹²	14%	14%	23%	12%	8%	11%	7%
Termination rate ¹³	11%	11%	45%	4%	50%	20%	7%

12) Ratio between employees hired and total number of employees on the books as at 30 June 2018

13) Ratio between employees leaving the Group and the total number of employees on the books as at 30 June 2018

To confirm the Group's commitment in the area of employment creation, Compass has been awarded the "Premio AL Lavoro 2018" by AlmaLaurea, a prize awarded to companies which in the course of 2017 have offered employment and professional career opportunities to new and other graduates identified and met in the course of the "AL Lavoro" career days

5.3 Diversity, inclusion and equal opportunities

[GRI 405-1]

As stated in the Group Sustainability Policy, valorization of a company's staff is a vital prerequisite in order to tackle the challenges posed by markets. In this scenario, diversity of gender and thought is considered to be an advantage to be leveraged, as a source of cultural and professional enrichment.

The Group believes in the importance of 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 factors of success.

Although at present no significant risks in the area of diversity and equal opportunities have been identified, the Group is committed **to preventing every form of discrimination**, from the selection process right up to the determination of remuneration, from professional development opportunities to the end of the employment relationship.

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.

The Group also undertakes to offer a fair level of compensation reflecting the skills, abilities and professional experience of each staff member, thus guaranteeing that the principle of equal opportunities is applied in practice.

In this connection Mediobanca's involvement in **Valore D**, should be noted. Valore D is the first association of large companies in Italy, set up to support women in positions of corporate leadership. The objective of the project is to support and increase the number of talented women in leadership positions, providing women managers with the tools and knowledge relevant to their professional

growth. The Valore D manifesto, which was presented by the association in 2017 of which Mediobanca is a signatory, is intended as a genuine programmatic and strategic manifesto for increased gender diversity and inclusion within organizations.

In becoming a signatory to the Manifesto, the Group has committed to initiating accurate monitoring of women in the workplace, in order to improve representation in all business areas and improve our importance in terms of gender inequality indicators. Though the diversity percentages are in line with the statistics for the banking sector as a whole, the Group is looking to support growth in the working population by introducing the appropriate training programmes and instruments to facilitate work-life balance.

As proof of our commitment in this area, this year too, the Group has promoted **Children's Day**, an initiative launched by the newspapers Il Corriere della Sera to encourage firms to open their doors to families, allowing mums and dads to spend an afternoon at work together with their children, at the offices of Mediobanca Innovation Services.

We have also run the **Un Fiocco in Azienda** programme again, to assist parents in facing parenthood without anxiety and facilitate mothers returning to work, by providing healthcare services and training courses. The objective is to improve the well-being of our workforce by providing concrete support for parents.

The Group also seeks to manage the employment of differently-abled people in accordance with the regulations in force, by encouraging the different areas of the company to employ staff with different abilities. As at 30 June 2018, a total of 233 differently-abled people were employed by the Group.

5.4 Protection of human rights

[GRI 102-41], [GRI 402-1]

The Group believes that respect of human rights is a fundamental prerequisite to its own sustainability. For this reason it seeks to protect and promote such rights in the conduct of its business, and in particular in the way in which it manages relations with its clients, suppliers and commercial partners, as well as in its relations with its own collaborators.

Although breach of human rights has never been highlighted as a significant risk within the Group, attention to this issue takes the form of various actions to raise awareness of the different issues.

Respect for each collaborator's personality and dignity is fundamental in order to develop a working environment which is based on **mutual trust** and **loyalty**, in accordance with all legal obligations in force in every geographical region and area in which the Group operates.

The Group guarantees respect for diversity and non-discrimination at every stage of each collaborator's working experience; it also safeguards the right and freedom of association and collective bargaining¹⁴; it guarantees high standards of protection of health and safety in the workplace, seeking to raise awareness of risks and promoting responsible behaviour, including via information and training activities. Protection of workers' health and wellness is achieved by adopting specific programmes of prevention and protection, thereby ensuring that all levels of the company take responsibility for this area.

The Group rejects forced labour and child labour and any form of harassment, whether physical, verbal, sexual or psychological, abuse, threatening or intimidatory behaviour in the workplace, guaranteeing working conditions which are respectful and favourable in the countries in which it operates.

With reference to indirect impact, as stated in the Group Sustainability Policy, the Group identifies and assesses the risks related to the protection of internationally recognized human rights, and avoids engaging in relations with parties implicated in unlawful activities which could lead to potential breaches of abuses of human rights.

Coverage in this area has been strengthened by the adoption of the *Directive on responsible investing*, bans business proposals from being submitted for approval to the relevant committees which involve parties that have been convicted of serious crimes, which includes breach of human rights.

During the year under review, no episodes of actual or alleged discrimination or breach of human rights have been recorded or reported.

14) The national collective employment contract for the sector covers all staff in Italy, and stipulates the minimum period for dialogue with trade union organizations to implement significant organizational changes

5.5 Professional training and development

[GRI 404-1]

In view of the increasing international dimension of the Group's businesses, the technological changes to banking services, and the ongoing transformation in the sector regulations, **the Mediobanca Group recognizes the strategic role and central place which training and professional development** has for its staff. Training for the Group has a key role in the process of valorizing human resources.

The Group facilitates ongoing, structured technical and managerial training programmes, taking into account the various professional contributions. At the same time it also promotes self-education solutions using initiatives which are appropriate in terms of the level of preparation and experience required by the various roles. Training initiatives are distinguished on the basis of the role covered and an assessment of which staff members need to develop their skills to a more advanced level, and which need to acquire new skills due to structural requirements.

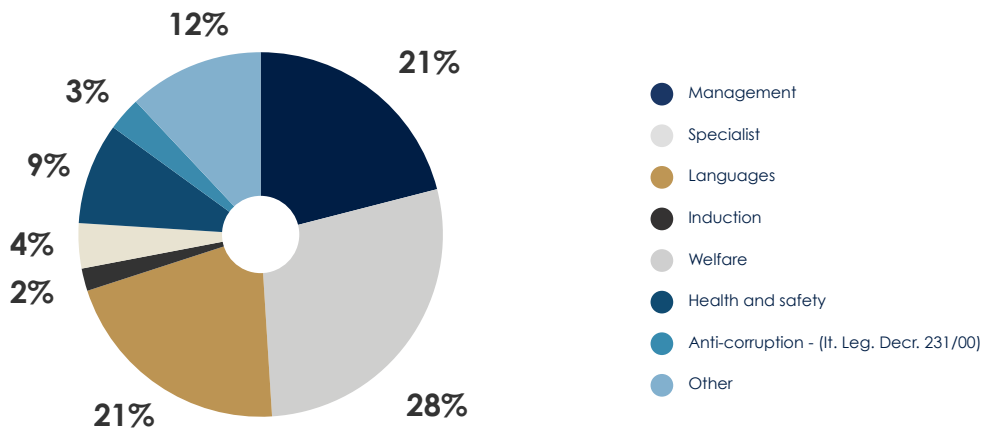
During the year under review, a total of 50,622 hours of training were provided, of which 49% to white collars, 44% to middle management, and 7% to management. Management and specialist training courses are classroom-based, whereas the compulsory courses and language lessons are provided via e-learning activities. The activities themselves involved specialist training (28%), language lessons (21%) and management training (21%).

In the area of compulsory training, the Group has run courses in the twelve months intended to strengthen and embed a culture of health and safety and risk awareness in the workplace and to promote responsible behaviour by staff, for a total of 4,441 hours' training. More than 7,500 training was also provided on compulsory issues, such as the organizational model implemented pursuant to Italian Legislative Decree 231/01, data privacy, anti-corruption, anti-money-laundering, data protection, market abuse and information security.

Average hours of training by gender and contract type

FY 2017-18	Men	Women	Total
Top management	9	-	8.18
Management	8.05	22.45	10.02
Middle management	12.23	12.59	12.35
White collars	10.71	9.78	10.20
Total	11.06	10.92	11

Hours of training by type



The Group offers its staff an opportunity to spend time working for other organizational units, in Italy or elsewhere, to broaden their professional experience and encourage the growth of their technical and managerial skills.

Internal staff mobility is particularly important for staff employed in the control functions, as required inter alia by the regulatory authorities.

5.6 Managing, attracting, developing and retaining talent

[GRI 404-3]

The Mediobanca Group devotes considerable attention to **the issue talent management and retention** which is considered to be a strategic factor for its own development.

In accordance with this approach, the Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders, updated in July 2018, govern the succession of Directors, both executive (including the Chief Executive Officer and General Manager) and non-executive, Statutory Auditors and Key Function Holders, and contain an emergency plan for replacing company management if the need to do so suddenly arises. Regarding succession planning for the executive Directors, the Chief Executive Officer and General Manager, the Appointments Committee is tasked with selecting a limited number of persons who have been members of the Group's management for at least three years and who are considered able to succeed to those positions. The selection is made with the support of the Chief Executive Officer and General Manager in office, Group HR, and specialized consultants if considered appropriate. This select number of management is kept informed at all times, so that, if need be, the Appointments Committee can make swift proposals to the Board of Directors or to shareholders in general meetings. With regard to the Key Function Holders, i.e. non-Board members with significant influence over the Bank's management, a total of eleven key functions (covered by twelve staff members) have been identified, for which the skills required by such roles have been defined and formalized. The functions thus identified are the heads of the control units, the head of company financial reporting, the heads of the Mediobanca Group business areas (CIB, Retail/Consumer, Private Banking, Principal Investing, CMB, MAAM), and the Group HR Director.

The Chief Executive Officer and General Manager, with the support of Group HR, identify internal staff able to guarantee short- and medium-term succession for them (the "senior talent pool"), while continuing to monitor the market at all times. Growth and development pathways are identified for the senior talent pool members, including in terms of involving them in specific strategic projects, exposure to the Board/Committees, and international and intra-Group rotation. Selection is based on an assessment of candidates' professional and technical skills, as shown by their CVs and career records, performances over time, and possession and development of key leadership skills.

In the area of attracting new young talent, Mediobanca has ongoing co-operations with the best universities in Italy, via participation in on campus selection and employer branding activities.

It also organizes regular events at its own head offices, and offers students and new graduates various opportunities to meet with the Group's management. In this way, talent young people can engage in dialogue directly with sector professionals, to receive guidance and support in their training and professional choices.

In addition to these activities, Mediobanca is building its presence on the main social networks, with particular attention paid to LinkedIn, where it is building a section specifically in order to attract young talent.

The Group also offers students the possibility of completing internships to complete their academic training, giving them an opportunity if they wish to use their experience in conjunction with the subject of their thesis.

Mediobanca is also developing new employer branding strategies, to promote its own brand as an *employer of choice*.

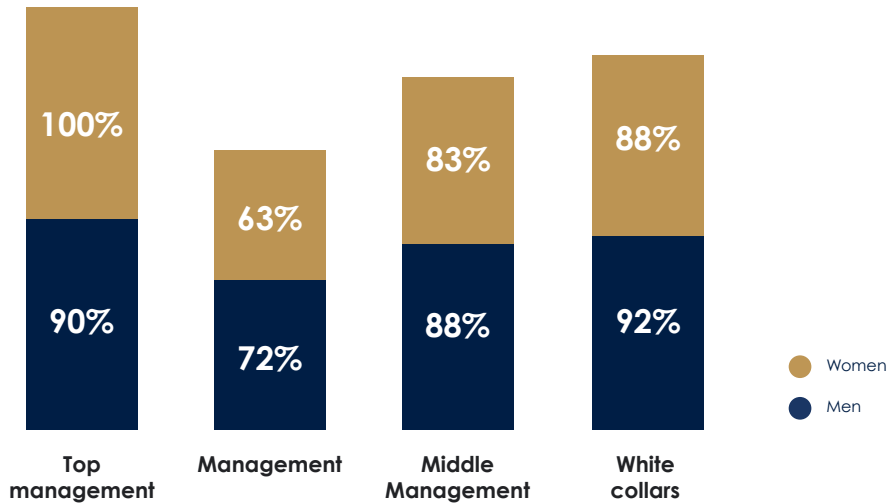
The Group adopts a constructive approach to professional development which is geared to achieving results over the long term. As proof of this commitment, instruments to support staff assessment have been adopted, with a view to constructing development and training pathways which are consistent and effective for the business. Performance evaluation is the system which meets the need for objectivity in terms of assessing individual performances and defining responsibilities.

