

MEDIOLANUM GROUP SUSTAINABILITY REPORT 2015



"Our bank is different from the others because we focus on human relationships: We have always been a bank made of people and for people."

Ennio Doris



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Introduction



Letter from the CEO to Stakeholders

The 2015 Sustainability Report of Mediolanum Group provides a very positive picture of our sustainability performance in the *economic, social and environmental spheres*.

Prepared for the first time in accordance with the international *Sustainability Reporting Guidelines* of the *Global Reporting Initiative*, this year's *Sustainability Report* has a completely new look with respect to previous years. Changes concern, in particular, reporting on value creation and stakeholder engagement, two aspects that shape the bank's business and enable it to improve its range of products and services.

It should be noted that as of 30 December 2015, as a result of a reverse merger, Banca Mediolanum has become the parent company of both Mediolanum Banking Group and Mediolanum Group, the related financial conglomerate with a focus on banking.

In terms of economic performance, Mediolanum Group closed the year 2015 posting a net profit of €439 million, up 37% on the previous year.

Assets under management and administration totalled over €70 billion, an increase of 10% compared to 2014. At the same time, the *Common Equity Tier I ratio* rose from 18.43% at the beginning of the year to 19.66% at 31 December 2015, making the Group one of the most solid credit institutions in Italy and reflecting its overriding commitment to responsible bank management, a commitment it assures its stakeholders through sound business decisions.

The year 2015 was also remarkable for the launch of the new Banca Mediolanum's logo. Designed to reinforce our corporate identity, the logo employs a circle to symbolise the importance of human relationships in a world that is increasingly more interconnected, social and united in solidarity. The rebranding initiative encompassed all marketing communications of the Group and its companies, including Family Banker® offices across the country, which are progressively adopting the new logo.

In line with our commitment to economic sustainability, 2015 saw the launch of the new *Mediolanum Best Brand Socially Responsible Collection*, a fund of funds selected according to criteria designed to integrate social and environmental issues into economic performance.

Developing the skills and knowledge of people in the Group is fundamental in offering a service that embodies the corporate culture embraced by Mediolanum. That belief translates into numerous training initiatives, which saw a total of 694,387 hours of training delivered in the year. The *Centodieci* project also continued, launched by Banca Mediolanum's training arm and designed to offer managers, entrepreneurs and students the resources and tools to innovate in business and spread the values endorsed by Banca Mediolanum so that they can be acquired and be of benefit to all in nurturing knowledge.

From a social point of view, and in keeping with its focus on people, the Group is committed to acting responsibly towards all its stakeholders. In confirmation of its sensibility towards the hardships faced by Customers and employees, this year Banca Mediolanum earmarked a total of €1.75 million for Customers and Family Bankers® affected by natural disasters in various regions across Italy. Many other facilitations were also granted, such as, for example, the possibility of suspending mortgage and loan repayments for 12 months, access to preferential credit facilities, a 1% reduction in the existing interest rate spread on mortgages and loans for 24 months and the cancellation of all current account and time deposit fees for 24 months. Our commitment to assisting the needy can also be seen in the initiatives pursued by the *Mediolanum Foundation NPO*, which in 2015 earmarked over €830,000 for projects aimed at helping children living in poverty.

Fundamental importance is also placed on our relationship with suppliers, who represent key stakeholders in the value chain. Thanks to a serious supplier screening policy and a strong code of conduct, the best conditions are created for the effective use of resources and the skills of all those who work with the Group, thereby establishing stable, ongoing and transparent relationships with suppliers and contractors.

Last, but certainly not least, the Group's pledge to environmental sustainability translates into a series of concrete initiatives designed to minimise the consumption and waste of resources and incentivise the adoption of environmentally-friendly behaviours. One example of the focus the Group places on energy efficiency is the tri-generation system installed at the *Milano Tre headquarters*, which fully covers all the site's heating needs, while generating 49% of its total electricity needs.

The goal of Mediolanum Group is to build relationships based on freedom, commitment, relationship and innovation. These are the values that underpin a Group that ever since its beginnings has always been a responsible corporate citizen and which places the focus on people, in the conviction that it is a fundamental condition for sustainable growth in the long term.

A handwritten signature in black ink, appearing to read 'Massimo Doris', with a stylized flourish at the end.

Massimo Doris

Chief Executive Officer
of Banca Mediolanum S.p.A.

Note on methodology

The 2015 Sustainability Report is the tenth report of Mediolanum Group¹ (hereinafter also referred to as “the Group”). For the first time, this year’s report has been prepared in accordance with the “G4 Sustainability Reporting Guidelines” (Core option) and the “Financial Services Sector Disclosures”, both issued in 2013 by GRI – Global Reporting Initiative. The adoption of the *GRI Guidelines for the Sustainability Report* bears witness to the Group’s commitment to the continuous improvement of the reporting process, making it more complete and effective by broadening the scope and depth of the issues addressed and producing a report that is comparable to those of other companies in the sector.

The *GRI G4 Sustainability Reporting Guidelines* require disclosures on all aspects deemed material, meaning that they can have a significant impact on the organisation from an economic, environmental and social point of view and can substantively influence the assessments and decisions of stakeholders. As such, the analysis of materiality is fundamental to reporting, permitting the identification of the material aspects on which disclosures have been made in this report.

The *Annexes* are also an integral part of the Sustainability Report, containing detailed, primarily quantitative, information providing complete disclosure of all material aspects for GRI purposes and the indicators associated with them. The Sustainability Report is published on an annual basis. It represents a key vehicle for announcing the economic, social and environmental performance of the Group and presenting the Group’s commitment and track record in conducting its business with a view to creating value not only for the company but for all its stakeholders.

The process of gathering data and information for the purposes of this Sustainability Report was a collaborative effort involving all the various company departments. The process is managed with a view to providing the precise disclosure of information considered significant for stakeholders,

¹ Mediolanum Group collectively includes the company Banca Mediolanum S.p.A. and its subsidiaries, as identified in accordance with article 2359 of the Civil Code and article 93 of the Consolidated Law on Finance and resulting from the recent merger.

according to the principles of balance, comparability, accuracy, timeliness, clarity and reliability identified by the *GRI Guidelines*.

The scope of reporting for the data and information disclosed in this report covers all companies belonging to Mediolanum Group at 31 December 2015 and consolidated on a line-by-line basis in the Annual Financial Report at 31 December 2015, available on the website <http://www.bancamediolanum.it/corporate-governance/annual-general-meeting> under “Annual General Meeting documents”. Data referring to previous years are reported for comparative purposes only, with a view to enabling an appraisal of the Group’s performance over time. As concerns the quantitative information disclosed in the report, indication is given in the various chapters of where estimates have been used.

As regards balance-sheet and income data used for calculating value added, the scope of consolidation coincides with that of *the 2015 Consolidated Financial Statements of Mediolanum Group*, whereas information on personnel refers to consolidated companies operating in Italy. The scope of environmental data is limited to the headquarters of the Group, located in *Basiglio-Milano Tre* (Italy). Any further limitations on scope are duly indicated in the report.

The 2015 Sustainability Report has been audited by Deloitte & Touche S.p.A.. Its Independent Auditor’s Report, annexed to this report, was prepared in accordance with the criteria set forth in the “*International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information*” (“ISAE 3000”).

This report is not promotional in its purpose and should not be construed in any way as a form of investment advice or suggestion. For information on the products and services offered and/or distributed by Banca Mediolanum, see the website www.bancamediolanum.it or contact a Family Banker®.

Contacts

The Sustainability Report of Mediolanum Group was prepared by the Corporate Social Responsibility Department, in concert with all the organisational units involved in the initiative.

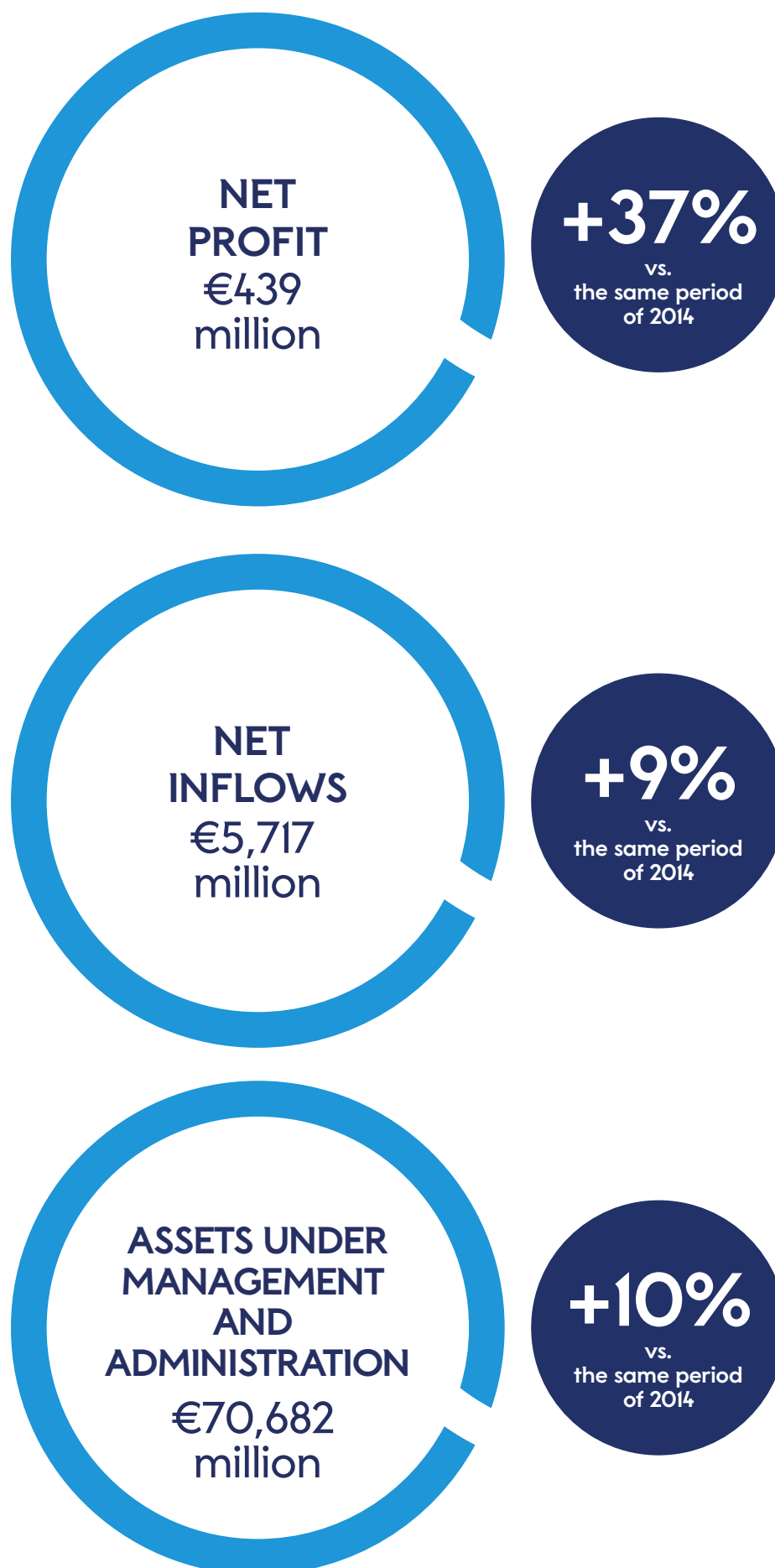
With a view to encouraging dialogue on sustainability issues, the department readily accepts remarks and requests addressed to csr@mediolanum.it

An online questionnaire is also available on the website www.bancamediolanum.it through which opinions on the Sustainability Report can be submitted.

1. Profile

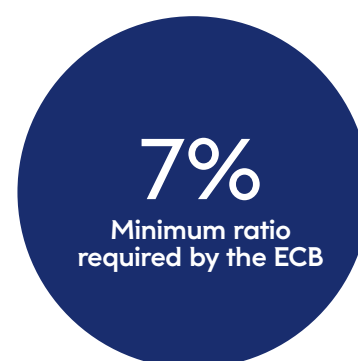
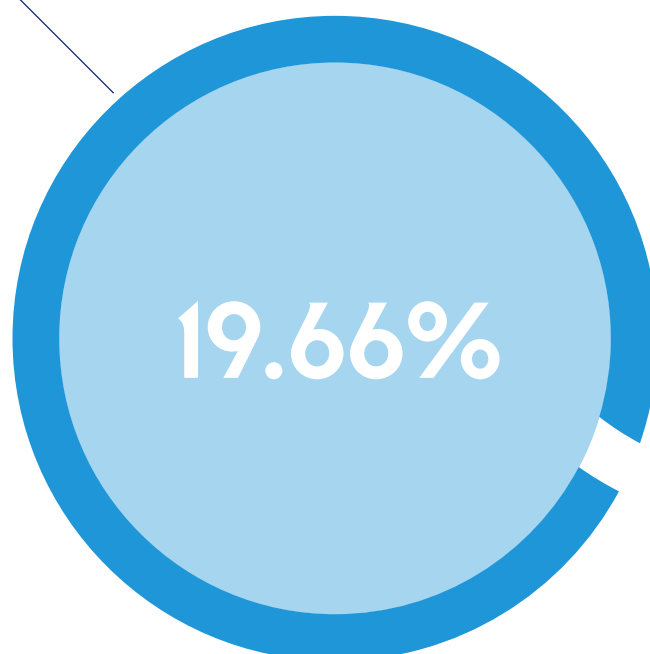


1.1 Highlights

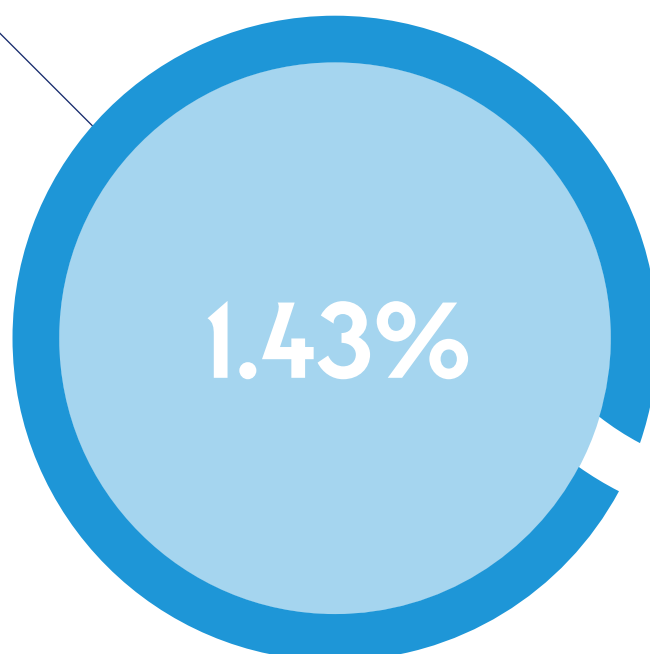


SOLIDITY

Common Equity Tier 1
Banca Mediolanum's CET
1 ratio: one of the highest
solvency ratios



**Ratio
of non-performing
loans to total loans**





Total workforce

7,780 ▶ +1%*

Total customers in Italy

1,127,828 ▶ +4%*

Total training hours in Italy

694,387 ▶ +27%*

* vs. the same period of 2014



In 2015, Banca Mediolanum donated

€ 1,398,650

in funding

From 2008 to 2015,
Banca Mediolanum donated over

€ 209 million

Donations for customers
and Family Bankers® affected
by floods and earthquakes in Italy

€ 567,700

Energy consumption,
Basiglio–Milano Tre headquarters

49 %

of electricity needs was provided
by the tri-generation plant

In 2015 the Mediolanum
Foundation NPO provided

€ 830,950

in funding for

24

projects for children
living in poverty

From 2005 to 2015,
the Mediolanum Foundation NPO
provided over

€ 8.4 million



Awards 2015

Once again in 2015, Banca Mediolanum pursued its overriding values of **freedom, relationship, innovation and commitment** through concrete, measurable actions that earned it awards and acknowledgements across the country.



AWARD: "MEDIASTARS"

Subject: Award for Banca Mediolanum's new home banking website, created to best serve the needs of our Customers, allowing them to see all the information on their products at a glance. Transactions can also be identified individually using tags and Customers can contact their Family Banker® in a click.

Description: Home Banking

Value: Freedom



AWARD: "MF INNOVATION AWARD 2015"

Subject: *Best Company Award* for the simplification and transparency of Customer relations, achieved through the promotion of innovative products by the *Sales Network* in a clear and easy-to-understand way.

Description: *LOMBARD Insurance & Previdenza Elite Award*

Value: Relationship



AWARD: "HR INNOVATION AWARD 2015 - POLITECNICO"

Subject: Award for the new design of systems supporting training, recruitment and the organisation of in-house training events and marketing events for Customers, enabling greater effectiveness and efficiency in the training and development process.

Description: Training and Development

Value: Relationship



AWARD: "LE FONTI"

Subject: Award for the widespread reach of the network and number of record-breaking financial advisors² with deposits up by over 50% yoy in the first quarter of 2015, and for the capacity to provide personalised solutions to Customers.

Description: *Financial Advisor Network of the Year*

Value: Relationship

² Financial advisors are Chartered Financial Advisors authorised to conduct door-to-door selling (hereinafter also referred to as Financial Advisors or Family Bankers®).



AWARD: "ABI AWARD FOR INNOVATION IN BANKING SERVICES"

Subject: Award for "Mediolanum Wallet", the Banca Mediolanum's app that uses Near Field Communication (NFC) technology to enable easy and fast payments by smartphone.

Description: "Mediolanum Wallet"

Value: Innovation



AWARD: "LE FONTI"

Subject: Asset Management Company of the Year, awarded thanks to Mediolanum Flessibile Italia LA, the fund rated 5-stars by CFS Rating for its three-year performance and risk/return ratio.

Description: Asset Management Company of the Year

Value: Commitment



AWARD: "MF INNOVATION AWARD 2015"

Subject: For the second consecutive year, Banca Mediolanum won the award for its innovative personal prepaid card, designed to help manage expenses.

Description: "Freedom Easy Card"

Category: Payment Cards

Value: Innovation



AWARD: "MF INNOVATION AWARD 2015"

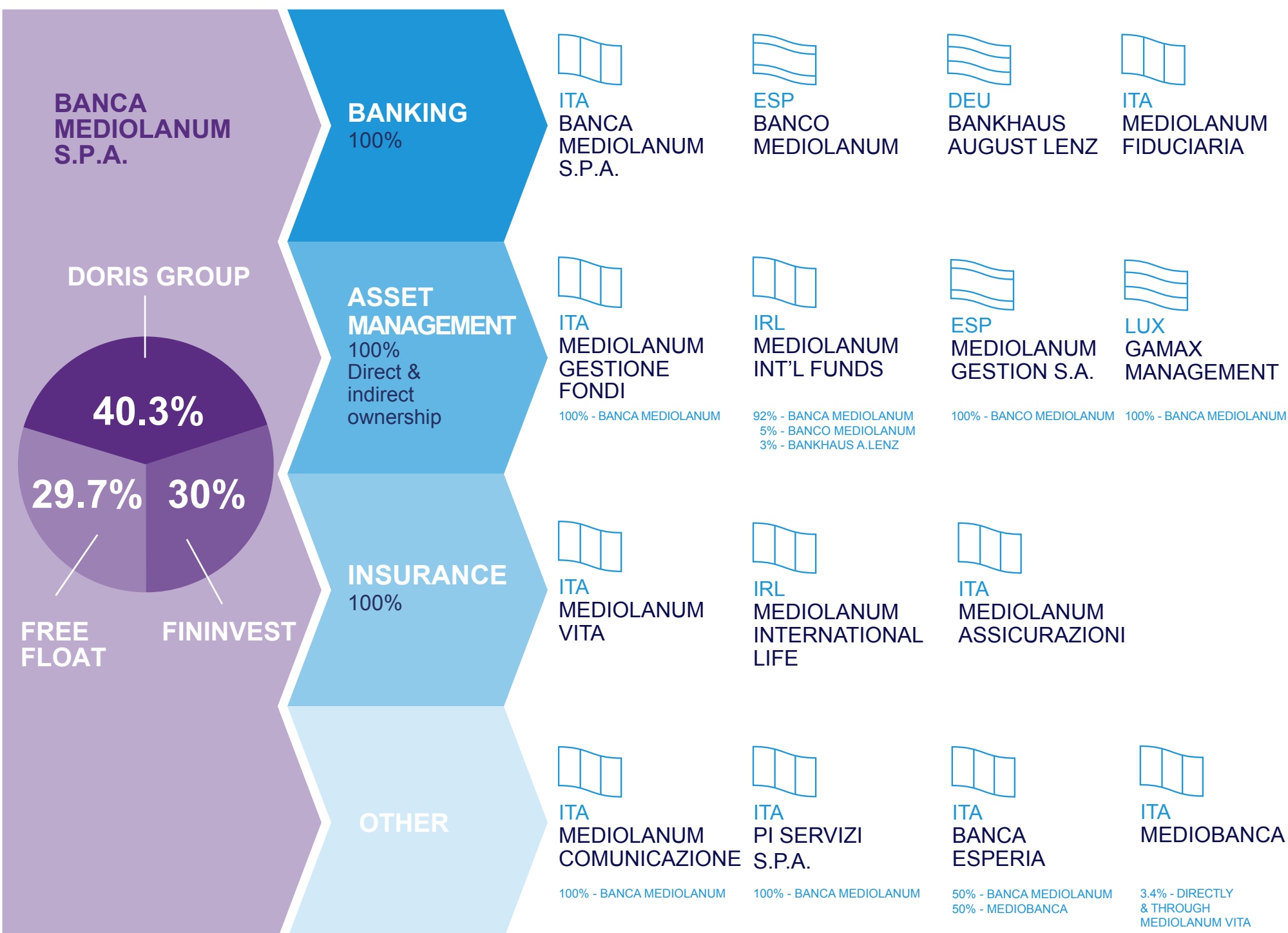
Subject: Award for the Mediolanum Assicurazioni S.p.A. insurance policy designed to insure people against events affecting their health and physical well-being.

Description: "Mediolanum Premium Care & Protection"

Category: Injury & Health

Value: Commitment

1.2 Structure of the Group



The chart shows the breakdown of the share capital by ownership and the organizational structure by the business lines of Mediolanum Group.

1.3 History of the Group, key stages

1982

In partnership with the Fininvest Group, Ennio Doris founded *Programma Italia S.p.A.*, the first organisation to provide all-round financial advisory services in Italy.

1996

Mediolanum S.p.A., the new holding company of the various subsidiaries, was listed on the *Italian Stock Exchange* in Milan on 3 June 1996.

1997

Banca Mediolanum was founded, an innovative multi-channel bank building on the full potential of new technology and multimedia. Mediolanum International Funds, a product “factory”, was established in Dublin.

2000

Banca Mediolanum launched its online trading services. Banca Mediolanum expanded into Spain through the acquisition of Fibanc Banking Group. Mediolanum acquired a stake in Mediobanca; together, they later formed the joint-venture Banca Esperia, which provides private banking services.

2001

The Group continued its expansion through the acquisition of Bankhaus August Lenz & Co. in Germany and Gamax Holding AG in Luxembourg.

2004

Mediolanum Channel, the Group’s satellite channel, began broadcasting. *Club PrimaFila* was launched, dedicated to high-net-worth Customers.

2006

The Global Consultant was developed and replaced with the new figure of the Family Banker®. In addition to being a Financial Advisor, subject to regulation by law, the Family Banker® is a distinctive representative of the bank's *Sales Network* and person of reference for Customers.

2009

Mediolanum Corporate University was launched, a leading training centre combining cutting-edge technology with advanced training content.

2013

Mediolanum Group acquired Mediolanum Assicurazioni S.p.A., active in the non-life insurance sector. Banca Mediolanum became the first bank to offer a money transfer service via smartphone (*ABI Award for Innovation in Banking Services*).

2014

Mediolanum S.p.A. became the banking group's parent company. Support continued for Customers affected by natural disasters across the country - a commitment recognised by the *ABI Award for Banking Innovation* - with approximately €160 million in funds donated.