At the start of each year each employee discusses their professional, management and personal development goals and company objectives with their line managers. These are then formally assigned on the basis of the staff member's professional profile, organizational role, and the strategic objectives of the organizational unit they work for. Once the activity or project has been completed, each employee is assessed on the basis of the results achieved.

Contributing factors in valorizing staff include the quality of the skills acquired by them and their individual performance, any previous professional experience acquired outside the company, the internal pathway followed by them guided by their immediate superiors, experience "on the ground", expertise in the role covered by them, the skills and potential of the individual being assessed, and compliance with the rules of conduct defined by the Group to ensure that conduct is aligned with the regulations and sector practice and to serve the interests of our clients as well as possible.

During the year under review a total of 3,999 employees were assessed (58% men and 42% women), equal to approx. 87% of the company population.

Group employees by professional category



The career advancement process works closely together with the staff assessment process. Professional development decisions for staff may take the form of covering new organizational roles, moving to a new contractual level or being assigned a new corporate title, based on experience acquired and results achieved. The relevant line manager proposes the promotion in conjunction with Group HR, and in cases which involve managerial staff, the promotion must be approved by the General Manager and/or the Chief Executive Officer.

For the highest levels (management or equivalent), the process involves specific assessment of the candidate by other senior Bank staff members with different professional backgrounds, experience and roles; the promotion must also be consistent with the management succession planning adopted.

5.7 Staff incentives, benefits and remuneration

[GRI 401-2], [GRI 401-3], [GRI 405-2]

The remuneration system is structured so as to attract, motivate and valorize staff with the professional qualities required by the Group's business. The system is based on principles of fairness, equal opportunities and meritocracy. Group HR is responsible for defining the remuneration and employee benefit policies, co-ordinating staff selection, recruitment and development via processes which are able to leverage and retain talent, increasing their sense of belonging to the Group and guaranteeing flexibility and timeliness in covering key roles.

The Group devotes considerable attention to management of its remuneration policies, and is always attentive of the need for compliance with the regulations and the Code of conduct in respect of Listed Companies in structuring remuneration packages and with reference to the means and instruments by which its various components are paid. It also guarantees that all its staff members are treated without distinction or exclusion inter alia with reference to remuneration, complementary pension schemes and employee benefits. The remuneration policies are approved by shareholders each year in a specific and separate document.

Remuneration packages are structured so as to

- ◆ Balance the fixed and variable remuneration components over time (pay mix)
- ◆ Implement a flexible approach to remuneration
- ◆ Help gear compensation towards performance in view of the significance of the role played within the company without encouraging risky and/or short-term behaviour
- ◆ Annual assessment of the staff compensation package's positioning relative to its reference market, including with the assistance of outside advisors

Basic salary relative to remuneration for men and women by professional category¹⁵

FY 2017-2018	Basic salary	Remuneration
Management	74%	73%
Middle management	87%	90%
White collars	97%	96%

¹⁵) Information on the remuneration of top management will not be reported exhaustively for reasons of confidentiality and to avoid the possibility of data being attributed to individuals

In line with the market, compensation is complemented by a series of fringe benefits which constitute an integral part of the overall package. The benefits chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals but do not make provision for individual discretionary systems. The Bank's complementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company.

Furthermore, as provided by the applicable tax legislation and regulations, company welfare systems can be instituted for all staff or particular categories of staff. Such systems involve the provision of non-cash services and instruments, which Group companies make available to their staff and families. 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.

With reference to payment in the form of equity instruments, performance shares schemes, and in the past also stock option and performance stock option schemes, have been launched in connection with the remuneration policies.

During the year under review, a total of 177 employees belonging to various professional categories took up parental leave (100% of those entitled to do so). The rate of return to work after parental leave¹⁶ was 99%¹⁷.

Employees who took up parental leave

FY 2017-18	Male	Female	Total
Top management	-	-	-
Management	-	3	3
Middle management	2	28	30
White collars	2	142	144
Total	4	173	177

16) Ratio between employees who took up parental leave and employees who returned to work after parental leave

17) Only one employee (a woman) failed to return to work after the period of parental leave

5.8 Staff commitment, engagement and satisfaction

[GRI 102-43], [GRI 102-44]

In 2017, Mediobanca, with the support of a leading opinion and market research firm, carried out an employee engagement survey, with the objective of seeking to gauge staff satisfaction levels.

The intention was also to test the level of perception and acceptance by staff of the transformation process underway at the company, both in absolute terms and relation to the reference market. The process of change launched in recent years has seen new staff members recruited with differing professional experiences, requiring a period of understanding and assimilation.

The following aspects were analysed in the survey

- ◆ Degree of resilience, i.e. ability to face current and future challenges
- ◆ Level of engagement with the company brand and values
- ◆ Perception of company well-being

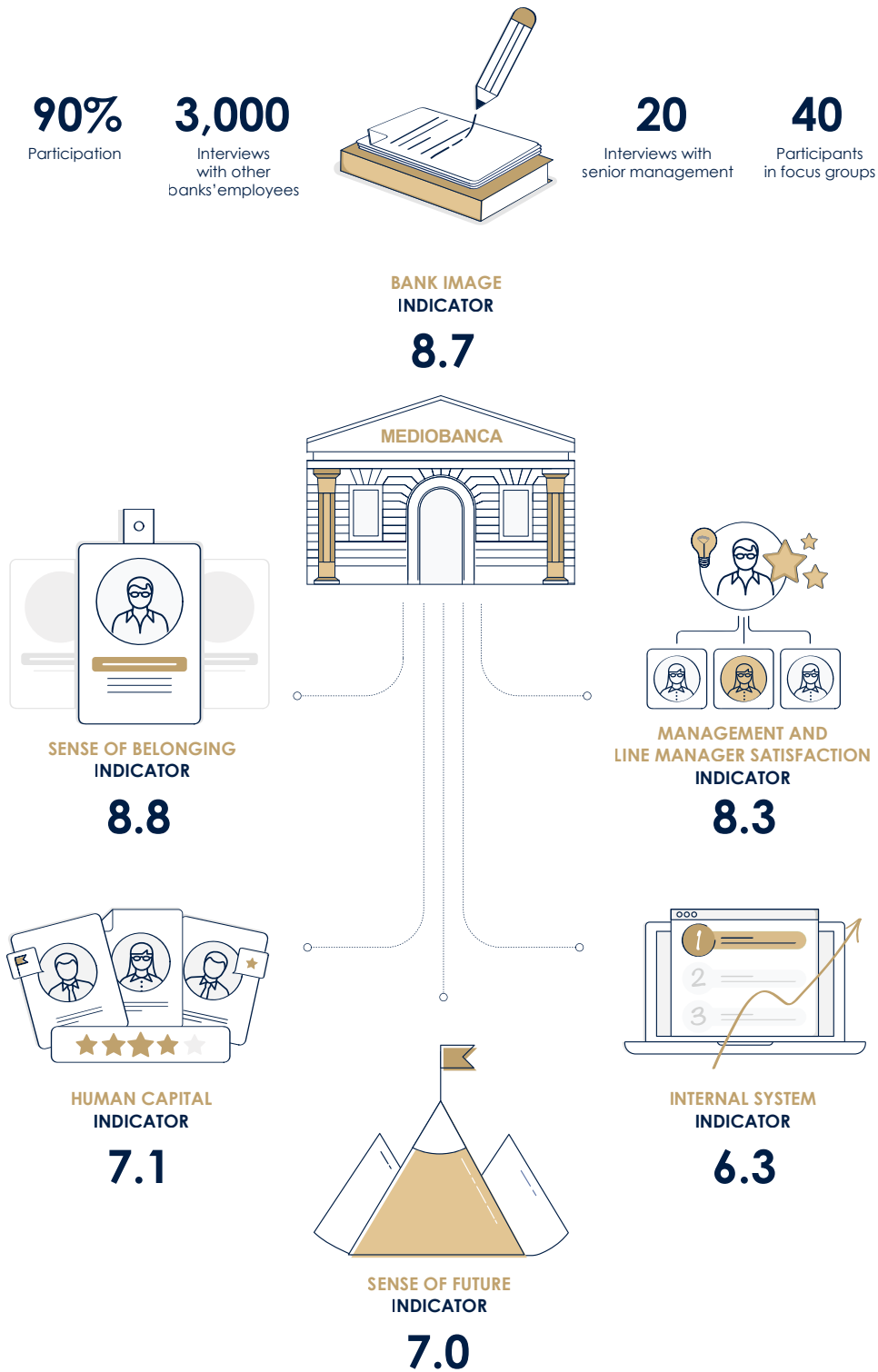
The employee engagement survey was performed in one-to-one interviews, focus groups and online questionnaires, involving the whole corporate population with a participation rate of 90%.

Benchmark analysis allowed the results obtained from the Group could be compared with the market, and showed that Mediobanca has an above average position in this area compared to other banks.

The main positive results to emerge from the survey were: Bank value and high levels of care for clients; pride and dedication; motivational skills of supervisors; highly effective senior management; attraction and internal climate. Mediobanca is a bank which stimulates a sense of belonging, in which its employees take pride; a Bank with recognized and acknowledged management, and supervisor adjudged to be competent and effective. The internal climate and atmosphere perceived by staff also make a positive contribution to the company's well-being.

Aspects to be focused on in the next few years including **investing in people**, both in terms of **training** and **career development for individuals**, and **improving internal communication** to further build the **sense of belonging**.

PEOPLE AND HUMAN RIGHTS



Based on the results to emerge from the employee climate survey, Group HR launched a project to redefine the structure and instruments used in the area of internal communications. The objective is to promote inclusive and dynamic communication by renewing the language used and expanding the forms of involvement, to further embed the corporate culture and values, and to create a working climate which meets the organization's requirements.

5.9 Staff health, safety and welfare

[GRI 102-15], [GRI 403-1], [GRI 403-2], [GRI 403-3], [GRI 403-4]

The Group considers the promotion of health and safety as one of the priorities of its way of doing business. For this reason it is committed to achieving, maintaining and complying with the requirements set in this area as defined in the applicable regulations in force in the countries where Mediobanca operates, adopting an approach which is based on **continuous improvement**.

To this end, the Group has implemented an effective system which is co-ordinated and managed by a Safety Committee, made up by the head of the Prevention and Protection unit, an external doctor, a Group Safety Manager internal to the organization, and an employees' security representative.

The unit regulates and monitors security activities for the company, embeds the principles governing the regulatory obligations, and standardizes the means of involving staff members and the Group units involved. The creation of synergies between the various companies allows costs to be kept down and provides for increased efficiency in the management of health and safety in the workplace.

The Safety Committee is responsible for ensuring a secure working environment which is compliant with the regulations in force, such as Italian Legislative Decree 81/08, for defining the Group's guidelines in the area of health and safety, for co-ordinating monitoring activities, and, where necessary, for improving safety conditions. The Committee's prevention and protection service covers all staff included in the scope of operations defined by the regulations in force. In drawing up the relevant Risk Assessment Document, the Group has identified the following main risks: risks related to the presence of electrical equipment and devises, use of video terminals, work-related stress, and in the retail area in particular, risk of armed robbery.

Furthermore, as provided by Italian Legislative Decree 81/08, the workers' security representatives appointed at the various Group companies take part in specific activities such as security meetings, inspections and preparing documents, in addition to representing the workers themselves during trade union meetings. All workforce employed by the Italian Group companies may be considered as being represented at the stage of finalizing the formal agreements.

Material issues	Risks identified by Mediobanca	Mitigation activity
Management and systematic assessment of risk and brand reputation	Inadequate assessment and management of risks related to health and safety issues in the workplace, leading to reputational damage or operating losses	<ul style="list-style-type: none"> Specific training initiatives, e.g. correct fire evacuation procedures or on the risk of armed robbery
Staff health, safety and welfare	Risk of armed robbery in retail banking	<ul style="list-style-type: none"> Specific staff training on the risk of armed robbery Assessment of the risk of armed robbery, and project to bring all Compass branches in line with the requirements in order to reduce cases of armed robbery in retail banking

The workers' health and safety risk assessment process has meant that the number of accidents in the workplace recorded last year has remained at extremely low levels. The Group is committed to monitoring accident statistics and indicators in order to further reduce the occurrence of such instances. During the period under review a total of 63 accidents were reported Group-wide, four of which in the workplace itself (two to men and two to women) and 59 elsewhere (31 men, 28 women), the majority of which (61) in Italy.

FY 2017-18	Total	Male	Female
Lost day rate ¹⁸	0.11	0.31	0.20
Injury rate ¹⁹	6.74	8.44	7.45

No instances of fatalities have been reported, either among employees or external collaborators, and no cases of professional illness have been recorded, either. The absenteeism rate among staff was 19.17%.

The Group, despite not performing high-risk activities, adopts a preventative approach to its operations which involves carrying out regular checks of its premises, arranging meetings on health and safety with the various internal stakeholders, putting on training courses (4,441 hours of training were provided to Group employees during the reporting period), and implementing communications programmes and awareness-raising activities. Other major initiatives were also carried out during the year, such as completion of the training programme for new recruits, and refresher courses on health and safety for staff members, and revision of the emergency and fire evacuation system.

18) This indicator represents the impact of accidents in the workplace which results in the worker who had the accident being absent from work. It is derived from the number of days' work lost due to accidents, divided by the total number of hours worked, and multiplied by 1,000.

19) This indicator represents the frequency of accidents in relation to the total number of hours worked by the entire workforce in the reporting period. It is derived from the number of accidents divided by the total number of hours worked, and multiplied by 1,000,000.

COMMUNITY

6.1 Clients

6.1.1 Relevant policies and risks

[GRI 102-15], [GRI 103-1], [GRI 103-2], [GRI 103-3]

In performing its activities the Group pursues the objective of combining profitability and competitiveness with scrupulous business ethics, based on principles of honesty, professionalism, transparency and fairness towards its clients.

Contractual arrangements and communications are based on principles of fairness, professionalism and transparency. Clients are furnished with clear and exhaustive disclosure on the products and services being offered to them, and on the terms and conditions being applied, to facilitate comprehension and enable them to make informed choices. Any complaints are handled sensitively and treated as an opportunity to improve, resolve conflict and increase customer trust and satisfaction.

The approach to conduct risk is intended to identify the principles necessary to ensure correct conduct in the performance of the Group's business, thereby minimizing the risk of the behaviour of its employees, while complying with the letter of the regulations, and so causing damage, whether actual or potential, to its clients.

Despite the lack of specific obligations in this area, the Mediobanca Group has adopted a business conduct policy, applying the principles defined at international level to the Group's own specific areas of operation, in particular those introduced by the FCA (Financial Conduct Authority), the UK supervisory authority which since 2013 has been developing an approach based on compliance with conduct principles and the related concept of conduct risk, defined as the risk of the conduct and actions of a financial institution's employees being contrary to the principles of diligence, fairness and professionalism versus clients.

COMMUNITY

Material issues	Risks identified by Mediobanca	Mitigation activity
Innovation, multi-channel approach and digitalization	Compliance with laws and regulations and operational risk	<ul style="list-style-type: none"> ◆ Continuous coverage by the IT Regulation, IT Compliance & Business Continuity and IT Risk and Cyber Security units ◆ Application of consolidated procedures to ascertain compliance, and regular revision of these procedures ◆ Ongoing investment in updating the procedures applied and the applications used ◆ Staff training and communication activities
Data protection and security	Protection of clients' privacy and personal data and IT risk	<ul style="list-style-type: none"> ◆ Continuous coverage by the IT Risk and Cyber Security unit ◆ Use of applications with workflow checked centrally ◆ Ex-ante and ex-post controls performed centrally ◆ First level controls by private bankers and assistant bankers ◆ Executive summary report on state of progress in IT risk management presented regularly to BoDs of Mediobanca, CheBanca! and Compass
Stability, regulation and resilience of financial system	Repayment of credit	<ul style="list-style-type: none"> ◆ Application of credit granting processes developed specifically to mitigate credit risk ◆ Use of credit guarantee systems: credit counter-guaranteed by pledge over assets deposited with the Bank ◆ Procedures with different levels for credit applications, and ongoing monitoring of repayment capability
Stability, regulation and resilience of financial system	Loss of competitiveness (offering not aligned with the best market practices)	<ul style="list-style-type: none"> ◆ Monitoring, fine-tuning and innovation of product offering at central level ◆ Ongoing communication and dialogue between central offices, private bankers and clients to pick up market needs and suggestions
Transparency of information on products and services	Payment fraud risk	<ul style="list-style-type: none"> ◆ Compass, CheBanca! and Mediobanca Private Banking adopt anti-fraud systems and client authentication systems as part of their Home Banking offer and arrangements for payments via the internet which allow suspicious transactions to be intercepted and blocked; the websites also provide information to raise customers' awareness of the issue

6.1.2 Group clients

[GRI 102-2], [GRI 102-6], [GRI 102-7]

For over seventy years the Group has sought to help its clients grow, offering them high-level advisory services and a full range of credit products ranging from the simplest and most traditional forms of credit to the most sophisticated solutions available on financial markets.

The business segmentation with three separate divisions contributing equally to the company's performances also enables the Group to meet the needs of different client brackets.

Corporate & Investment Banking

The activity is focused on services to medium-sized and large companies, with a full product offering which ranges from lending to advisory, capital markets, leasing, credit management and factoring, and more recently, private banking as well.

In 2018 **Mediobanca** was voted Italy's best investment bank in *the Euromoney Awards for Excellence 2018*.

Consumer Banking

Consumer banking is addressed to households, supporting them in their spending needs and consumption needs, primary and luxury, in a variety of forms which include personal loans, credit cards and salary- or pension-backed finance.

Compass, which operates via 181 POS located throughout Italy, bases its operations on the values of respect, competence, transparency and care for its clients and partners.

Wealth Management

Wealth management is addressed primarily to individuals, offering savings, investment and asset management products diversified according to client bracket: from mass affluent to high net worth individuals and family office. The division also offers mortgage services and fund management activities for institutional clients.

Mediobanca Private Banking provides wealth management services (financial and non-financial) and wealth organization, creation, protection and transmission activities to individuals and companies requesting them. Mediobanca Private Banking operates locally via eleven branch offices and an extensive network of private bankers.

CheBanca! is the Group's multi-channel bank, which targets all private customer brackets, in particular the affluent and premier segment. Apart from the traditional banking products given a modern turn, the bank also offers its clients qualified professional advisory services on asset management and investments.

6.1.3 Customer satisfaction and quality of service

[GRI 102-43], [GRI 102-44]

The Group assigns the highest importance to managing and maintaining satisfactory relations with its clients, including potential clients, through maintaining constant contact with them in order to be able to adapt the product offering swiftly to any changes in their needs and expectations.

To this end, the dialogue process is therefore essential in seeking to understand clients' needs and react promptly to any dissatisfaction they express.

Compass and CheBanca! some time ago launched structured processes for recording customer satisfaction, using internationally-recognized methodologies in order to gain a real picture of their clients' perceptions, and so allowing any critical issues to be identified to be dealt with on a priority basis. Annual quantitative and qualitative brand satisfaction and loyalty level monitoring is performed via specific surveys analysing the Customer Satisfaction Index (CSI) and the Net Promoter Score (NPS) indicators with reference to the investment world especially.

Compass

The surveys carried out by Compass in the past year have involved around 1,600 people and reflect an increasing trend in customer satisfaction. Salary-backed finance and personal loans were among the areas which received the best feedback.

Compass also performs a customer satisfaction telephone survey to gauge satisfaction levels versus the inbound call service. The spontaneous responses given by some 44,000 clients in the course of the last year revealed that 86% of those who responded were enthusiastic about the service provided. Research and analysis is based on information collected externally, to explore or examine aspects relating to products, processes or communication.

The listening surveys adopted are addressed to different target audiences, and may be quantitative – i.e. addressed to a representative sample of the target audience - or qualitative – i.e. carried out with a select group of interviewees using targeted listening techniques. The analysis is also distinguished between initiatives which derive from specific and contingent necessities, and monitoring available on an ongoing basis.

The main engagement and analysis activities performed are summarized below

- ◆ Telephone and online surveys: analysis to understand attitudes and/or experiences relating to a given product/process
- ◆ Mystery shopping: qualitative surveys carried out at competitors (POS or remote channels) to assess their product offering, merchandising and client experience

- ◆ Focus groups: qualitative surveys to collect opinions or attitudes on a new product, process or form of communication through group discussions
- ◆ Individual interviews: qualitative surveys which, like focus groups, serve to collect opinions or attitudes on new product offerings, processes or communications
- ◆ Desk analysis: communication material or product analysis. Compass carries out analysis of its competitors on an ongoing basis

Compass has also set up an observatory which has run for the past three years to analyse its POS, collecting their perceptions of the market scenario and also its future prospects.

CheBanca!

At CheBanca! too, the customer satisfaction indicators continue to be significantly higher than the sample of traditional banks examined.

The bank has always listened very carefully to its customers, via all the touch points which it has available, communicated with its clients via the direct email marketing, text message, home banking and app channels via a sophisticated Customer Relationship Management system. Mechanisms for collecting feedback have also been introduced to home Banking.

In September 2017, CheBanca! also introduced a monthly image and brand perception analysis, in order to complement the annual strategic picture with some more precise data. Sentiment analysis is also performed of the leading social media, to monitor brand positioning and identify possible critical areas which could result in reputational damage to the company's image.

Mediobanca Private Banking

Given the importance of confidentiality in relations with its clients, Mediobanca Private Banking does not use surveys. However, ongoing dialogue between FAs and their clients enables their degree of satisfaction to be gauged, meaning the service offering can be fine-tuned promptly. Events are also organized regularly throughout Italy, where issues of particular importance to wealth management, creation or protection are discussed.

The *World Finance Wealth Management Awards 2017* saw Mediobanca Private Banking voted Best Wealth Management Provider in Italy, on the back of the care and attention devoted to its clients.

Compagnie Monégasque de Banque

CMB has again been named *Best Private Bank of the Year* at the annual *International Banker awards*. The jury said that CMB impressed by its unique customer approach, based on a pyramid of values which include commitment, innovation, diversity and environment.