2015

As of 30 December 2015, Banca Mediolanum became parent company of Mediolanum Group.

The circle representing the central focus placed on Customers and the values of solidity, seriousness and safety was adopted for the new logo of Banca Mediolanum, acquiring greater value as a symbol.

With a view to expanding its range of asset management products and incorporating economic sustainability into the investment approach, the new Mediolanum *Best Brands Socially Responsible Collection* was launched.

The Group's regulatory capital ratios were confirmed to be well above the minimum levels required by the *European Central Bank* and the *Bank of Italy*, thanks to a *Common Equity Tier I ratio* of 19.66% as at 31 December 2015.

2. Corporate identity and responsible business



2.1 Vision, Mission, Our Values

Vision

We at Mediolanum are bringing change to the traditional banking market that goes well beyond technology: we offer families a new kind of freedom and a more personal relationship with the bank.

We are committed to “Freedom in Banking”.

Mission

For each and every one of us, “Freedom in Banking” means offering families tailored, comprehensive, reassuring and transparent financial solutions through innovative yet easy-to-use technological solutions.

The concepts contained in our vision and mission are real values underlying all daily internal and external operations carried out by every Group company and by all personnel.

Our Values

FREEDOM

THIS IS THE CORE VALUE ON WHICH MEDIOLANUM IS BUILT: THE FREEDOM FOR CUSTOMERS TO BANK WHEREVER, WHENEVER AND HOWEVER THEY WANT.

Above all, it is the freedom that comes with knowing a Family Banker® is always on hand to help manage their savings and interests. Mediolanum's aim has always been to change the very concept of banking by building a closer and more personal relationship with its Customers.

RELATIONSHIP

OUR FOCUS IS ON OUR CUSTOMERS, WHO ARE AT THE CENTRE OF OUR BANKING MODEL.

Our approach is built around Customer satisfaction and increasing the value of their resources over time. For our Customers and for the community, the Family Banker® is the Bank, the core of our business model and a market benchmark. We believe in developing people and in enhancing their potential; we believe in collaboration, teamwork and in building relationships based on mutual trust.

COMMITMENT

WE WANT TO BE MARKET LEADERS BUT, ABOVE ALL, WE WANT TO SET THE STANDARD.

This means pursuing excellence in terms of services, products, solutions, training and relationships. We foster ethical principles, a sense of responsibility, an entrepreneurial spirit and the expertise to increase the value of the company and its people and promote a new approach to opportunities. We invest in solidarity, relief and development projects through substantial, concrete assistance.

INNOVATION

WE HAVE THE CAPACITY TO CHANGE, IN TERMS OF TECHNOLOGY AND IDEAS, IN ORDER TO ANTICIPATE MARKET SHIFTS AND FUTURE NEEDS.

We are continually assessing and developing new tools, processes and behaviour to ensure complete Customer satisfaction for both internal and external Customers. The use of financial, operational, and human resources is always focused on efficiency.

Rules of Conduct

The *Code of Ethics* and Code of Conduct express the rules adopted by the Group.



CODE OF ETHICS

Since 2002, Group companies have adopted a *Code of Ethics*, i.e. a set of internal rules aimed at mitigating operational and reputational risk as well as promoting a widespread culture of internal control. The Code also plays a role in the prevention of crimes covered by Legislative Decree 231/2001, as it contains a series of corporate ethics principles recommending, promoting or forbidding specific behaviour, regardless of regulatory provisions. The *Code of Ethics* is the result of active consultation and participation by the various stakeholders. Updated in September 2013, it is aimed at disseminating ethical values that reflect the Company's principles, as well as providing a concrete response to its stakeholders: employees, suppliers, Customers, partners, local communities and institutions, indicating specific commitments in their regard in terms of the principles of conduct and control. The Group's stakeholders, however, are also requested to respect such values, creating a reciprocal relationship. The Code is divided into two sections. The first focuses on the values of *freedom, excellence, respect, transparency, integrity and fairness*, while the second identifies rules of conduct representing specific and mandatory commitments for every employee, helping to build a business culture consistent with our underlying values.

The approach is designed to underscore the key values underpinning the

business of Banca Mediolanum S.p.A. and Group companies, as well as the rules through which our values are put into practice on a daily basis. These key ethical values reflect the entrepreneurial spirit that has always been central to the Group: *"To believe success is possible while at the same time helping people"*.

The principles of conduct and control concern:



Business relationship
management



The conduct
of employees and
contract workers



Socially responsible
activities



Occupational
safety



Environmental
protection



The role of the
internal control system

There are also rules on:

- › implementing and promoting the Code;
- › dealing with reports of alleged violations;
- › imposing sanctions for proven violations.

The Code was drafted by a working group made up of representatives from all departments overseeing the principles of conduct and control imposed by the Code. In 2013 an independent Ethics Committee was appointed at the parent company of Mediolanum Group, tasked with promoting and updating the Code. Since its establishment, the committee's members have included the heads of corporate departments that play a key role in the internal control system as a whole. Those departments include:

- › Internal Auditing;
- › Compliance;
- › Risk Management;
- › *Sales Network* Inspectorate;
- › Human Resources;
- › *Sales Network*.

Reports of alleged violations of the principles contained in the *Group Code of Ethics* can be addressed by e-mail to codiceetico@mediolanum.it, or otherwise to the company's e-mail address, to the attention of the Ethics Committee.

The updated *Code of Ethics* of Banca Mediolanum, approved by the company's *Board of Directors* in September 2013, is available on the website www.bancamediolanum.it.

CODE OF CONDUCT

The *Code of Conduct* of Banca Mediolanum S.p.A. (updated in 2012) and the *Code of Conduct* of Mediolanum Gestione Fondi S.G.R.p.A. (updated in 2014) set forth more detailed rules which all Group employees are required to follow in the ordinary performance of their tasks and duties.

The key regulations are set out below:

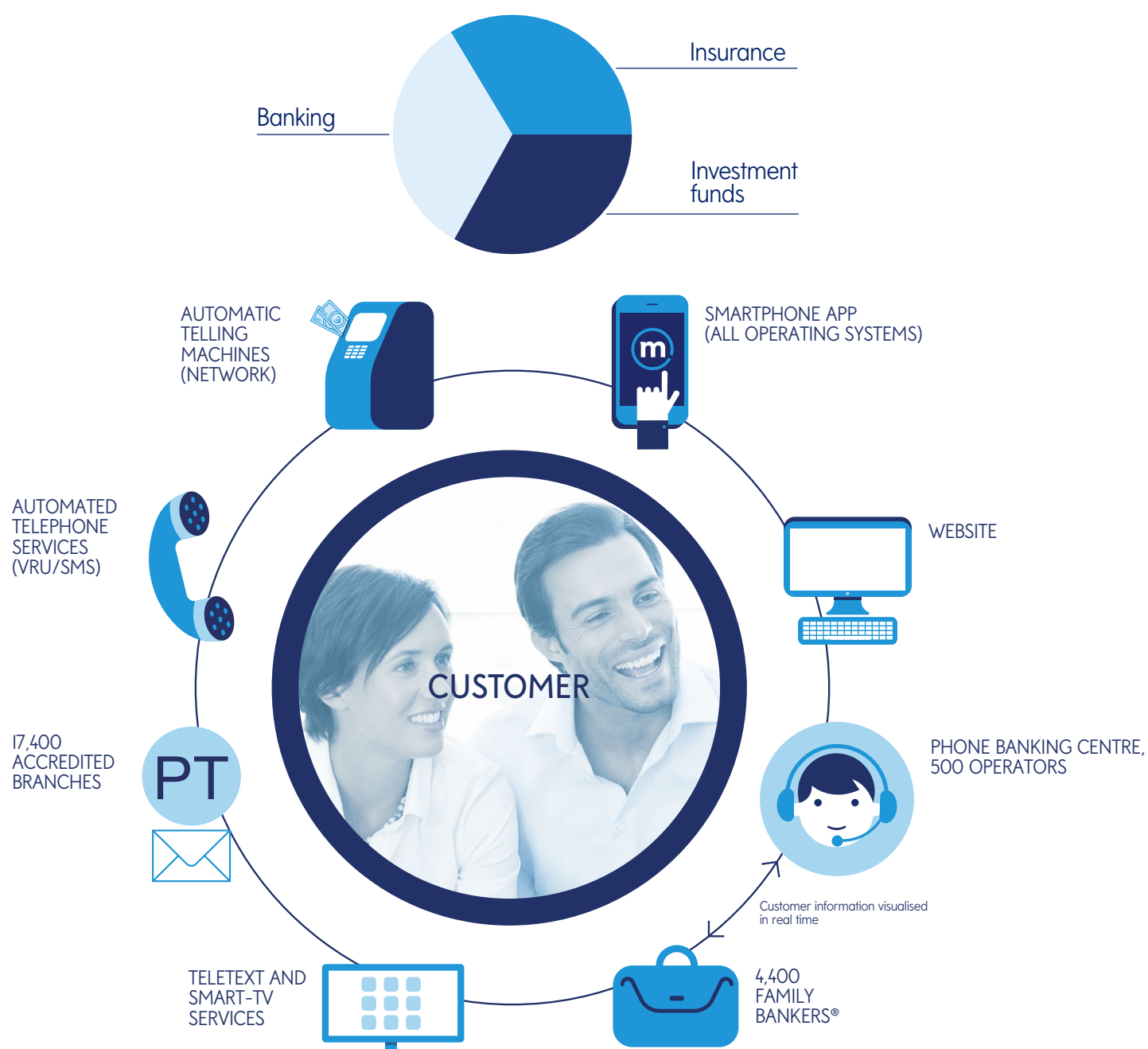
- 1) Confidential or insider information, whether verbal or electronic, shall not be disclosed;
- 2) Confidential or insider information received from third parties, or by virtue of a position held, shall not be used for personal dealings, including via third parties;
- 3) Speculative investments are prohibited during working hours. Intraday trading is prohibited, i.e. the purchase and sale of the same share on the same day;
- 4) Personal dealings - including in the name or on behalf of third parties - in trading derivatives, other derivatives (futures, options, swaps), short selling, as well as dealings with a frequency that suggests speculative purposes other than those associated with normal investment transactions, are prohibited during working hours;
- 5) Any activity or transaction in which Group employees may have significant personal interests or interests which may be in conflict with those of the company, of existing/Prospective Customers and/or managed assets, shall be fully disclosed;
- 6) Any gift that, due to its nature or value, may potentially lead to behaviour in conflict with the interests of investors or the company, may not be accepted.

2.2 The Banca Mediolanum Business Model

Banca Mediolanum's business model is built around the extrinsic and intrinsic needs of each and every Customer. Thanks to the many different banking channels that the company provides, Customers are free to choose how and when to bank at their convenience. Banca Mediolanum is an accessible and user-friendly bank that offers products and services built around the real needs of individuals and households, which are its target market.

THE BANK BUILT AROUND THE CUSTOMER

Integrated Business Model - Banca Mediolanum



Banca Mediolanum's business strategy has always been driven by principles built on:

- › tradition, the result of the Group's many years of experience and professionalism as a leading, dependable and transparent financial sector operator;
- › the future, to anticipate market needs and make use of innovation, thus improving the services offered to Customers;
- › technology, to offer Customers a broader range of instruments and operating methods, through an innovative service offering;
- › humanity, the main, essential sentiment underpinning all true relationships between individuals and the foundation for building employment relationships of respect, enabling common goals to be achieved with success through careful and aware decision-making.

Through its multiple channels, Banca Mediolanum provides a comprehensive service that offers:

- › greater freedom of access for daily transactions, ensuring simplicity and security;
- › assistance of a Family Banker®, whose role is to build professional relationships with Customers and guide households in their investment and asset management choices.

The Family Banker® is the professional that best represents the financial advisors of Banca Mediolanum. Registered at European level, the trademark covers both the name and figure (trademark reg. 5069331), and is the distinctive sign of the bank's *Sales Network*. The person of reference for Customers and their households, Family Bankers® take the bank into the homes of Customers, where, together, solutions are explored to best meet the Customer's savings, investment, retirement, insurance and financial needs, helping out, if necessary, in learning to use the Bank's multiple channels.

Asset management and advice

In addition to the products and services it offers, Banca Mediolanum provides Customers with asset management and investment advice through its Family Bankers®, all of whom are *Chartered Financial Advisors*.

PROFILING

To ensure maximum Customer protection, Banca Mediolanum provides investment advisory services to its Customers whenever a transaction is made through a Family Banker®.

In line with the *Markets in Financial Instruments Directive* (MiFID), in force since 2007, advisory services require prior assessment of the suitability of Customers' investment choices with respect to their investment objectives, particular financial situation, knowledge and experience. This assessment entails the completion of a mandatory *Personal Profile* questionnaire, where Customers provide information to enable Banca Mediolanum and the Family Banker® to get to know and understand them better. Based on the information provided, Customers are assigned an "*investor profile*" according to their risk propensity and investment time horizon.

Specifically, the investment assessment model also takes into account the Customer's existing portfolio of financial products and instruments. Family Bankers® continually update the information acquired and monitor their Customers' investments, providing regular advice.

To provide the utmost protection, the Bank also assesses those transactions involving Group asset management products ordered independently by the Customer through direct channels (e.g. the Internet and telephone).

ASSISTANCE AND ADVICE

Providing after-sale services means not only proposing the best investment solutions, but also helping Customers to act rationally during market volatility, particularly in recent years given stock market performance and the global financial crisis. Family Bankers® do not merely sell products; rather they offer solutions.

This allows Mediolanum to operate in the various financial service sectors with the expertise and flexibility needed to best respond to ongoing economic, tax, financial and regulatory changes. The investment strategy is the result of a thorough analysis of global financial markets and Mediolanum's significant expertise in asset management. The aim is to reduce the risks associated with a lack of investment diversification.

2.3 Stakeholder engagement

Banca Mediolanum firmly believes in the importance of stakeholder engagement for its growth. Stakeholders are engaged constantly in all facets of its business, with a view to building consensus and trust. As such, the mapping of Banca Mediolanum's stakeholders and the establishment of constant dialogue with each group are activities of strategic importance in the creation of sustainable value over time.

Banca Mediolanum's Stakeholder Map



Banca Mediolanum actively engages its stakeholders through initiatives designed to gauge their expectations and level of satisfaction, with a view to developing projects and actions for improvement.

Key channels and company departments through which Banca Mediolanum engages its stakeholders.

STAKEHOLDER GROUP	ENGAGEMENT CHANNELS	COMPANY DEPARTMENTS INVOLVED
 CUSTOMERS	- Customer satisfaction assessment - Quarterly Customer experience survey - Issue-specific Customer experience surveys - Brand reputation survey - Local events - Social networks	- Sales Department - Marketing, Communications & Innovation Department - Banking Operations Department
 EMPLOYEES	- Intranet portal - Employee opinion surveys - Periodic meetings - In-house social network	- Chief Administrative Officer - Human Resources Department
 INVESTORS & THE FINANCIAL COMMUNITY	- Investor Relations activities - Regular meetings - Telephone contacts - Road shows	- Chief Administrative Officer - Chief Financial Officer
 COMMUNITY	- Media relations - Periodic Customer satisfaction surveys - Brand reputation survey - Brand equity survey - Marketing communications effectiveness survey - Encounters and events in local venues and HQ - Activities sponsored by the Mediolanum Foundation NPO - Social networks	- Marketing, Communications & Innovation Department - Sales Department

2. CORPORATE IDENTITY AND RESPONSIBLE BUSINESS / 2.3 STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	ENGAGEMENT CHANNELS	COMPANY DEPARTMENTS INVOLVED
 FAMILY BANKER® NETWORK	Regular meetings Periodic Customer satisfaction and brand reputation surveys targeted at Family Bankers® Experience surveys for specific Family Banker® channels <i>B.MedNet</i> <i>Corporate TV channel</i>	<i>Sales Department</i> <i>Marketing, Communications & Innovation Department</i> <i>Banking Operations Department</i>
 MEDIA	Press conferences Press releases Regular meetings Opening of institutional events to the media Advertorials Publications Telephone contact Social networks	<i>Marketing, Communications & Innovation Department</i>
 TRADE ASSOCIATIONS	Institutional encounters	<i>Institutional Relations Department</i>
 INSTITUTIONS & REGULATORY AUTHORITIES	Regular meetings	<i>Legal & Compliance Department</i> <i>Institutional Relations Department</i>
 SUPPLIERS	Regular meetings Telephone contact Web portal	<i>Chief Administrative Officer</i> <i>Purchasing & Corporate Services Department</i>

KEY STAKEHOLDER ENGAGEMENT ACTIVITIES

In 2015 Banca Mediolanum gave concrete expression to its commitment to engaging its stakeholders through a number of engagement initiatives, which provided the input to improve its range of products and services. Below is a description of the leading initiatives developed over the year.

CUSTOMERS

Customers are the central focus of the mission and business model adopted by Banca Mediolanum. The company's goal is to forge long-term relationships with its Customers built on trust, guiding them in the management of their assets and offering banking and insurance products and services that best meet their needs.

STATISTICAL SURVEYS

In 2015, working in partnership with DOXA, Banca Mediolanum carried out its usual Customer satisfaction survey to assess the level of satisfaction of its Customers.

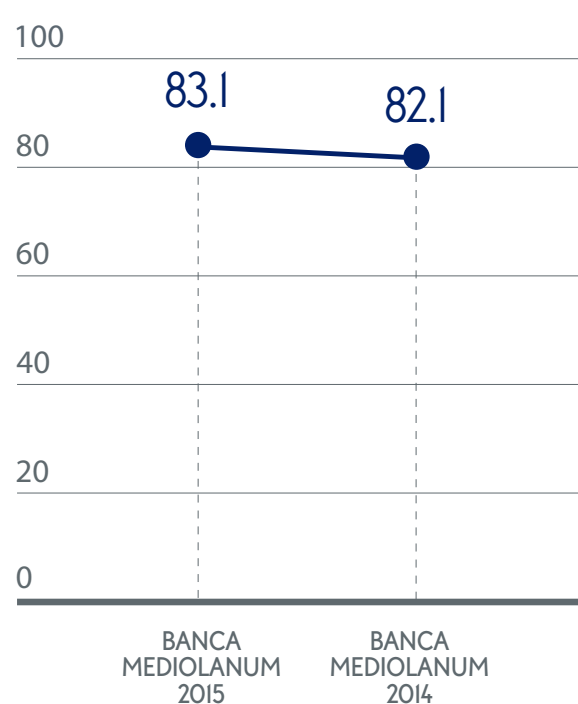
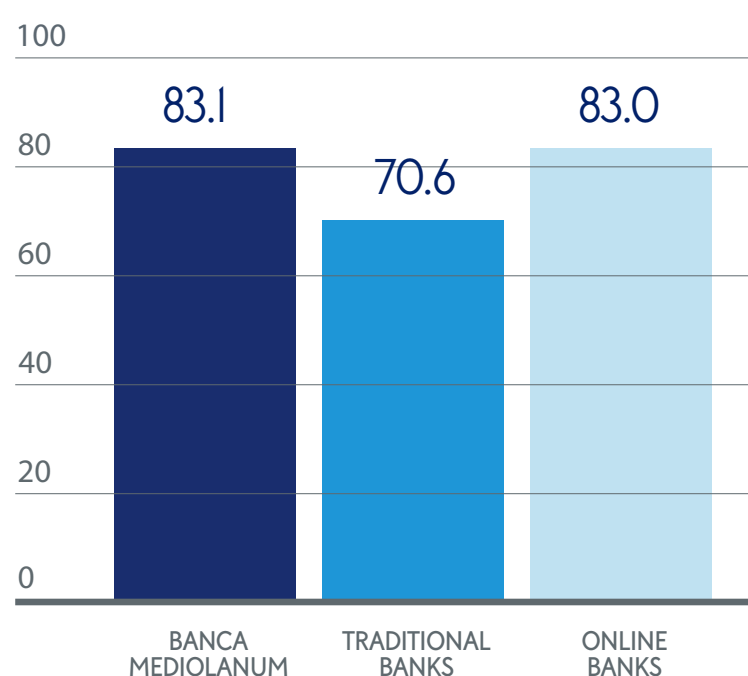
While in 2013 and 2014, two half-yearly surveys were conducted, in 2015 the Customer satisfaction survey became an annual initiative as a systematic quarterly Customer experience programme was introduced, raising the total number of Customers interviewed from 4,500 in 2014 to over 9,000. The programme involves two types of interviews: computer-assisted web interviewing (CAWI) and computer-assisted telephone interviewing (CATI). The survey results are presented in summary format to senior management and in a more detailed format to individual company departments. Where necessary, more in-depth follow-ups are conducted to identify more clearly areas for improvement and assist in the planning of relative improvement actions.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Customer Satisfaction Index	83.1	70.6	83.0
Overall satisfaction	82.8	71.7	84.2
Overall satisfaction vs. expectations	81.3	69.1	80.8
Overall satisfaction vs. other banks	85.9	70.6	84.2

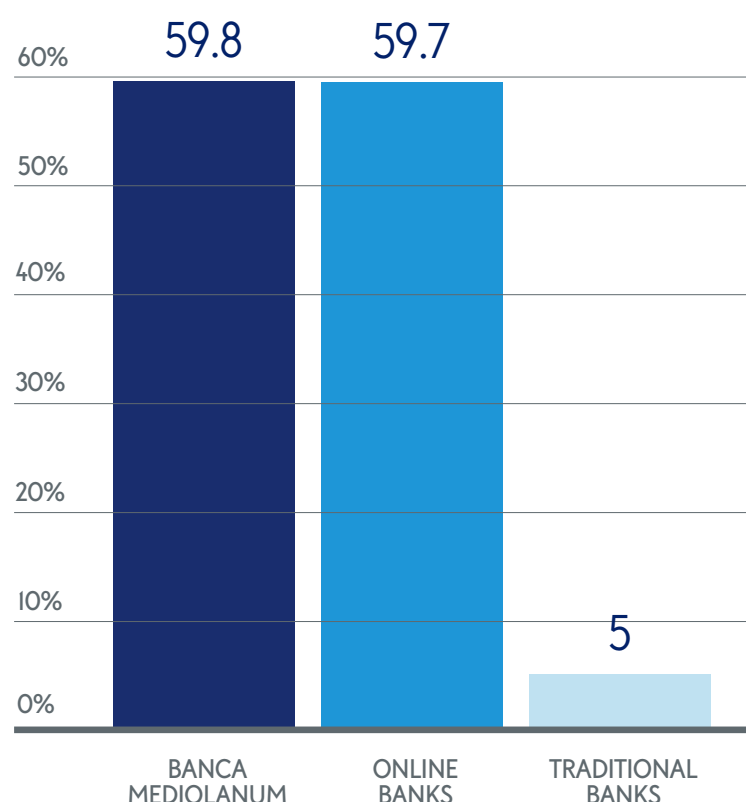
Source: Doxa survey, 2015

The survey findings show that Customer satisfaction with Banca Mediolanum, as expressed by the Customer satisfaction index, increased compared with 2014, when the index measured 82.1 points, higher than for traditional banks, and in line with online banks.

Customer Satisfaction Index - 2015



Net Promoter Score - 2015



An indicator of the positive relationship between Customers and the bank is given by the *Net Promoter Score* (NPS), which measures the willingness of Customers to act as brand ambassadors. Banca Mediolanum's NPS has grown from strength to strength, rising from 56.2% in 2014 to 59.8% in 2015, and performing well above the average for its competitors in the traditional bank segment (5%), while remaining comparable with the average for online banks (59.7%).

MEDIOLANUM PERSONAL MARKETING

Mediolanum Personal Marketing (MPM) is an automated marketing interface that enables the *Sales Network* to send marketing communications to both existing and Prospective Customers. In 2015 the system registered a considerable increase in support activities for Banca Mediolanum S.p.A. financial advisors, confirming yet again the effectiveness of this tool in acquiring new Customers and retaining existing Customers.

The 2015 figures were as follows:

- > 123 campaigns in total;
- > 109 campaigns targeted at Customers, of which 39% were rolled out

with the assistance of Family Bankers®;

- > 14 messages on average per Customer;
- > 1,004,000 Customers received an MPM message;
- > 14,500,000 messages sent in total.