The international review The European, in conjunction with the Thomson Reuters group, also voted *CMB Best Customer Service Private Bank in Monaco* for the second year running, and *Monaco Banking Ambassador*.

CMB was also voted *Best Private Bank in Monaco* in the 2018 Awards organized by the international review *World Finance*, which recognizes banking institutions that stand out for their excellence, ability to innovate, management policy, expertise and quality of services offered.

6.1.4 Transparency of information on products and services

[GRI 417-1]

Transparency and clarity of information are of particular importance in the area of **customer relations**.

Compass has always paid close attention to relations with its customers as shown by its values, among which transparency plays an important role, defined in the sense of fairness in relations with the market from a long-term perspective.

To this end, on its website **Compass** has published the new guide on Consumer credit made easy produced by the Bank of Italy, to provide practical instructions on how to choose a loan and work out the cost, as well as illustrating the main customer rights. All transparency-related on the product offering are also available on the website, along with the Italian financial banking arbitration guide, and the Italian banking association (ABI) guide on transfer of payment services, the table showing the global average effective interest rates recorded for regulatory purposes in relation to usury, the terms and conditions for using the advanced electronic signature service using graphology techniques, and the annual reports on complaints and disputes.

Transparency has always been one of the main pillars on which the **CheBanca!** business model is based, using simple language which is relevant to the end-client, summarizing contracts to make them shorter and easier to understand, stating prices clearly and notifying clients promptly of any changes in contractual terms and conditions.

CheBanca! addresses its clients through various channels, including its Facebook page (which has almost 200,000 followers), through a media programme which is rich in service content, engagement and financial education.

In the area of investor and market integrity protection, a major project has been implemented in **Mediobanca** and **CheBanca!** to adapt the processes to the new MiFID II directive which came into force in January 2018. The new directive revises and expands the previous regulations on the provision of investment services (MiFID I), introducing enhanced measures to protect investors, including by strengthening disclosure obligations (ex ante and ex post) and product governance mechanisms in the sale of financial products.

6.1.5 Financial inclusion, access to financial resources and education

The Group has always been keen to promote and develop the financial awareness of its clients. For this reason it has promoted a model of financial education based on sharing information on products and services expressed in clear, simple terms.

CheBanca!

CheBanca! has always promoted and developed a product and service offering that gives it access to existing and potential clients who want their financial needs to be met. As permitted by law, this possibility is also offered to clients who have disabilities, are subject to support and protection measures, are visually impaired and/or otherwise unable to sign for physical reasons.

In 2015 CheBanca! also launched Yellow Advice, a service which clients can use to access news and analysis of the financial world, plus instruments such as an online glossary and actual lessons on financial issues. Yellow Advice also devises quizzes for those looking to take their first steps in the investment world, to test their level of knowledge in the area.

Compass

Compass too promotes financial education, and has published a series of video clips on its website to explain financial concepts using simple language, allowing investors to gain more in-depth understanding of subjects which range from investment to the various forms of credit. The content has been developed by the Italian association of teachers of economic markets and financial intermediaries (ADEIMF) with the support of the Italian consumer credit and mortgage lending association Assofin.

Compass's contribution to financial inclusion and accessibility takes the form of various commercial communication initiatives in languages other than Italian²⁰.

20) Some 7% of the Compass retail client base has non-Italian citizenship (data as at May 2017)

Clients with an ISEE (equivalent financial situation indicator) of less than €8,000 who apply for finance are offered basic current accounts for poorer customers. This account guarantees favourable treatment for customers, e.g. no charges for opening or closing the account, no stamp duty, etc.

Mediobanca Private Banking

The Mediobanca Private Banking FAs engage in continuous financial training activities, to enable their clients to make an informed assessment of the solutions and services being offered to them. Specific training events are also organized on relevant issues, such as tax, generational issues and new investment instruments.

An online banking service is also offered which guarantees customers broad access, reports and statements on their positions and allows them to issue instructions for certain payment services.

Mediobanca SGR

In April 2016, Mediobanca SGR launched the second Mediobanca Fondo per le Imprese 2.0 which in two closing dates raised a total of €105m and has already made three investments. The fund helps to finance Italian domestic small and medium-sized enterprises with sound fundamentals, which require financial resources in order to finance their development and growth plans in the medium term.

Compagnie Monégasque de Banque

Compagnie Monégasque de Banque has developed an Academy for Women and Finance, training course for women in family wealth management. In 2018 it also launched its *Philanthropy Academy* with the aim of exploring issues related to the subject of philanthropy.

Finally, the Group works in partnership with **Junior Achievement**, the largest non-profit organization in the world devoted to providing economics and business education in schools. The partnership includes the involvement of Group managers as “company experts”, who propose economics and financial education projects to children in middle and senior schools using an innovative teaching approach.

The test phase has just been completed for the new launch of the financial education project for schools scheduled for October 2018 under the name **Crescere, che impresa!**

This new three-year programme, which envisages increasing involvement by Group staff, is focused on schools in certain poorer areas of Puglia, Sicily, Tuscany, Liguria and Lombardy. Some of the new features introduced include

- ◆ Digital platform: digital content for lessons in the classroom, teaching kit for the class and family activity kit

- ◆ E-learning modules for volunteers and teachers: online section providing information on the programme, classroom lesson preparation, and development of a community of JA volunteers and teachers
- ◆ JALab learning laboratories: raising awareness of the programme via a free workshop for young people and their parents

The objective for the 2018-19 financial year is to involve more than 8,700 students, with the participation of some 230 volunteers.

6.1.6 Responsible investing and sustainable products

The Group Sustainability Policy has served as the starting point in the preparation of the *Directive on responsible investing*, the objective of which is to ensure that investment and lending decisions are based on assessment not only of financial issues, but environmental and social issues as well. The Group believes that responsible investment decisions enhance brand reputation and consolidated market and investor confidence.

The Group's approach is to identify, assess, prevent and reduce potential risks deriving from investments and lending transactions with counterparties involved in serious events which impact negatively in the areas of the environment, human rights, employees' rights, bribery and corruption, and terrorism. The Group does not invest activities which are potentially not in line with international standards or which are considered to represent a serious risk for the environment or society. The Directive, which is approved by the Sustainability Committee and shared with the Risks Committee, takes the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, the Principles for Responsible Investment (PRI), and the Equator Principles as its reference principles.

The process defined by the *Directive on responsible investing* is sub-divided into the following phases

- ◆ Pre-assessment of the counter-party based on certain criteria for a priori exclusion. Parties whose guilt has been proven in court in the past ten years with reference to one of the following crimes are excluded: money laundering or terrorism financing; violation of human rights; possession, production and/or distribution of child pornography; environmental catastrophes; conspiracy to commit crimes; links with mafia-type organizations (including non-Italian); and parties which produce weapons that violate fundamental humanitarian principles (such as cluster bombs, anti-personnel mines, nuclear, chemical or bacteriological weapons)

- ◆ Assessment, where indepth analysis is required of the business proposals received from parties which, based on reliable sources, are and/or have been investigated or convicted (without time limit) for one of the following crimes: money laundering, terrorism financing or bribery and corruption; violation of human rights; possession, production and/or distribution of child pornography; environmental catastrophes; conspiracy to commit crimes; links with mafia-type organizations (including non-Italian)
- ◆ Investment decision, based on the assessment carried out

The Mediobanca Group has also chosen to develop a sustainable and responsible approach to investment by featuring ESG (Environmental, Social and Governance) products in its offering. The ESG criteria pursued by Mediobanca are respectful of the environment, human rights and good corporate governance practices.

Mediobanca Private Banking, in particular, implements all checks and balances required in order to comply with the regulations in force on financing terrorism and money-laundering, and is extremely careful and selective in its choice of both clients and partners, with which it engages in dialogue and carries out indepth analysis of the profile of the individuals involved before doing business with them.

Mediobanca SGR offers the possibility of investing in Mediobanca Social Impact, a balanced global investment fund, ESG-certified, for philanthropic purposes. The fund is structured in such a way as to guarantee each beneficiary has a recurring flow of revenue over time to allow investors to support the recipient on an ongoing basis at no additional cost. Mediobanca SGR credits back two-thirds of its management fees to the beneficiaries, in line with the market and comparable asset management products. During the year under review, Mediobanca SGR has donated €267,000 to philanthropic institutions which are parties to the fund.

CheBanca! has shown its interest in ethical and sustainable financial products since 2015, promoting and participating in the placement of a bond issued by the World Bank, to finance activities intended to counter the effects of climate change. The bank also promotes and places instruments which consider environmental and social factors in portfolio selection and management.

The CheBanca! FAs, well aware that their clients expect them to offer ESG products, are thus increasingly proposing them instruments which comply with sustainability criteria.

Mediobanca has acted as Joint Bookrunner and Dealer Manager in the issue of green bonds by Iren and Enel to finance green projects.

Outside Italy, **RAM Active Investments**, the leading European fund manager recently acquired by Mediobanca (with a 69% stake), incorporates environmental, social and governance issues in its

analysis processes and investment decisions. In September 2015 RAM Active Investments became a signatory to the United Nations' Principles for Responsible Investment (PRIs)²¹.

In 2018 **Compagnie Monégasque de Banque** launched an ESG management mandate for investing in companies and countries which contribute to the development and future of society, and commit to building a better world, selecting investment vehicles which respect ESG values according to a best-in-class approach.

6.1.7 Innovation, multi-channel approach and digitalization

The Mediobanca Group is aware that technology and digitalization are fundamental to be able to offer an excellent service, has launched transformation of our IT structure, with the objective of being able to meet the changes in the banking sector, regulatory and cyber-security requirements most effectively, and ensuring the sustainability of the business in the long term. This will entail traditional IT systems evolving towards more flexible and dynamic approaches which are able to adapt to new ways of doing business, including through the adoption of robotic process automation and artificial intelligence technologies.

The Group has set itself the objective of experimenting systematically and assessing the adoption of highly innovative technologies, still at the experimental stage and hence potentially disruptive, using a "test and learn" approach.

The digitalization issue has been developed in different ways within the Group.

CheBanca!, which was conceived with an innovative multi-channel model, has grown in terms of both product offering and service model, accompanying and in many cases anticipating market changes. The bank makes cutting-edge technology instruments available to its clients, thus enabling integrated multi-channel interaction. These instruments include

- ◆ Yellow Advice integrated software platform, which allows advisors to create and develop customized investment plans for clients
- ◆ An app, free of charge, which allows customers to carry out the vast majority of banking operations directly from their own smartphone
- ◆ Samsung Pay service, allowing customers to pay for goods and services at selected POS simply by touching the store's device with their smartphone

21) Mediobanca completed the acquisition of a 69% stake in Ram Active Investments in March 2018. As the acquisition is so recent, RAM has not been included in the scope of reporting for this year

- ◆ Advanced Electronic Signature (AdES)
- ◆ Web collaboration, making it possible to authorize proposals made by FAs on a remote basis

In 2016 **Compass** developed a project to collect electronic signatures using graphology techniques. Compass Key offers clients the possibility to subscribe validly to financial products with the same legal and evidential as private arrangements. It has made all branch office contracts available in dematerialized form, now extended to include more than half the personal loan contracts as well. Compass has also developed a collaboration platform (consisting of chat and co-browsing) in the application used to apply for personal loans online.

6.1.8 Personal data protection and data security

[GRI 418-1]

Protection of customers' personal data and information is a key factor in providing our activities, and as such requires proper governance. The Group is committed to ensuring that personal data is collected and processed in compliance with the legal provisions in force. This includes electronic data, paper documents and verbal exchanges via phone calls or direct communications.