Given the results of 2014, in the first half of 2015, marketing communications focused on the objective of consolidating Customer relationships. For this reason, the total number of marketing messages and newsletters sent to Customers in the first half of the year was higher than the total number for all of 2014. An average of nine messages were sent per Customer targeted and three messages per Prospective Customer.

A representative sample of MPM campaigns in the first half of 2015 included: *"The Opinion of Ennio Doris"* and the follow-up campaign *"Message to Customers from Ennio Doris"*, the *"Stock Markets Brochure"* and *"Strong Authentication"*.

The second half of the year saw the launch of a new MPM format, *"Mediolanum Magazine"*, designed to provide a wide range of information *"tailored"* to the Customer. The new format proved popular with Customers, with an average open rate, from September to today, of 30%, versus a market benchmark of 16%, and a click rate on e-mails delivered of 4%, compared to an average of 2% for the market.

Two new campaigns - *"Bank Bail-out Decree"* and *"Bail-in"* - were begun in the second half of the year with a view to consolidating Customer relationships and providing a relevant information service, and the new app *"Mediolanum Wallet"* was launched.

EMPLOYEES

Employees are fundamental in achieving corporate objectives. Banca Mediolanum believes strongly in the principle that the success of a company does not just depend on the right strategies, and as such it invests constantly in its human capital, in an effort to enhance individual skills and foster career growth.

#PAROLECHECONTANO

#parolechecontano ("words that count") was the name of the 2015 opinion survey conducted by Mediolanum Group. The survey is designed to measure on a cyclical basis employees' engagement in various aspects of working life,

with a view to encouraging a pro-active approach and an open willingness to contribute in a responsible way to reaching the Group's goals. Conducted at year-end, the survey involved an online questionnaire targeted at Group employees in Italy and Spain, which focused on opinions in relation to 15 survey topics and three open questions. The survey attracted a voluntary participation rate of 90% of the company population and found a level of engagement with the Group of 85% - a figure well above the market benchmark, both across-the-board and for the financial sector.

COMPANY WEB PORTAL: INNOVA

The Innova intranet portal is one of the communication tools between the Group and its employees, enabling access to information and tools relating to all the main aspects of work at the Group. On the portal, employees can find institutional information about the Group and its regulations, such as the *Code of Ethics*, as well non-work related activities, events and initiatives. In line with previous years, in 2015 the portal was accessed 8,029,469 times, at an average of around 670,000 times per month.

PERIODIC MEETINGS

Employees are invited to corporate meetings with senior management. The meetings are designed to provide information and updates, share experiences, explain company strategy and announce results attained. Periodic management meetings are also organised to ensure alignment among executives.

NON-WORK RELATED ACTIVITIES

The purpose of the *Human Resources Department* is to improve the quality of working life and the organisational climate by strengthening relationships with employees as well as by organising a number of recreational activities. Initiatives organised always focus squarely on people and their needs, both declared and unexpressed. Services and projects have been launched, aiming at all our people, in order to improve everyday life, achieve work-life balance, enhance preventive healthcare and promote recreational, cultural and sports activities.

INVESTORS & THE FINANCIAL COMMUNITY

The company's commitment to its investors and the financial community as a whole is built on the pursuit of sustainable growth in the short, medium and long term.

THE INVESTOR RELATIONS TEAM

The Investor Relations team was established in 1996, when Mediolanum S.p.A. listed for trading on the stock market, with the task of managing dealings with investors and the financial community. Regular activities include an introduction to the Group's history, the organisational structure and the business model for analysts and investors who are learning about Mediolanum Group for the first time, overviews of company strategy and, of course, announcements and commentary on quarterly figures. Activities are conducted both independently and together with the Top Management, at headquarters or on occasion of financial conferences and road shows organised in Europe and the USA by leading brokers.

	Number of events (No. events)			Investors reached (No. investors reached)			Analysts reached (No. analysts reached)		
	2015	2014	% change	2015	2014	% change	2015	2014	% change
Total	329	286	+15	400	324	+23	182	167	+9
with Top Management	148	140	+6	309	258	+20	66	73	-10
only Investor Relations	181	146	+24	91	66	+38	116	94	+23
% independent activities out of total	55	51		23	20		64	56	

COMMUNITY

The community encompasses all the social and cultural groups with which the company comes in contact in the conduct of its business.

Banca Mediolanum is part of many aspects of daily life, even those not directly connected with finance. It organises and participates in a variety of activities of a social, cultural and sporting nature, funding initiatives to help people in situations of need or requiring support through the Family Banker® network. In addition, projects aimed at improving the lives of children living in poverty in Italy and around the world are sponsored through the Mediolanum Foundation NPO.

FAMILY BANKER® NETWORK

The Family Banker® is the professional that best represents the financial advisors of Banca Mediolanum. Family Bankers® take the bank into the homes of Customers, where, together, solutions are explored to best meet the Customer's savings, investment, retirement, insurance and financial needs, helping out, if necessary, in learning to use the Bank's multiple channels.

COMPANY WEB PORTAL: B.MEDNET

The *B.MedNet* portal contains all the key information designed for the Family Banker® Network. The portal consolidates all of the various facets of the activities of Family Bankers® in one place, unquestionably delivering benefits to Family Bankers® and making work easier for them, as they can find, all in one place, the information available regarding the subject of their search. Moreover, all systems relating to training, information, tools, commercial initiatives and incentives are available on the portal. The portal is a key tool which is constantly updated and features enriched content that permits Family Bankers® to best prepare and plan their work in order to meet Customers' needs in a precise and timely manner. To ensure that dialogue is effective and always up to date, the information and applications accessed through the portal are constantly renewed.

CORPORATE TV CHANNEL

The corporate TV channel broadcasts a variety of training programmes and news focused on products and marketing initiatives and strategies. Mediolanum was the first Italian company to use this innovative means of communication, having developed the first corporate TV channel in 1989, based on the experience of some American companies. Conceived to create horizontal communication, the channel has been broadcasting via web since 2006, reaching the entire Network. Family Bankers® can watch these programmes at any time on their laptops.

PERIODIC MEETINGS

Family Bankers® meet the senior management and the sales division on various occasions during the year. Key meetings include the *national convention*, *tours* and *regional meetings*, where the objective is to promote the exchange of information and experiences so as to enrich the knowledge of all the attendees.

This year's *national convention*, "*Io Cambio*", held on 4-5 March 2015, was an important moment for Banca Mediolanum, with the announcement of the change of the logo. The event was attended by 3,800 Family Bankers®, 130 managers and head office staff and 19 journalists invited to watch the event, who also had the opportunity to meet directly with senior management officers. The convention had a strong practical focus with particular emphasis on the social role played by the company. The title of the convention - "*Io cambio*", or "*I Change*" - encapsulates the bank's capacity to innovate while remaining true to its core identity and the values that inspire it. The new symbol, the circle, represents the image of a bank that puts the focus on the Customer - a circle of protection at the centre of which stand Customers and all their needs.

SALES SUPPORT CENTER

The *Sales Support Centre* was established in 2008 by headquarters with a view to providing the best support and assistance, in real time, to Family Bankers® in the performance of their work. The centre is staffed with 116 operators, who can be contacted by phone or by a written request. In 2015, operators received more than 510,000 requests from Family Bankers® and Private Bankers®, of which approximately 300,000 by phone. In 74% of

the cases, the request was dealt with during the same phone call. In July 2015, the centre was expanded to include the *Successions Office*, broadening the range of services provided by the *Sales Support Centre*.

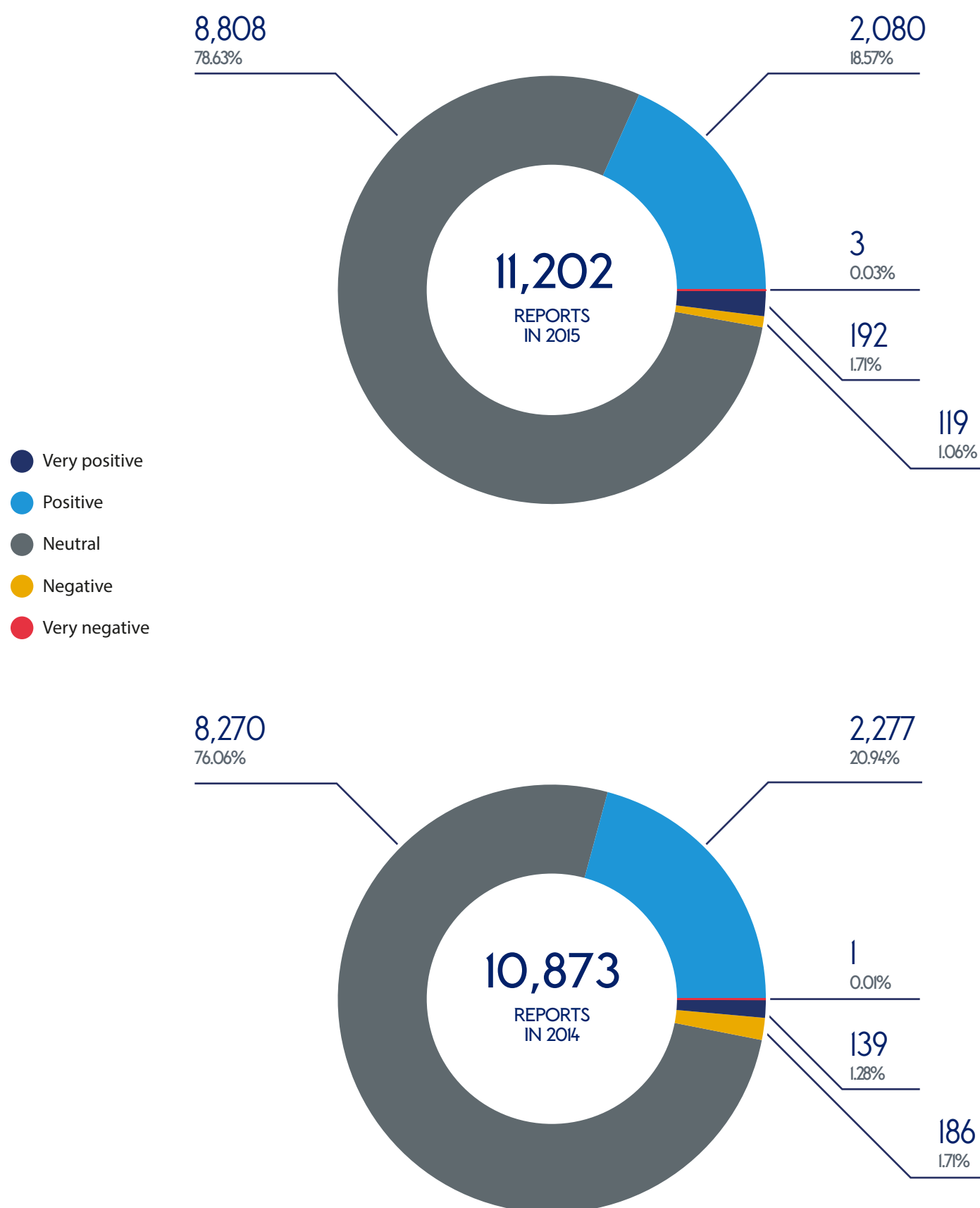
MEDIA

The values espoused by Banca Mediolanum underpin a business model that revolves around the company's stakeholders. In keeping with that commitment, the media is regularly informed of key corporate events and leading, strategic news about the company through accurate and timely announcements, which very often are released directly by senior management. This approach has enabled a more precise understanding of the issues affecting the bank over the year.

The Media Relations Office is tasked with maintaining a constant, open, clear and transparent dialogue with media agencies, enabling them to understand and appraise both the financial and business data of the company as well as all the cultural and intangible aspects that shape the reputation and identity of the company and its management team.

A total of 11,202 media reports about the Group appeared in 2015, spread evenly across the various media channels (press, radio, television and web), showing an increase of 3% on the 2014 figure of 10,873 reports. The strongest growth in coverage in 2015 was on television (+29%), thanks to the various interviews organised at the end of the year with the *Chief Executive Officer*, Massimo Doris, and the Chairman, Ennio Doris, to explain to the public at large how “*bail-in*” mechanisms would work and the importance of sound banks. The charts below show the breakdown of the media reports by sentiment – positive, neutral, negative, very positive or very negative.

Breakdown of media reports by sentiment



Source: L'Eco della Stampa, 2015

TRADE ASSOCIATIONS

The companies within the Mediolanum Group are members of a variety of *trade associations* based on the type of business in which they are engaged. These memberships include:

- > ABI - *Italian Banking Association*;
- > ANIA - *Association of Italian Insurance Companies*;
- > ASSBANK - *Association of Italian Private Banks*;
- > ASSBB - *Association for Development of Banking and Stock Exchange Studies*;
- > Assogestioni - *Asset Management Association*;
- > Assoreti - *National Association of Financial Products and Investment Services Placement Firms*;
- > Assonime - *Association of Italian Joint-Stock Companies*.

Banca Mediolanum, as an active member of these trade associations, constantly exchanges information with them and participates in various activities. Moreover, some Group officers are also members of the governing bodies of certain trade associations.

The activities carried out include:

- > participation in work groups regarding specific issues and technical committees requiring specific expertise or specialising in specific areas;
- > participation in task forces created to monitor developments in relations with Customers, regulatory and legal authorities, etc.;
- > surveys and questionnaires.

INSTITUTIONS AND REGULATORY AUTHORITIES

Mediolanum Group operates in a heavily regulated sector, both by legislation and regulatory authorities. It is required to comply with specific regulations and may be periodically subject to audits by competent oversight authorities. In 2014 the *Institutional Relations* unit was established with the task of promoting and managing relations with domestic and international oversight and regulatory authorities and dealings with trade associations and groups, government, religious institutions, non-profit organisations, institutional

Customers, consumer groups, economic-political research institutes and academies, international bodies and national bodies of international scope. Institutional Relations is also responsible for promoting encounters with representatives of the institutional world and conveying the bank's stance and commitment in various sectors and areas of interest. It assists senior management and the *Sales Network Department* in developing and managing relations with Customers of high standing, in operational dealings with other banks and financial institutions, in dealings with national and international correspondent banks, in promoting and steering relations on behalf of key Group units and in ensuring the institutional presence of Banca Mediolanum at events, conferences, meetings and fairs involving the *Sales Network*, Customers, institutional investors, professional groups and trade associations.

The main oversight authorities and bodies of reference for Italian companies of Mediolanum Group are: the *Bank of Italy*, IVASS (*Insurance Supervisory Authority*), Consob (*Italian Securities Commission*), AGCM (*Italian Competition Authority*), the Interbank Deposit Protection Fund (FITD), the APF (*register of chartered financial advisors*), the *Banking and Financial Arbitrator* and the *Ombudsman*.

SUPPLIERS

The company firmly believes in the important role played by suppliers in helping the company to satisfy its needs in relation to the purchase of goods and services. Banca Mediolanum only works with suppliers that register with the company via the dedicated portal, available in the section "*Official Register of Suppliers*". Supplier relations throughout the contract period involve regular encounters with representatives of the supplier.

2.4 Governance, risk management and Compliance³

THE NEW ORGANISATIONAL STRUCTURE OF BANCA MEDIOLANUM

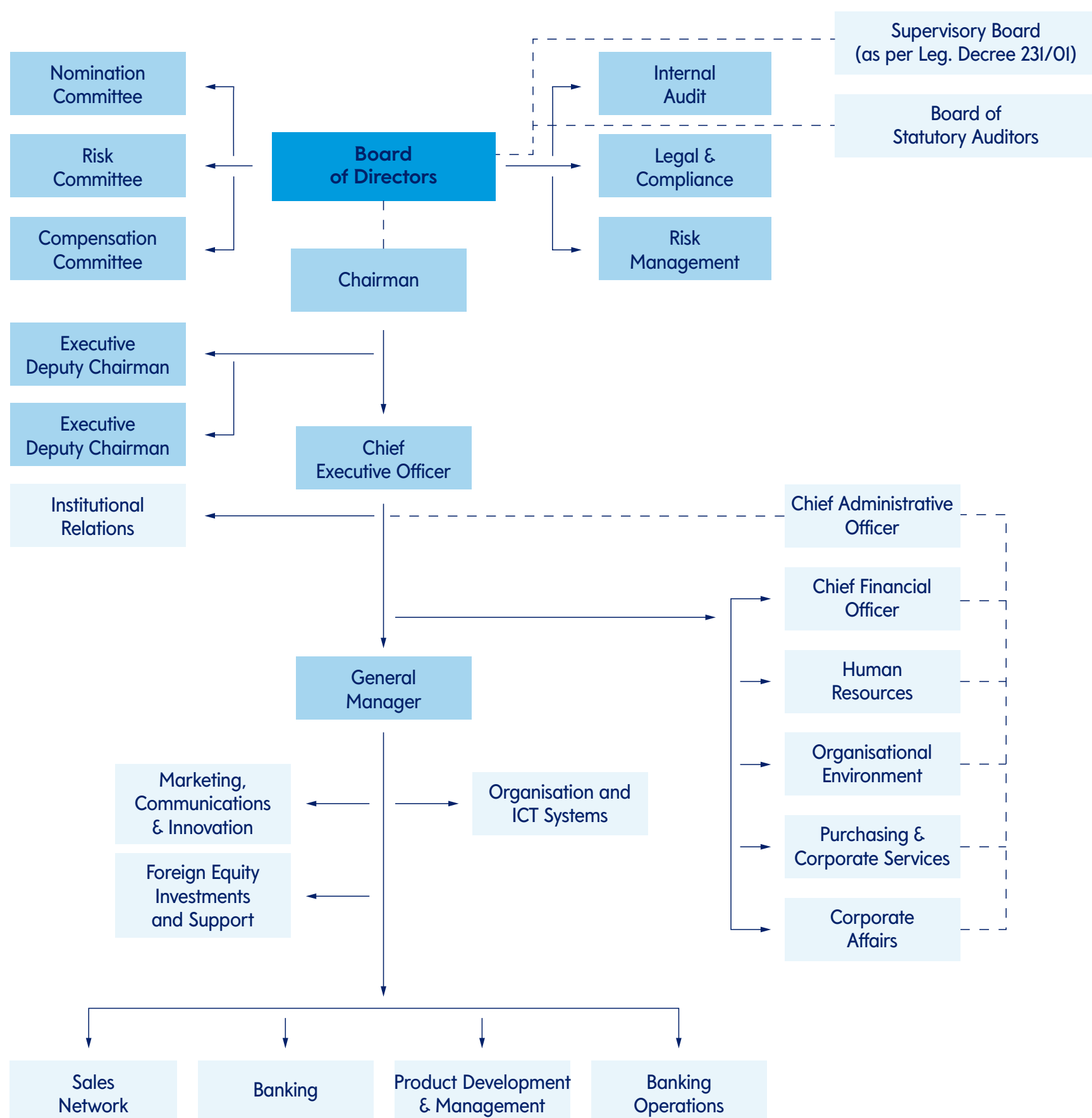
At the end of 2015, the organisational structure of Mediolanum Banking Group was rationalised following the merger with Mediolanum S.p.A. As a result of the restructuring, Banca Mediolanum S.p.A. became parent company of both Mediolanum Group as a whole and, as it had been since 2014, of the relative banking group, while also gaining control of the Group's insurance companies, Mediolanum Vita S.p.A., Mediolanum Assicurazioni S.p.A. and Mediolanum International Life Ltd.

Banca Mediolanum S.p.A., as parent company of Mediolanum Banking Group and in the exercise of its management and coordination role, issues directives to Group companies for the implementation of Bank of Italy instructions issued in the interests of the stability of the Group.

The reverse merger allowed the distinguishing features of Banca Mediolanum S.p.A. to be preserved and the organisational structure of the financial conglomerate as a whole to be streamlined and rationalised, shortening the ownership chain and improving the efficiency and profitability of ownership. The new organisational structure of Banca Mediolanum, as resulting following the merger with Mediolanum S.p.A., was examined and approved by the *Board of Directors* at the Board meeting held on 23 September 2015. The post-merger organisational structure of the surviving company, Banca Mediolanum, has not been significantly transformed. The changes introduced are designed to ensure compliance with the formalities required of a bank listed on a regulated market, as well as the continuity of the ordinary processes already in place under the pre-merger organisational structure of Banca Mediolanum.

³ For further information see the "Report on Corporate Governance and Ownership Structures".

Organisational Structure of Banca Mediolanum at 31 December 2015



As of the merger date, the ordinary shares of Banca Mediolanum S.p.A. were listed on the *electronic equity market* (MTA) managed and organised by *Borsa Italiana S.p.A.*

Corporate Governance

THE GOVERNANCE STRUCTURE

Banca Mediolanum has adopted a traditional administration and control system, which in practice is believed to be best fit to ensure the efficiency of management and the effectiveness of controls, also in consideration of the costs connected with the adoption and implementation of the chosen system. The company's traditional governance system thus consists of the *General Meeting of Shareholders*, a *Board of Directors* tasked with administrative functions, and a *Board of Statutory Auditors* tasked with control over administration.

The Board of Directors of Banca Mediolanum is vested with all necessary powers for the ordinary and extraordinary management of the company - except for those that the law reserves for the *General Meeting* - as well as the capacity to take any and all actions to achieve the company's objects. The Board consists of 11 members, appointed by resolution of the shareholders at the *General Meeting* held on 19 March 2015, in accordance with the corporate by-laws. As per the resolution, the Board's term of office will expire as of the date of the *General Meeting* called to approve the financial statements for the year ending 31 December 2017.

In line with corporate best practice and the *Corporate Governance Code* for listed companies, Banca Mediolanum S.p.A. has three Board committees: the *Nomination Committee*, *Risk Committee* and *Compensation Committee*.

> **Nomination Committee**

The Nomination Committee is tasked with proposal, advisory and inquiry functions, performed through the formulation of proposals, recommendations and opinions, with the objective of enabling the *Board of Directors* to adopt fully-informed decisions.

> **Risk Committee**

The Risk Committee is tasked with the role of supporting the *Board of Directors*. It may engage external experts and, where necessary, it directly requests reports from the *Internal Audit*, *Risk Management* and *Compliance* departments. At least one member of the *Board of Statutory Auditors* attends the committee's meetings.

› **Compensation Committee**

The Compensation Committee is tasked with proposal, advisory and inquiry functions, performed through the formulation of proposals, recommendations and opinions, with the objective of enabling the Board of Directors to adopt fully-informed decisions.

THE INTERNAL CONTROL SYSTEM

In accordance with supervisory regulations, the Bank's internal control system consists of company departments (including those of a management nature), rules, procedures and organisational units which together act to ensure sound and prudent management in the fulfilment of various objectives. Those objectives include the implementation of company strategies and policies, the containment of risk within the limits set forth within the *risk appetite framework* (RAF), the effectiveness and efficiency of company processes, adequate control of risks and the compliance of transactions with law, supervisory regulations, corporate governance rules and internal company regulations.

The internal control system involves three different levels of controls:

- › **line controls** (first-level controls), designed to ensure the proper conduction of transactions;
- › **risk and compliance controls** (second-level controls), designed to ensure that the transaction limits assigned to the various departments are not breached, that the risk management process is properly implemented and that company transactions comply with laws and regulations, including corporate governance rules;
- › **internal auditing** (third-level controls), designed to identify, on a regular basis in relation to the nature and intensity of the risks, any breaches of procedures and regulations and periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the *ICT system (ICT audits)*.

SUPERVISORY BOARD (AS PER LEGISLATIVE DECREE 231/2001)

As part of the comprehensive internal control system, the *Supervisory Board* (as per Legislative Decree 231/2001) oversees the functioning and observance of the organisational and management arrangements adopted by the company to prevent the crimes contemplated by Legislative Decree 231/2001 and amendments and additions thereto.

It reports to and works with the *Board of Directors*, the *Risk Committee* and the *Board of Statutory Auditors* in relation to the Bank's operations and situation vis-à-vis the requirements of Legislative Decree 231/2001.