Information of different kinds is processed and managed regarding significant issues such as: transactions, contracts, and confidential customer and staff. The Group undertakes to protect such data from unauthorized or accidental alteration, loss or unauthorized disclosure. It also ensures, in accordance with the business requirements, the availability and integrity of the information which must be reliable and usable on the part of the users.

Each Group company is responsible for data processing and protection. To ensure that protection of the Group's information capital is consistent with the strategic decisions adopted, security objectives and principles are identified clearly in accordance with the risk appetite defined at company level. To this end, the Board of Directors of Mediobanca S.p.A. has approved a *Group personal data protection policy* which identifies the most important principles to be complied with.

The Group intends to increase its capability to identify threats more effectively, via an ongoing process to improve its security control system, and the introduction of cyber Intelligence solutions and services.

In the area of **personal data protection**, in the course of 2018, to comply with the new Regulation (EU) 2016/679 (the "GDPR", or the "Regulation"), Mediobanca set up the Group Data Protection and appointed a Group Data Protection Officer.

In particular, as part of the Data Privacy/GDPR project launched in 2017, Mediobanca and its Group companies have

- ◆ Revised and amended the privacy information and sent the new appointments and agreements on data protection to the data processors
- ◆ Updated the internal manuals and procedures on: data processing register, data protection impact assessment, consent management, data subject rights management, data retention, data breach event management, and data encryption and masking
- ◆ Updated their website to include more detailed information on personal data protection
- ◆ Instituted a data processing register and carried out an assessment of the impact on data protection where necessary
- ◆ Mapped and identified the IT applications which need to be masked or encrypted. Measures to enhance security have already been implemented for some of these applications

With regard to personal data protection, during the year under review a total of eight complaints were received by CheBanca!, five of which had some foundation to them but none of which was submitted directly to the Italian personal data privacy authority pursuant to Article 77 of Regulation (EU) 679/22016 (the GDPR).

For Compass Banca, a total of 271 reports were received during the year under review, fifteen of which were founded while three were submitted directly to the Italian personal data privacy authority pursuant to Article 77 of the GDPR.

No cases of personal data breaches were recorded within the Group.

In the area of **data security**, in recent years the confidentiality and integrity of the data sent when online forms are submitted have been protected through use of Secure Socket Layer (SSL) protocols and by keys and certificates issued by the *Global Trust Certification Authority*.

The Group has also adopted specific structured policies and directives to manage risks and at the same time increase the client's confidence, as follows

Group Information Security Policy

This policy describes the objectives and general principles which the Mediobanca Group adopts in processing information to support the needs of its business and to ensure that the legal or regulatory requirements and choices in respect of risk management are duly observed

Group Directive on Log Tracking and Management

This directive sets down the criteria and general rules to be followed in systems and log management activities

Group Directive on Security in Relations with Third Parties

This directive defines the security objectives and principles with which third parties must comply in accordance with the risk appetite defined at company level and consistent with the internal regulations on treatment of inside and confidential information

Group Directive on data masking and encryption

This directive describes the actions and rules to adopt in managing the activities of encryption and masking of data, its communication channels and backup, for applications identified based on IT risk and privacy criticality analysis

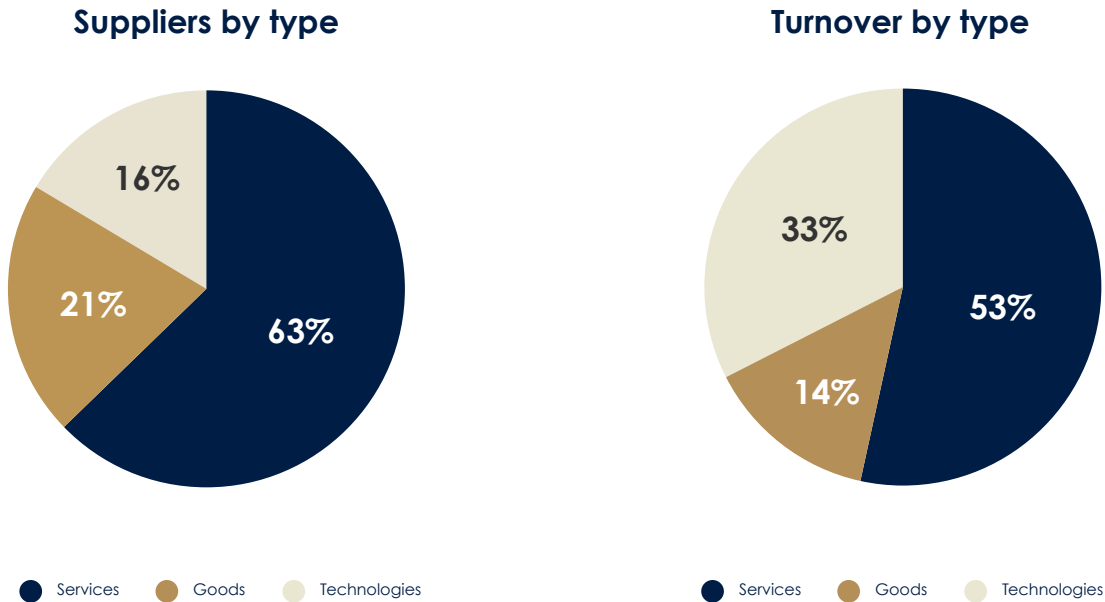
6.2 Responsible supply chain management

6.2.1 Relevant policies and risks

[GRI 102-7] ,[GRI 102-9], [GRI 102-15], [GRI 103-1], [GRI 103-2], [GRI 103-3]

The Group seeks to develop relations with its suppliers based on the principles of fairness, transparency and equal treatment.

During the reporting period the Group had a total of 5,737 suppliers with a turnover of €428.5m.



The acquisition of goods and services is normally centralized at the Group Procurement, which, through competitive processes, selects the suppliers based on their knowledge and professional capabilities, their organizational solidity and sustainability and the Group's aim to obtain value for money. In particular, the Group is committed to avoiding situations of conflict of interest and ensuring selection on the basis of transparent and objective criteria.

On 23 November 2016, the Group Directive on purchasing processing management was issued, followed on 12 December 2017 by the "Purchasing process management" operating procedure, which requires that suppliers involved in the competitive processes and/or contracts managed by Group Procurement must actually qualify under the guidelines set at Group level. A supplier qualifies for inclusion in this sense if they have suitable documentation, earnings/financial data which show they are able to supply the good/service concerned, positive earnings results and no negative issues of any kind.

The duties assigned to the Group Procurement unit include

- ◆ Entering active and/or potential suppliers in the Group list of suppliers for every area of expense and the contracts managed by the unit
- ◆ Reviewing information and documents published (DURC, chamber of commerce certificate, financial statements, etc.) to check they are complete and accurate, and carry out analysis of the company's earnings/financial data

- ◆ Assigning the companies assessed a qualification status (positive or negative)
- ◆ Reviewing any spontaneous applications, which may come from other suppliers for inclusion in the list of suppliers
- ◆ Asking active suppliers to update the data and documents entered in the list of suppliers, at regular intervals
- ◆ Developing and implementing strategies to optimize spending at Group level
- ◆ Managing purchasing processes inter alia through organizing competitive procedures with a view to assigning provision of goods, work or services, thereby optimizing costs without prejudice to the requirements in terms of qualification and technical and/or service specifications
- ◆ Managing formalization of contracts with the successful suppliers with the support of the internal Legal Counsel unit

The Group Procurement unit, in order to minimize the risks associated with buying from counterparties which are unreliable or which could lead to problems in the future, reviews the adequacy of suppliers, both active and new, by analysing the documentation published on the Suppliers' Portal and with the support of info providers. The latter supply detailed information on the company, its shareholders and directors, and provide evidence of any convictions or negative issues regarding all parties involved at any level in the company under review. More general checks are also carried out from external sources, e.g. through web searches.

Relations with suppliers are conducted based on principles of fairness and integrity, and suppliers are reminded of the need to do business according to standards of conduct which are consistent with those set down in the Group's Code of Ethics. All suppliers involved in competitive processes are required to comply with the

- ◆ Regulations protecting the rights of workers employed in the provision of their services and in particular the collective labour contracts for the relevant sectors
- ◆ Provisions in respect of social security, accident prevention and security, and with the specific regulations in force on the subject of health and safety in the workplace
- ◆ The principles set down in the Group's Code of Ethics when an order is transmitted or a contract executed

To this end, it has recently been established that suppliers newly registered in the Group's list of suppliers must sign a declaration confirming that their staff members are treated without distinction and/or discrimination (in terms of policy, religion, etc.), that they reject forced and child labour, condemn every form of harassment, and guarantee decent working conditions for all their employees. Counterparties which do not accept the Mediobanca Group Code of Ethics and refuse to sign the above declaration are accordingly excluded from the Group's supply chain.

Early in 2018, during the competitive procedure for Group porter and reception services, Mediobanca was the first Italian company to require that bids submitted in a competitive procedure be structured on the basis of a minimum salary of at least €1,000 gross for each staff member.

Material issues	Risks identified by Mediobanca	Mitigation activity
Ethics and integrity in business	Transparency in processes to select suppliers	<ul style="list-style-type: none"> ◆ Use of <i>purchasing portal</i> to guarantee transparency and fairness of treatment in the choice of suppliers involved in the selection processes ◆ Definition of rules to exclude candidates in certain cases

6.3 Entities and institutions

[GRI 102-12], [GRI 102-13]

The Group seeks to entertain constructive, ongoing and transparent relations with all its stakeholders, including entities and institutions.

Relations with the regulatory authorities, institutions and public entities are based on principles of proper conduct and transparency, with respect to the different roles and excluding behaviour and attitudes which seek to obtain improper and/or undue influence on operations or which may even only appear to do so, thereby frustrating every form of bribery and corruption.

With reference to activities addressed to the community in the last financial year, the Group has worked closely and from a position of trust with local and national entities and institutions to develop initiatives and events in the cultural, artistic, social and sporting arenas. This commitment underlines the Group's desire to support our communities in positive fashion, not merely by the traditional means of making firms more competitive but also through a serious and ongoing commitment to the priorities

and needs of the areas themselves, in which the Group offers the skills and resources typical of a financial institution to support them in their growth.

Some of the main institutions which the Group partners and works with in the financial services area are as follows

- ◆ **ABI - Italian Banking Association** the association's membership comprises directly or indirectly the entire universe of Italian credit institutions and credit institutions operating in Italy, along with virtually all of the financial intermediaries
- ◆ **ABI Lab:** the research and innovation centre for banks promoted by ABI intended to create a hub for banks and ICT and energy partners to meet and exchange ideas
- ◆ **AFME - Association for Financial Markets in Europe** - the European association for financial intermediaries operating in wholesale banking
- ◆ **ASSOGESTIONI** - Italian fund managers' association, representing most Italian and non-Italian fund managers operating in Italy, as well as banks and insurance companies operating in individual and collective asset management services
- ◆ **ASSONIME** - an association of Italian listed companies founded in 1910, which serves as a focus for analysis and discussion of problems which directly or indirectly regard the interests and development of the Italian economy
- ◆ **ASSOSIM** - the Italian association of brokers operating on financial markets carries out research and training activities, and represents its members in the consultations and round tables launched by Consob and the Bank of Italy on regulatory and financial issues
- ◆ **Conciliatore Bancario Finanziario:** this non-profit organization specializes in the mediation of disputes arising in banking, financial and corporate matters
- ◆ **European Issuers:** pan-European organization which represents the interests of publicly quoted companies from all sectors to the EU institutions
- ◆ **Fondo interbancario di tutela dei depositi:** the interbank deposit protection fund is a mandatory consortium recognized by the Bank of Italy which guarantees bearer deposits in the event of default by banks
- ◆ **United Nations Global Compact:** a UN initiative devised to encourage companies across the world to adopt sustainable policies and comply with corporate social responsibility obligations and to publish the results of the actions they have taken in this area.