INTERNAL AUDIT

The Internal Audit Department conducts third-level controls designed to check the proper conduct of transactions and changes in risk and assesses the completeness, adequacy, functionality and reliability of the company's organisational structure and of other components of the internal control system. The department notifies the corporate officers of potential areas for improvement in the internal control system, the risk appetite framework, the risk management process and the tools adopted for measuring and controlling risk. Recommendations are submitted to corporate officers on the basis of the department's audit findings.

The Internal Audit Department prepares both a long-term strategic plan (long-term planning) and an annual plan of activities for the year using a risk-based approach designed to ensure coverage of all areas of reference, suitable monitoring of company risk levels and an assessment of the internal control system at both the Bank and Group levels. Both plans are submitted for examination and approval to the competent corporate officers.

In 2015, the department conducted audits, on the basis of the approved plan, for both Banca Mediolanum and other Group companies that have delegated internal auditing activities to the Bank through a specific service contract.

A total of 96 audit reports were issued by the department, up 12.9% on the previous year. Particular focus was placed on auditing company risk management and measurement systems and capital adequacy, as well as compliance with external regulations governing the management of dealings with Customers (e.g., transparency, *MiFID*, etc.).

Internal Audit Reports issued

Company	2015	2014
Banca Mediolanum and Mediolanum S.p.A.	54	51
Mediolanum Gestione Fondi Sgr p.A.	18	13
Mediolanum Comunicazione S.p.A.	2	1
Mediolanum Fiduciaria S.p.A.	4	2
Mediolanum Vita S.p.A.	10	9
Mediolanum Assicurazioni S.p.A.	8	9
TOTAL	96	85

In relation to subsidiaries with their own internal control department, the *Internal Audit Department* of Banca Mediolanum performed a steering and oversight role involving the issue of specific operational guidelines, the monitoring of progress made in the activity plans of “local” internal audit departments and the organisation of periodic meeting and specific on-site audits.

In addition, on 9 December 2015 the *Board of Directors* of Banca Mediolanum approved a new “*Whistle-blowing Policy*” and relative regulations, prepared in compliance with supervisory provisions concerning whistle-blowing procedures. The new *Whistle-blowing Policy* assigns responsibility for the management of the process to the Internal Audit Department and appointed the current head of the department as “*Whistle-blowing Officer*” as of 1 January 2016.

LEGAL & COMPLIANCE STRUCTURE

With a view to assuring the effective prevention of the risk of non-compliance with laws and regulations, Banca Mediolanum has adopted a compliance programme aimed at implementing and enforcing rules, procedures and organisational units designed to prevent compliance risk in all Group companies.

Under the compliance programme, primary responsibility for compliance is held by the corporate officers of each Group company, each in relation to their capacities and in accordance with the guidelines of the parent company. In order to ensure the ongoing and proper performance of the activities contemplated by the Group's compliance programme, Banca Mediolanum has created a specific control unit, the *Legal & Compliance Department*, which reports directly to the *Board of Directors* and is independent from operational areas. The department is responsible for planning, management and coordination activities with the counterpart departments of each Group company.

The *Legal & Compliance Department* is responsible for compliance and anti-money laundering procedures. It comprises three areas: *Compliance*, *Sales Network Inspectorate* and *Legal Affairs*.

The *Compliance Department* is responsible for compliance risk management in relation to all company operations, using a risk-based approach. For the management of specific areas of compliance risk requiring specialised oversight, it works with specialist units identified in the *Group's Compliance Policy*, which are tasked with overseeing certain phases of the compliance process.

The *Compliance Department* also conducts assessments of operational and reputational risks on behalf of risk management departments as part of its integrated assessment programme. The assessments are planned in concert with the risk management departments, with outcomes reported back to the departments.

The *Compliance Department* includes an *Anti-Money Laundering Unit*, tasked with preventing and fighting instances of money laundering and the financing of terrorism. The unit continuously monitors operational procedures and ICT systems to ensure they are able to guarantee compliance with laws and regulations governing such matters.

Given the Bank's business model, particular emphasis is placed on the oversight of the *Financial Advisor Network* through which the Bank operates, for which an independent unit exists within the *Legal & Compliance Department*.

Oversight of *Sales Network* operations is a fundamental element of the internal control system. It is performed by the *Sales Network* Inspectorate, a unit that was created at the very establishment of the Bank. The Inspectorate is tasked with control functions and is an integral part of the internal control system.

In performing its duties, the *Sales Network* Inspectorate works in constant coordination with other organisational units of the Bank tasked with control functions, providing periodic reports to the *Chief Executive Officer* and other corporate officers, to the *Board of Directors* and to other departments tasked with control functions.

In 2015, as in other years, refresher courses and other training initiatives and programmes were organised for Group employees, designed to impart and maintain the knowledge and skills necessary to ensure compliance with laws, regulatory requirements for the industry and internal policies. Initiatives during the year addressed the topics of *Anti-Money Laundering*, the *Markets in Financial Instruments Directive* (MiFID), Privacy as per Legislative Decree 231/2001 (administrative liability of companies and organisations), *Transparency in Banking*, *Occupational Health and Safety*, *Insurance training and refresher courses* (IVASS) and specific training for new hires. In addition, specific seminars were organised on developments in the legal framework for the sector, targeted primarily at personnel involved in compliance functions and legal affairs.

Risk management

RISK APPETITE FRAMEWORK - "RAF"

Risk management policy is a strategic component of the *Risk Appetite Framework*, enabling its coordination with the overall strategic plan and thus permitting sustainable growth to be delivered as an objective. As such, the RAF is the outcome of a complex process involving the participation of many different organisational units, each in relation to its specific area of competence, with a major role played by the *Risk Management and Finance departments*.

The Group's risk appetite is reviewed on an annual basis to take into consideration ongoing changes in context, both external and internal to the company, as well as changes in stakeholder expectations.

Financial figures estimated in the preparation of the strategic plan are reconciled with risk appetite limits and are used in the updating of the RAF, with the thresholds and limits set the previous year adjusted as required. These strategic indicators thus support senior management in pursuing strategic and financial objectives as well as in monitoring the capital and financial solidity of the Group. As such, they are reviewed on a periodic basis in connection with planning and budgeting.

LEGAL RISKS CONNECTED WITH LITIGATION

Group companies, including the Bank, through their operations, are party to law suits and out-of-court litigation underway, as well as disputes and lawsuits in the pre-litigation stage, primarily concerning:

- 1) lawsuits brought by Customers against the Bank over alleged breaches by the Bank of the rules of conduct binding on the institution under banking and finance laws in force or over alleged breaches of contract by the Bank;
- 2) alleged offences committed by financial advisors, where the Bank is jointly liable for the actions of its financial advisors;
- 3) lawsuits brought by financial advisors over compensation claims in relation to the termination of agency agreements.

REPUTATIONAL RISKS

The Group constantly monitors the conduct of its financial advisors in order to check that their actions comply with laws in force and ensure maximum propriety and transparency in dealings with Customers. The procedures adopted, however, can sometimes prove insufficient where events that are unexpected or beyond the control of the Group occur. Fraudulent, bad-faith or unlawful acts committed by financial advisors also represent a typical operational risk that can significantly damage the image and reputation of the Group and, more generally, undermine the trust of Customers, bearing an adverse impact on the financial position, performance and cash flows of the Bank.

The operational risk deriving from unlawful acts or the inappropriate behaviour of contractors, including financial advisors, is constantly monitored and tracked by the Group.

In particular, as part of the process of identifying operational risks, information on losses connected with the conduct of financial advisors is gathered and analysed and *ex-ante* evaluations are made of the exposure to such risk, with relative controls activated.

Ex-post checks are also conducted on an ongoing basis every month on a macro-level (mass checks) and at least once a year on clusters of advisors, where anomalies are found in Customer portfolios.

Nevertheless, even where indicators and mass checks do not find anomalies, it cannot be excluded that unlawful acts may be committed by financial advisors.

BUSINESS CONTINUITY

Business continuity and the provision of services to Customers are dependent upon the proper operation of ICT processes and infrastructure. This is particularly true for an organisation like Mediolanum Group, in which the centrality of the Customer and technology-based channels enabling direct access to services (e.g. the Internet, the *Banking Services Centre*, *Mobile Banking* and television) are the keystones of its business model. The Group's service model has long stood out for its high service reliability and the security of its Customer-oriented ICT resources.

Due to the close correlation between technology and operational processes, the *Information Systems Department* and the *Organisation Department* of Banca Mediolanum work together on the Company's extensive business continuity plan, identifying measures for achieving targets set and focusing on two key lines of action. From a technology standpoint, all activities required to ensure infrastructure efficiency and security have been analysed, with continuous monitoring of the corresponding equipment. This ensures the delivery of services even in the event of failures or incidents. From an organisational standpoint, operational procedures have been developed to ensure business continuity across a wide range of crisis scenarios (from temporary disruptions to emergency situations, severe crises or catastrophes). The procedures were designed, tested and maintained in cooperation with the various users. A *Crisis Team* has been established to coordinate and manage the various stages of a crisis until business is resumed. The team is composed

of the heads of the various departments that govern the Bank's key processes. The Group carries out a variety of tests on an annual basis, as well as updates and upgrades to its processes and systems to reflect any changes in internal processes and product innovation, as well as to ensure the organisation's infrastructure keeps pace with the rapidly changing market environment and business needs of the Company.

3. Sustainability at Banca Mediolanum



MATERIALITY ANALYSIS

In 2015, Banca Mediolanum accomplished a major step in its commitment to sustainability reporting by adopting the international *Sustainability Reporting Guidelines* of the *Global Reporting Initiative* (GRI-G4). The guidelines place particular emphasis on the analysis of materiality by the organisation, in order to assess the sustainability issues affecting the business of the company. That assessment should actively involve stakeholders. The Group firmly believes in the importance of its relationship with stakeholders and their engagement. Stakeholders influence the organisation's business and enable the company to pursue the goal of continuous improvement in the products and services that it offers. In forthcoming years, the reporting process begun in 2015 will be developed further by integrating the internal materiality analysis with the outcomes of various stakeholder engagement channels.

The materiality analysis presented in this report was conducted as a step by step process involving:

- › the mapping of stakeholders: identification of the people or groups that affect and are affected by the organisation, taking into account the sector of reference, the business model and specific characteristics of the organisation and how they will change over time;
- › identification of material aspects: identification of the economic, environmental and social sustainability issues of significance for the Group's business and its stakeholders and the issues commonly believed to be material for the sector of reference, as well as any issues of specific import for Banca Mediolanum;
- › assessment and prioritisation of material aspects: qualitative and quantitative assessment by Mediolanum Group management of significant aspects in order to measure their materiality.