6.4 Investors and shareholders

[GRI 102-7]

The Mediobanca Group considers relations with its investors and shareholders as one of the company's ethical and strategic responsibilities in order to create effective two-way dialogue between the company itself and the financial community.

The Group liaises constantly with investors and shareholders to pursue its mission, which has three main objectives

- ◆ To create a base of institutional and retail investors for the medium/long term for its own shares and bonds
- ◆ To promote stock liquidity and share price stability
- ◆ To foster ongoing, constructive dialogue between investors and top management, including with reference to strategic decisions

To reach these objectives, the Group guarantees timely, reliable and comparable disclosure to the market which is comprehensible by all categories of user.

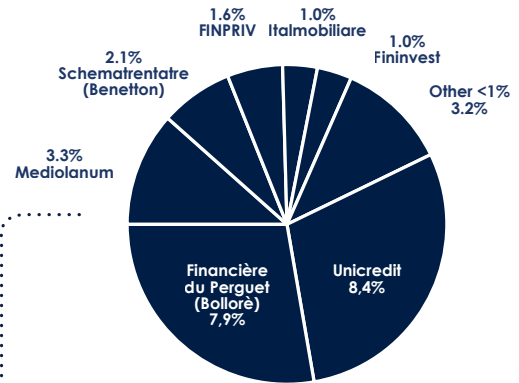
For the transmission and storage of regulated information, Mediobanca uses the eMarket SDIR and the eMarket STORAGE mechanisms.

Mediobanca has over 52,000 shareholders, split between institutional investors, retail investors and parties to the Mediobanca Shareholders' Agreement, which represents 28% of the company's share capital with the objective of preserving a stable shareholder base with representation on the management bodies, and ensuring that consistent management objectives are pursued²². In recent years the weight of institution investors has increased significantly, as has the geographical diversification of the shareholder base as a result. Today only 12% of the institutional investors are Italian, while the remainder come primarily from the United States (42%), the United Kingdom (19%) and the rest of Europe.

According to the most recent shareholder analysis, SRI investors account for approx. 6% of the free float.

22) In September 2017, the Mediobanca Shareholders' Agreement was renewed until 31 December 2019, allowing each Party to give advance notice of withdrawal by 30 September 2018 with effect from 31 December 2018

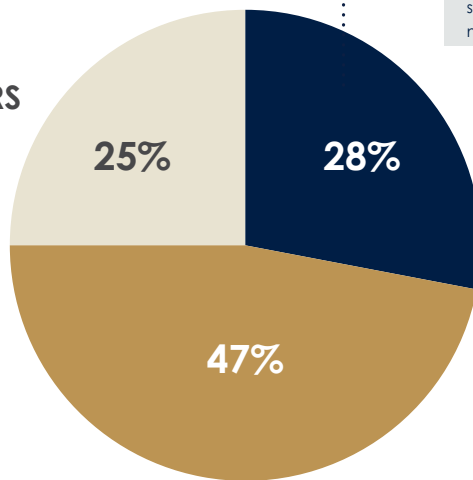
Mediobanca shareholders' structure*



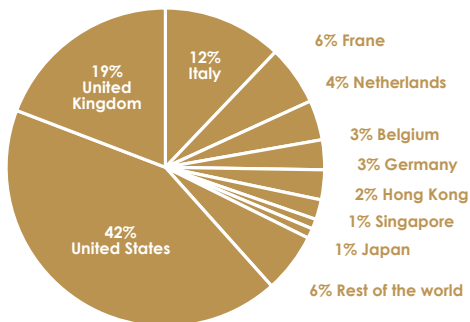
MEDIOBANCA SHAREHOLDERS' AGREEMENT

The agreement restricts the transfer of shares but in AGM each party may vote independently. The aim is to ensure a stable shareholder structure and consistent management approach for the bank.

RETAIL INVESTORS



INSTITUTIONAL INVESTORS BY REGION



*) Source: Nasdaq Shareholder Analysis, August 2018

In the reporting year, the Investor Relations team has taken part in some 180 meetings and conference calls, meeting with over 400 analysts, most of whom (88%) non-Italian.

In 2018, *Institutional Investor* published the results of its *All-Europe Executive Team* with over 1,500 European companies being voted for by 1,496 institutional investors and 940 sell-side analysts. Mediobanca was adjudged to be “one of Europe’s Most Honoured Company in the Mid-Cap category”, winning *Best IR professional* and *Best IR analyst day* and ranking third as *Best IR in programme* and *Best web site*.

6.5 Impact on and investments in the community

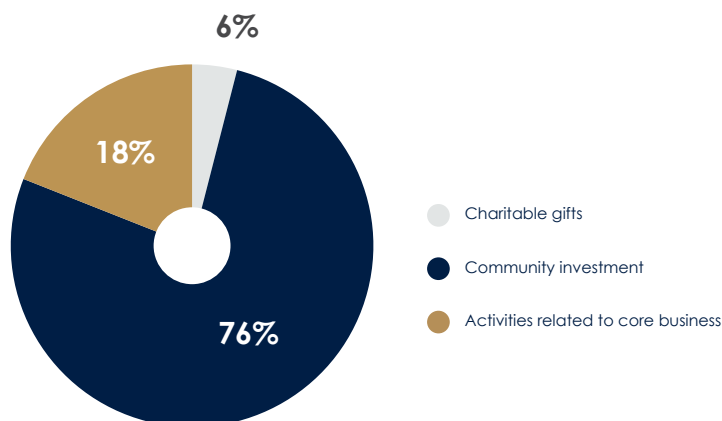
The Mediobanca Group plays an active role in the community in which it operates, and pursues growth and value creation objectives which are sustainable over the long term for all its stakeholders and are respectful of people, the environment and society as a whole.

To this end it promotes numerous initiatives with social impact, including via donations by providing solidarity and support, both in Italy itself and the other countries in which it operates.

The Group’s contribution to the community in FY 2017-18 has been measured at over €2.5m.

The calculation was made using management data in part based on estimates, whereas the type of analysis is based on the Guidance issued by the **London Benchmarking Group (LBG)**, the global standard in measuring and managing corporate community investment.

In accordance with the LBG model, to measure and represent the Group’s commitment, the contributions provided have been split into three categories (charitable gifts, community investment and activities related to core business)



In its selection of projects for development, the Group has also identified certain selection criteria and in particular three areas in which to concentrate its involvement: environment and territory; culture, research and innovation; and social inclusion.

ENVIRONMENT AND TERRITORY

The Mediobanca Group is aware of the rapid changes affecting the climate and environment as a whole. In a scenario of where environmental impact management is becoming increasingly crucial, the Group acknowledges the importance of protecting the environment as the primary resource of well-being for both current and future generations. For this reason the Group is committed to managing its resources responsibly to reduce its own carbon footprint and the impact generated on the environment as a result of its businesses.

The **Mediobanca Innovation Services (MIS)** offices are fitted with various “green” technologies, including its heating and ventilation systems; the original system used to insulate the building's exterior has enabled substantial reductions in greenhouse gas emissions, driving a major reduction in the Group's consumption and emission levels.

Other initiatives in this area include

- ◆ **Fondo Ambiente Italiano:** is one of the “FAI 200”, a group of generous patrons who, with their companies, support the FAI (Fondo Ambiente Italiano) in its mission to protect, care for and valorize the historical, artistic and environmental heritage of Italy
- ◆ **Urban reforestation:** this project, implemented by Che Banca! and Compass, in collaboration with the Rete Clima association, is intended to offset the impact caused by publication of the 109C and Incontro branch magazines respectively. The trees planted by staff members will neutralize the entire amount of CO₂ emissions generated by the two publications over their whole life cycle

CULTURE, RESEARCH AND INNOVATION

The Mediobanca Group's commitment to culture and research bears out our awareness of the responsibility which our company has on a civic and social level as well, in the knowledge that our role is bigger than merely the pursuit of economic gain. From as early as the years following its inception, Mediobanca has promoted important publishing initiatives, and has been committed to valorizing its architectural and archival heritage. Equally important is the attention we devote to scientific and economic research which is a core feature of the Group's identity.

In this area the following activities should be noted

- ◆ **MBRES Research Area:** active since the Bank's foundation in 1946, MBRES is a specialist economic and financial research unit on which Mediobanca sets great value, not least because it is strategic to its own business. Its main publications include the annual edition of *Leading Italian Companies*,

the most authoritative and complete league table of Italian companies operating in all economic sectors, whereas its Financial Aggregates for Italian Companies provide a historical series which is unique in terms of the time horizon covered and the exhaustiveness of the Italian companies' performances grouped by sector of operation

- ◆ **“Vincenzo Maranghi” Historical Archive:** Mediobanca's historical archive, which may be consulted online, is updated continuously and contains documents relating to the Bank's history and activities
- ◆ **Mediobanca Historical Library:** the Historical Library was set up in 2014. Its aim is to allow public access to the Bank's holdings of rare and precious volumes on the history of Italian and international economic analysis, collected over the years by Enrico Cuccia, Vincenzo Maranghi and Ariberto Mignoli. The collection holds over 12,000 volumes
- ◆ **Istituto Europeo di Oncologia:** the IEO was founded in Milan at the initiative of Mediobanca which is its leading shareholder almost 25% of the share capital. The IEO is the leading private comprehensive cancer centre in Italy, combining clinical work with research. It also owns the Istituto Monzino, the leading specialist cardiology centre in Milan

For several years now Mediobanca has also been supporting the work of various cultural organizations such as: **Civita**, which works to promote and protect Italy's cultural and environmental heritage; **ISPI, the Italian Institute for International Political Studies**, which carries out research and analysis into the risks and opportunities at world level for companies and institutions; and the **Ugo La Malfa Foundation**, whose mission is to carry out analysis and research into issues and problems of economic importance and national and international policy.

Outside Italy, **Compagnie Monégasque de Banque** has shown substantial commitment in the area of culture, sponsoring a variety of local institutions such as the **Monaco Philharmonic Orchestra**, which seeks to promote the Principality's image on the global stage, the **Monte Carlo Oceanographic Museum**, whose mission is to raise awareness of the seas and oceans and contribute to their conservation, and the **Grimaldi Forum**, Monaco's leading cultural and tourist centre, hosting a wide range of shows and events.

SOCIAL INCLUSION

The Mediobanca Group is convinced that an inclusive society must be based on mutual respect and solidarity, guaranteeing equal opportunities and a decent standard of living for all.

To be inclusive is a way of coexisting based on the conviction that each individual is of value and belongs to the community. Defined thus, inclusion may be implemented in a variety of settings.

In the sporting environment, Mediobanca Compass Banca and CheBanca! have joined forces to show their support for the core values traditionally associated with sport: honesty, responsibility, determination and team spirit. The many initiatives supported by the Group include

- ◆ **INSIEME/TOGETHER:** a three-year project devised in conjunction with CUS Milano Rugby and the Milan city council, to promote opportunities for sport among young people forming part of the weakest areas of society at risk of exclusion in certain peripheral areas of Milan. The initiative, which began last year in the Milanese suburb of Quarto Oggiaro is now starting in via Padova area and it will be run in Baggio area next year. The sports activities themselves (rugby, volleyball and athletics in particular) will be assisted by the presence of a psychologist to provide support in cases involving the most difficult family situations. The Group has also decided to finance the refurbishment of the sports facilities most in need of upgrade in the areas involved
- ◆ **Italian Paralympic Committee:** since 2016 the Mediobanca Group has been partner to the IPC with the objective of supporting and embedding the values of Paralympic sport as a vehicle for social integration, a sphere which affirms a genuine culture of merit and promotes genuinely open and fair competition
- ◆ **Mediobanca Group Sport Camp:** a multi-sport camp developed in conjunction with the Milan City Council and run at the “Cesare Beccaria” Institute in Milan to give young offenders an opportunity to spend a week playing sport in a healthy environment which promotes competition, respect for the rules and fair play. The project has also involved improvement of the facilities themselves, with the installation of rugby posts and new goal posts for football. This year, the second time the camp has been run (in June 2018), we strengthened our commitment through the direct involvement of some of our own staff, with a team of twelve Group employees taking turns to participate in the activities and assist the Camp staff in the course of the week

The prison environment has also been the subject of the following initiative

- ◆ **“The Prisoners Ask Why”:** promoted by Mediobanca and the non-profit organization L’Arte di vivere con Lentezza with the co-operation of Tempo di Libri, the annual Milanese book trade fair, this initiative engaged with the prison world with the objective of promoting social inclusion through reading. The project involved major Italian writers answering the questions asked by the inmates at a series of meetings held at the five prisons which participated in the initiative.

On the back of their ongoing focus on young people at risk of social exclusion, Mediobanca and CheBanca! have recently entered into a partnership with Associazione Cometa to launch a project under the name of **Accademia del Legno** (the “Academy of Woodworking”), an organization to be run according to a sustainable business model in social terms, the main objective of which is to facilitate the employment of young people with difficult backgrounds or with various types of disabilities.

In 2018, Mediobanca has once again provided concrete support to various charitable institutions operating in the Milan area, in line with its tradition

- ◆ **Don Gnocchi Foundation:** in line with the strategic decision by the Group to promote sport as a way to bring people together and share values, Mediobanca has contributed to the sporting and social/educational activities provided by the Centro Vismara towards the south of Milan, as further proof of our commitment to promoting social integration in the city's suburban areas. The centre's activities include the *Sport exclusively for everyone* project, the objective of which is to ensure that young people with disabilities have equal access to physical education and sports activities
- ◆ **VIDAS:** Vidas is a charity which provides complete healthcare and assistance free of charge to patients suffering with terminal cancer, both at home and in the Casa Vidas hospice in Milan. Mediobanca has decided to focus its support on funding the construction of the Casa Sollievo Bimbi which will provide care and relief for children and young people at advanced stages of incurable cancer and their families. According to recent estimates, the new building should be complete by end 2018

In the last year, Mediobanca has also decided to support certain solidarity initiatives in which staff members themselves have taken part directly, as proof of our commitment.

In the United Kingdom, **Cairn Capital** has launched a CSR programme supporting various initiatives at work in the country, including the following

- ◆ **Prince's Trust:** charitable association set up by Prince Charles in 1976 to help vulnerable young people aged 11-30 to get into work. Many of the young people helped by the charity are unemployed or have had difficulties with schooling, or are facing issues such as homelessness or mental health issues, or have been in trouble with the law
- ◆ **Coram Foundation:** a UK charity which provides support for children in need and their families
- ◆ **Chain of Hope:** an association which helps children around the world by supporting the development of cardiac services in numerous developing countries
- ◆ **Magic Breakfast:** a charity aiming to end hunger as a barrier to education in UK schools through the provision of healthy breakfasts to vulnerable children
- ◆ **STOP the Traffik:** a coalition campaigning against human trafficking

In Principality of Monaco, **Compagnie Monégasque de Banque** supports the **Hotel Management School**, which provides talented young people with an opportunity to develop their skills in the tourism and luxury hotel industry, which plays a key role in the economy of Monaco.

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7.1 Relevant policies and risks

[GRI 102-11], [GRI 102-15], [GRI 103-1], [GRI 103-2]

The Mediobanca Group gears its decisions towards ensuring compatibility between economic initiative and environmental requirements in accordance with the regulations and codes of conduct in force. The Group, as stated in the *Group Sustainability Policy*, is sensitive to the need to protect the environment as the primary resource of human well-being and acknowledges its impact on the environment, direct and indirect, identifying and assessing the risks associated and seeking to promote sustainable business through its own initiatives intended to limit impact related to its business.

The Mediobanca Group is aware of the importance of identifying and managing non-financial risks such as environmental risks. For this reason it adopts an approach which seeks to identify, assess, prevent and reduce potential risks deriving not only from its own activities but also from

- ◆ Indirect impacts on the environment, i.e. linked to the supply chain
- ◆ Investments and loans to counterparties involved in serious events which entail adverse environmental impacts

For a more detailed analysis of the supply chain and responsible financial investing, reference is made to the relevant sections.

With reference to assets covered by leasing contracts which return to the company's ownership (e.g. because they have not been redeemed or have been collected following contract terminations), all necessary measures are taken to mitigate any environmental risks. The services of leading companies specializing in decontamination and waste disposal are used to perform such activities.

Material issues	Risks identified by Mediobanca	Mitigation activity
Energy consumption and CO ₂ emissions	Climate change, use, selection and management of resources, use of non-renewable sources and energy inefficiencies	<ul style="list-style-type: none"> ◆ Gradual replacement of old systems with new, last-generation, high-efficiency equipment ◆ Sourcing of recycled materials and energy from renewable sources ◆ Raising awareness among users
Management of direct and indirect environmental impact of business	Environmental security of properties deriving from credit recovery activities or leasing contracts	<ul style="list-style-type: none"> ◆ Adoption of all measures necessary to mitigate any environmental risks present; in particular, to perform such activities, SelmaBipiemme uses the services of leading companies specializing in decontamination and waste disposal activities ◆ Adoption of the Code of Ethics

7.2 Managing the business’s impact on the environment

[GRI 103-3], [GRI 307-1]

The Mediobanca Group is committed to limiting the impact on the environment generated by its operations, through

- ◆ Ongoing monitoring and improvement of environmental efficiency, with reference in particular to the consumption of resources
- ◆ Developing initiatives to improve energy management, including by sourcing energy from renewable sources and through the use of innovative, lower-impact technologies and solutions
- ◆ Rationalization of use of resources (e.g. electricity, paper and water)
- ◆ Improvement in waste management by using sustainable disposal methods where possible
- ◆ Maintenance of properties and equipment so as to progressively improve environmental performances
- ◆ Prior assessment of the environmental impact of the new processes, new systems/equipment, and structural and organizational changes

7.3. Energy consumption and CO₂ emissions

[GRI 302-1], [GRI 302-2], [GRI 302-3], [GRI 302-4], [GRI 305-1], [GRI 305-2], [GRI 305-3], [GRI 305-4], [GRI 305-5], [GRI 305-6], [GRI 305-7]

The Group's energy consumption is linked primarily to its use of heating and air-conditioning systems, the functioning of its data centre and server rooms, and to office lighting systems.

Currently the whole Mediobanca Group in Italy uses energy deriving from renewable sources, under the terms of a framework agreement whereby renewable electricity certified by a "Guarantee of Origin" is acquired from CVA Trading, a company which provides electricity generated from hydro-electric power stations located in the Valle D'Aosta region.

The most significant emissions are due to the heating and conditioning systems, along with those linked to company travel. The Group monitors its own direct emissions, deriving from direct consumption of energy, i.e. gas and diesel for heating and fuel for its company fleet management (Scope 1), indirect emissions deriving from consumption of electricity acquired from third parties (Scope 2), and transfers of its staff members and collaborators by train and by air (Scope 3).

The Mediobanca Group is committed to improving energy management, and to this end has carried out various initiatives in FY 2017-18 in order to reduce consumption

- ◆ Installation of LED light bulbs in property refurbishments and new branch offices (Compass and CheBanca! branches and the first floor of the Mediobanca building in Piazzetta Bossi); in this way CheBanca! has achieved an energy saving of 131,338 Kwh in the reporting period²³
- ◆ Installation of high-efficiency heating pumps
- ◆ Installation of passive solar heating through the application of coverings at points where heat builds up due to exposure to the sun's rays
- ◆ Photocopiers are set to turn off automatically in order to save electricity
- ◆ Equipment fitted with power saving devices: around 3,000 VOIP telephones go into power saving mode between the hours of 6.00 p.m. and 6.00 a.m., PC monitors after 5 minutes of being idle, laptops after 15 minutes of being idle

²³ The figure represents the difference between before and after the refurbishment. The data for the Compass branch offices and Mediobanca (Piazzetta Bossi) have not been calculated as no figures were available on consumption prior to installation of LED light bulbs

ENVIRONMENT

- ◆ Refreshment of network equipment, with the aim of obtaining an estimated approx. 15% energy saving versus previous consumption levels, thanks to the use of Cisco's Energy Wise technology which adapts consumption to actual demand for it. In the year under review the work was completed over two floors of the Mediobanca building in Via dei Filodrammatici (for a total of six devices), at the Frankfurt branch office (two devices) and all devices at the CheBanca! offices in Viale Bodio in Milan

In order to reduce its CO₂ emissions, the Group has promoted initiatives to

- ◆ Promote the use of video-conference facilities, to reduce staff travel and the CO₂ emissions due to; a saving of 5,750 tons was achieved in the reporting period²⁴
- ◆ Increase the provision of training courses via e-learning methods
- ◆ Reduce the use of individual means of transport, through provision of a company shuttle bus service to the Milan Compass headquarters (from underground station Lotto to head office in Via Caldera), a special deal with local transport provider ATM offering discounts on season tickets for CheBanca! staff, and a bus shuttle service on order for MIS staff (Mediobanca MISposto)
- ◆ Management of the company car fleet using criteria that promote respect for the environment. The Group's fleet is comprised of vehicles with low CO₂ emissions, latest-generation diesel particulate filters (DPFs) and alternative fuels. Virtually all the cars are in line with the Euro 5 and Euro 6 emissions standards; and hybrid cars are increasingly being included in the vehicle grids

Energy consumption and the associated CO₂ emissions are shown in the table below

24) Data provided by CISCO, the company which manages the Group's video-conferencing system

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Direct energy consumption		
	Unit	FY 2017-18
Direct energy consumption²⁵		40,442.27
From non-renewable sources		26,441.02
Diesel		327.78
Natural gas ²⁷	Gj ²⁶	26,113.24
From company cars²⁸		14,001.24
Diesel		10,227.21
Petrol		3,774.03

Indirect energy consumption		
	Unit	FY 2017-18
Indirect energy consumption²⁹		97,706.83
Electricity		95,753.25
From non-renewable sources		26,389.49
From renewable sources	Gj	69,363.76
Thermal energy		1,953.59
From non-renewable sources		28.93
From renewable sources		1,924.65

25) For direct energy consumption, where figures are not available estimates have been used: for natural gas in cases involving shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building actually occupied, or thousandths of the property owned. For bills still to be received, consumption has been estimated based on the previous year's figures. Data on fuel consumption by company cars which is not available has also been estimated using a similar method

26) Gigajoules

27) Consumption by Cairn Capital Group Limited not monitored (no details available for consumption by the building at which its offices are located)

28) Data on fuel consumption for CMB is unavailable as fuel consumption is paid directly by the employees with no refund

29) Where indirect energy consumption figures are not available estimates have been used: for shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building occupied. For bills still to be received, consumption has been estimated based on the previous year's figures

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Direct and indirect CO ₂ emissions ³⁰		
	Unit	FY 2017-18
Direct emissions (Scope 1)		2,568.41
From non-renewable sources (natural gas, diesel)		1,528.12
From company cars (petrol and diesel)		1,040.29
Indirect emissions (Scope 2)		2,447.38
From electricity and thermal energy		2,447.38
Indirect emissions deriving from company mobility (Scope 3)³¹		3,004.94
Air travel:	Tons CO ₂	2,794.55
<i>Domestic flights</i>		666.87
<i>International flights</i>		2,127.68
Train travel:		191.41
<i>High-speed</i>		161.53
<i>Other types of train travel</i>		29.88
Third-party car services		18.98

The Group has recorded the following emission levels for ozone-depleting substances: 137 kg of R-410A, 1,945 kg of nitrogen oxides, and 558 kg of sulphur oxides.

Energy intensity ³²		
	Unit	FY 2017-18
Direct energy intensity	Kwh/m ²	74.83
Indirect energy intensity		180.67

Emissions intensity ³³		
	Unit	FY 2017-18
Emission intensity (Scope 1)	Tons of CO ₂ /m ²	0.0171
Emission intensity (Scope 2)		0.0163

30) For direct emissions (scope 1), indirect emissions (scope 2) and company cars (scope 3), we have used the emission factors recommended in the "Guidelines on application of GRI (Global Reporting Initiative) environmental indicators in banks" released by the Italian banking association (ABI) and compiled in the Italian Greenhouse Gas Inventory 1990-15 – National Inventory Report 2017 – by ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale). For direct emissions deriving from air and train travel, we have used the emissions factors recommended in the ABI guidelines compiled respectively by the ICAO (International Civil Aviation Organization) and the UIC (Union Internationale des Chemins de Fer) via Ecopassenger

31) For indirect emissions (scope 3), estimates have been used in cases where no data was available for recent months, based on the consumption figures recorded in the months prior to that; consumptions figures for CMB have not been monitored, as the data was not provided by the travel agency used during the reporting period, hence it is impossible to calculate the emissions from them

32) Ratio between energy consumption and the total surface area of the Group's premises (m²)

33) Ratio between emissions and the total surface area of the Group's premises (m²)

7.4 Sourcing and consumption of sustainable products

7.4.1 Water consumption

[GRI 303-1]

The Group, on account of the sector in which it operates, does not consume large amounts of water. At the Group's premises, the main source of water consumption is the use of the toilet facilities. To reduce water consumption, special aerators have been fitted to the taps to regulate the flow of water

Water consumption		
	Unit	FY 2017-18
Water consumed³⁴		467,715
of which from mains	m ³	287,793
of which from wells		179,922

7.4.2 Paper consumption and waste management

[GRI 301-1], [GRI 301-2], [GRI 306-2]

Monitoring of paper and waste is an important issue, in that it allows the Group to intervene with campaigns and initiatives to reduce their consumption by staff members.

The use of paper relates chiefly to the need to print and deliver documentation and/or presentations to the Group's clients and stakeholders. The Group is committed to developing initiatives to reduce the consumption of paper and printing, to the dematerialization of all processes, to raising awareness among staff of the environmental impact of their daily actions, and to promoting virtuous habits. To this end, the Group is committed to sourcing paper from responsibly managed sources³⁵. Toner for printers is another material of which consumption is significant.

To reduce consumption and promote the use of sustainable materials, the Group has promoted a series of initiatives and launched various specific programmes

34) For water consumption, where figures are not available estimates have been used: for shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building occupied. For bills still to be received, consumption has been estimated based on the previous year's figures. Consumption figures for the Mediobanca London office, Cairn Capital Group Limited and Mediobanca SGR have also not been monitored, as no data for the buildings in which they are housed is available

35) E.g. recycled paper or paper which is FSC certified (Forest Stewardship Council) to indicate that the wood has been correctly forested according to rigorous environmental, social and economic standards

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- ◆ The “Follow me” campaign launched for all printers at the various offices, which involves printing via shared printing queue at centralized printers. Every time a staff member wants to print a document, they have to go to the shared printer and enter an access code directly. The campaign has led to a significant reduction in the amount of printing (especially in the number of mistakes or printouts which are forgotten), raising awareness among staff of the issues of sustainability and responsible uses of paper
- ◆ Printers default configured to double-sided printing
- ◆ Use of fax-to-email service, which prevents having to print documents received via traditional fax message
- ◆ Staff have been encouraged to make greater use of virtual PowerPoint presentations and electronic systems during meetings with clients and stakeholders, to reduce the number of printed copies
- ◆ Increased digitalization in commercial activities in retail banking, through paperless statements and pdf information prospectus
- ◆ CheBanca! and Compass have advanced electronic signature service using graphology techniques, which enable customers to sign off instructions and carry out certain investment activities online
- ◆ Use of iPads by the Boards of Directors of Mediobanca S.p.A., MIS, Compass, CheBanca!, Futuro, MB SGR, MBFACTA and MBCredit Solutions to replace paper-based documentation
- ◆ Recycled paper used for some communications with Compass customers; since June 2018 has used certified Ecolabel³⁶ paper for paper-based credit card statements. Water-based ink is also used for inkjet printing systems

36) This brand distinguishes products and services with reduced environmental impact throughout their lifecycle, thus helping to protect the environment by reducing the quantity of waste and pollution, energy and water consumption, and reducing or eliminating the use of dangerous chemical substances

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Paper consumption ³⁷		
	Unit	FY 2017-18
Total paper		352.68
Paper consumed (A4)		292.26
Paper consumed (A3)	Tons	3.77
Paper consumed (A5)		0.29
Paper for commercial uses (business cards and headed paper)		56.36

Paper consumption was up slightly in the year under review compared to FY 2016-17, due to higher usage of paper for commercial purposes.

To optimize toner usage, remote monitoring of printers has been instituted, along with automatic supply management.

The Group is committed to defining a structured system to monitor the waste produced by its activities, which in any case do not generate toxic waste.

During the year under review, the data in respect of waste collected in Italy refers chiefly to toner (the only dangerous waste produced), quantified at approximately 5.5 tons, in line with the figure reported last year.



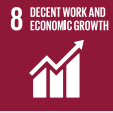





Waste produced		
	Unit	FY 2017-18
Waste produced³⁸		76.79
Dangerous waste		5.44
Toner ³⁹	Tons	5.44
Non-dangerous waste		71.35
Plastic		0.05
Bulky waste, food and general waste		71.30

37) For paper consumption estimates have been used where data for recent months is unavailable, basing the estimates on the consumption figures recorded in the months prior to that

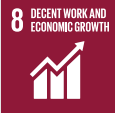
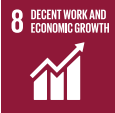







38) Data has not been monitored for CMB

39) For dangerous waste, estimates have been used where data is unavailable. Data for the Mediobanca London, Paris and Madrid branch offices also has not been monitored

OBJECTIVES AND FUTURE COMMITMENTS

SDG	COMPANY	OBJECTIVES AND FUTURE COMMITMENTS	STATUS	FY 2018-19	FY 2019-20
Anti-corruption					
	Mediobanca	Organizational model instituted pursuant to Italian legislative decree 231/01: <ul style="list-style-type: none"> Updated online training course to be run Induction session to BoD on new model 	To be launched	●	
	Mediobanca	Revision of <i>Agents Directive</i>	To be launched	●	
Staff					
	Group Italy	Company welfare system (i.e. provision of non-financial services and instruments) to be developed further for all staff or specific clusters of staff	Already launched	●	●
	Mediobanca	Diversity: implementation of four out of the nine points in the Valore D manifesto, and monitoring of female employment performance indicators	Already launched	●	
	Mediobanca	Online training course on human rights	To be launched	●	●
	Compass	Training campaign on risk of armed robbery in retail banking network	Already launched	●	
	CheBanca!	Healthcare monitoring to be extended to staff working at video terminals following organizational changes which entail an increase in the number of hours spent working at the computer (more than 20 hours per week)	To be launched		
Responsible investing					
	Mediobanca SGR CheBanca!	Mediobanca Social Impact Fund to be distributed via the CheBanca! network through three channels: digital, branches and FAs	To be launched	●	

OBJECTIVES AND FUTURE COMMITMENTS

SDG	COMPANY	OBJECTIVES AND FUTURE COMMITMENTS	STATUS	FY 2018-19	FY 2019-20
Clients					
	CheBanca!	Client base of 860,000 to be exceeded: <ul style="list-style-type: none"> ◆ Net growth of 60,000 clients ◆ 15,000 new investors to be developed 	Already launched	●	
	CheBanca! Compass	Maintain previous years' customer satisfaction index levels (CSI) using similar measurement techniques to enable data comparison	Already launched	●	
	CheBanca!	Client multi-channel model service to be made more efficient via: <ul style="list-style-type: none"> ◆ Enhanced coverage of network by FAs and advisors (more than 80% of total FAs) ◆ Growth in client base and TFAs 	Already launched	●	
	Group Italy	Further work on adaptation to new European GDPR: implementation of technological measures to protect data and comply with the data retention obligations	Already launched	●	
Supply chain					
	Group	Most significant new suppliers (>€100,000) must declare that they reject forced and underage labour, commit not to engage in any form of discrimination, and ensure decent working conditions for all staff members	Already launched	●	
Community					
	Group Italy	Crescere che impresa!, the financial education project for schools in poorer areas. Targets for FY 2018-19 are: <ul style="list-style-type: none"> ◆ 8,700 students ◆ 17,000 families/parents ◆ 220 Junior Achievement volunteers ◆ 370 teachers trained 	Already launched	●	●
Environment					
	Group Italy	100% of electricity to be sourced from certified renewable sources in Italy	Already launched	●	
	Mediobanca	Energy saving: replacement of heating and lighting systems in Foro Buonaparte offices and on third floor of Via Filodrammatici 3 building in Milan	To be launched	●	
	Mediobanca Madrid	Replacement of all light fittings at Madrid branch office with LED lightbulbs	Already launched	●	

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[GRI 102-55]

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102-49	Changes in reporting	p. 7 this is the first Consolidated Non-Financial Statement to be published.
102-50	Reporting period	p. 5
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102-54	Choise of the option "in accordance"	p. 4
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GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

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GRI 417: MARKETING AND LABELLING

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GRI 418: CUSTOMER PRIVACY

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INDEPENDENT AUDITOR'S REPORT

ON THE CONSOLIDATED
NON-FINANCIAL STATEMENT

[GRI 102-3], [GRI 102-56]

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267

To the Board of Directors of Mediobanca SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Mediobanca SpA and its subsidiaries (hereafter the "Group") for the year ended 30 June 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 20 September 2018 (hereafter the "NFS").

Responsibility of Management and Those Charged with Governance for the NFS

Management is responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards", defined in 2016 by the GRI - Global Reporting Initiative (hereafter the "GRI Standards"), identified by them as the reporting standard.

Management is responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Management is responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Management is responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*"), and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;

- policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
- main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
In particular, we held meetings and interviews with the management of Mediobanca SpA and with the personnel of Compass Banca SpA, CheBanca! SpA, Compagnie Monégasque de Banque SAM and SelmaBipiemme Leasing SpA we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a Group level and Mediobanca SpA,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for the following companies, Mediobanca SpA, Compass Banca SpA, CheBanca! SpA, Compagnie Monégasque de Banque SAM and SelmaBipiemme Leasing SpA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Mediobanca Group as of 30 June 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.



Other aspects

With reference to the data for the year ended 30 June 2017, as required by the Legislative Decree No. 254 of 30 December 2016, at the time of the first application of the law, the Group has only presented a summary and qualitative comparison.

Milan, 1 October 2018

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers.

CONTACT DETAILS

[GRI 102-3], [GRI 102-53]

Group Sustainability

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