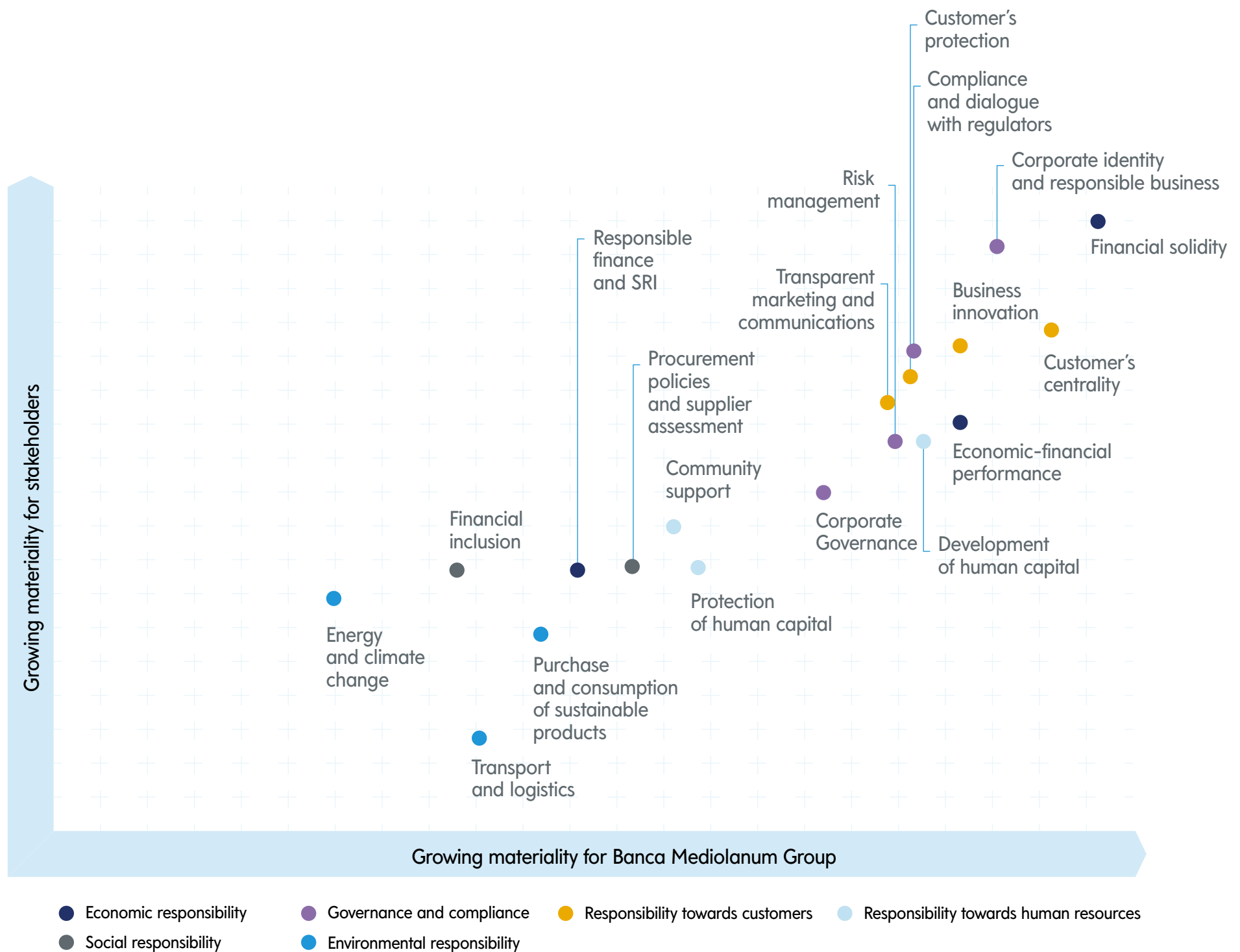
The analysis led to the identification of aspects held to be material or that have a significant impact on the organisation from an economic, environmental and social point of view, which substantively influence the assessments and decisions of stakeholders and enable the company to create value in the short, medium and long terms.

As illustrated in the materiality matrix, these aspects can be grouped into five thematic areas: *Governance & Compliance*, *Economic Responsibility*, *Responsibility towards Customers*, *Responsibility towards Human Resources*,

3. SUSTAINABILITY AT BANCA MEDIOLANUM

Social Responsibility and Environmental Responsibility. The materiality analysis was conducted with the active involvement of Banca Mediolanum management and enabled the identification and prioritisation of the sustainability issues that are material to the Group and its stakeholders. The aspects are presented in the materiality matrix shown below on the basis of their importance.

The materiality matrix

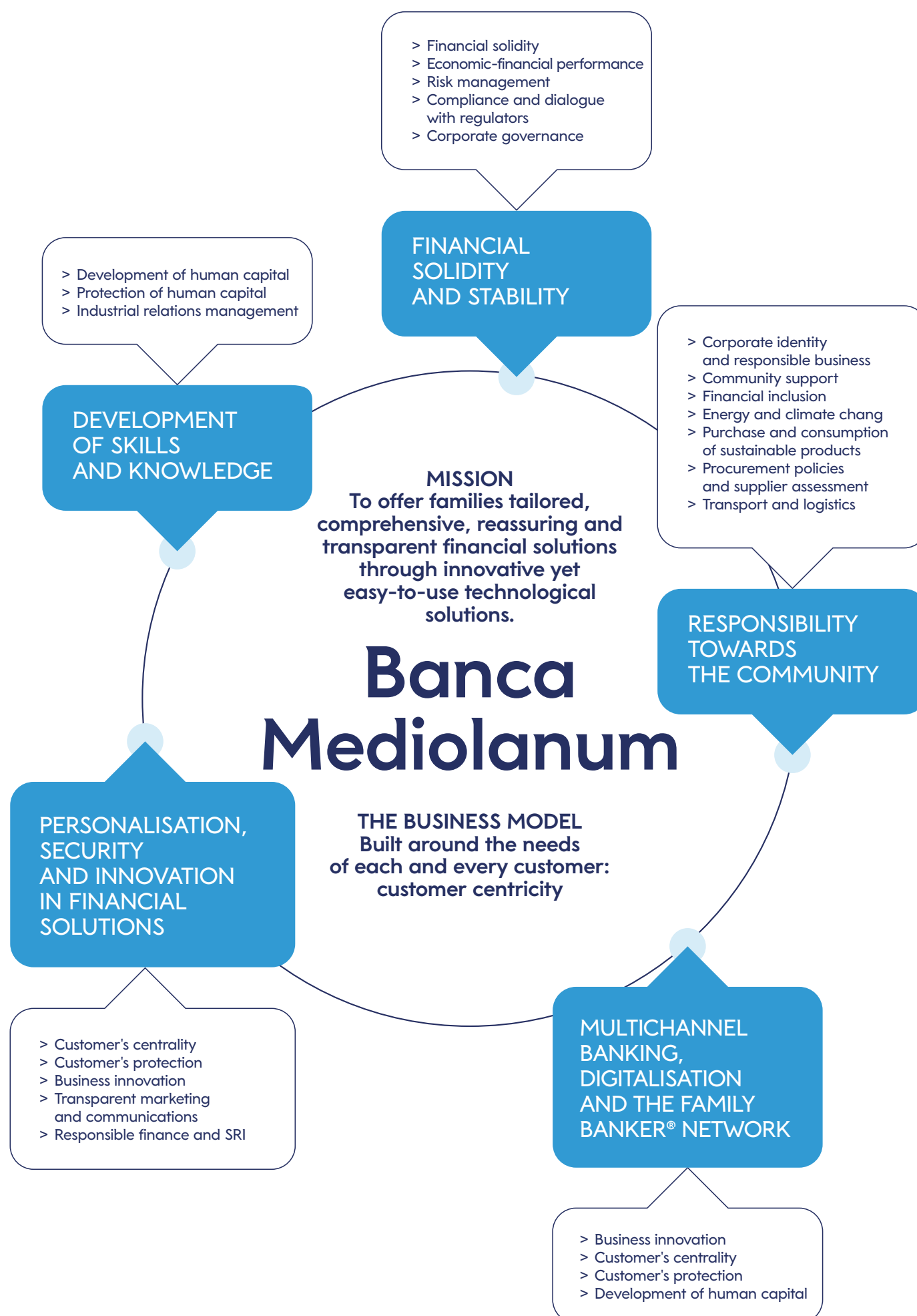


Note: The *Annexes* to this report include definitions of the material aspects for Mediolanum Group, as identified through the materiality analysis, and relative internal and external boundaries.

3. SUSTAINABILITY AT BANCA MEDIOLANUM

The outcomes of the materiality analysis were then applied to Banca Mediolanum's business model.

By applying the materiality analysis to the business model, the five pillars upon which the sustainability of Banca Mediolanum's business is based were identified.



3.1 Financial solidity and stability



Ever since its listing on the stock exchange, on 3 June 1996, Mediolanum Group has posted strong profit figures and paid out significant dividends. Its business growth has been completely organic in nature and almost uninterrupted, with constant focus placed on satisfying all its stakeholders' expectations.

In 2015, with a view to shortening the ownership chain and improving the efficiency of organisational and operational processes, while rationalising the structure of the banking group, Mediolanum was merged into Banca Mediolanum, with the stock of the latter consequently listed on the *electronic equity market* (MTA). The snapshot at 31 December was positive all-round, with Banca Mediolanum posting growth in its business performance and financial position.

Net deposits rose with respect to 2014, driven by higher deposits with the Bank by a growing number of Customers as well as by growth in "Managed" savings invested in mutual funds and life insurance policies. Thanks to positive trends in financial markets for most of the year and the careful advice of Family Bankers®, aimed at optimising the investment choices of Customers even during the downturn months, assets under management and administration recorded striking growth of around 10%.

Growth in loans to Customers, in particular in home mortgage loans, enabled the interest margin to be preserved, offsetting the consequences of the drop in reference interest rates. The quality of the loan portfolio was not affected, however, remaining at the highest levels of excellence in the Italian banking industry.

As a consequence, net profit rose to a record €439 million, in spite of ambitious investments in technology and a one-time charge of approximately €31 million for the settlement of a tax dispute with the *Italian Revenue Agency* (the dispute concerned transfer prices charged by the Group's Irish subsidiaries, in what was purely a valuation matter and in no way can be construed as evasion or infringement).

The earnings figure enabled investors to be rewarded for their ongoing confidence in Banca Mediolanum with the highest dividend payout in the history of the Group, while at the same time reinforcing capital buffers. The capital ratio was also the subject of an effective promotional campaign launched in the summer, highlighting a financial solidity that since December has been attracting major levels of new deposits to Banca Mediolanum, a trend that is expected to continue throughout 2016.

Economic-financial performance

Net profit

€ **439** million ▶ **+37%***

Net inflows

€ **5,717** million ▶ **+9%***

Dividend per share

€ **0.30** ▶ **+9%***

Assets under management and administration

€ **70,682** million ▶ **+10%***

Common Equity Tier 1 Ratio

19.66 %

Ratio of non-performing loans to total loans

1.43 %

Liquidity coverage ratio

423 %

Total value added

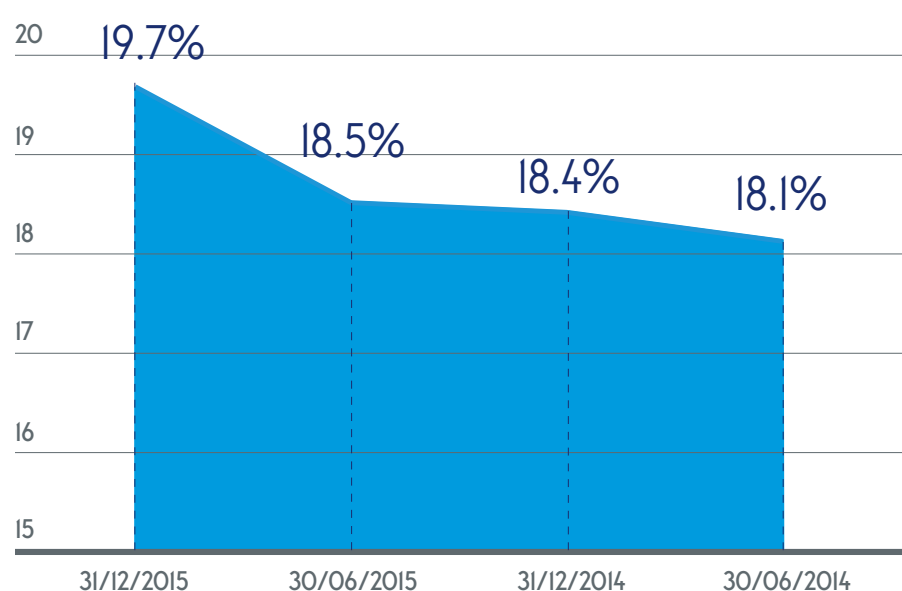
€ **1,301.7** million ▶ **+18%***

* vs. the same period of 2014

Mediolanum Group's *Common Equity Tier 1 ratio* (CET 1 ratio) at 31 December 2015 has continued to grow from strength to strength in recent years. The CET 1 ratio is a key indicator of the financial solidity of a bank, and is measured as the ratio of the bank's core equity capital to total risk-weighted assets.

The change in the CET 1 ratio of Mediolanum Group in recent years is reported below.

CET 1 RATIO



Another indicator confirming the strong financial standing of Banca Mediolanum is given by the ratio of non-performing loans to total loans (before adjustments).

	31/12/2015	30/06/2015	31/12/2014	30/06/2014
NPLs/Total loans	1.43%	1.44%	1.42%	1.41%

These ratios underscore the quality of Banca Mediolanum's loan portfolio and the creditworthiness of the Bank's Customers, despite the effects witnessed in recent years of economic downturn.

The financial solidity of Mediolanum Group is also shown by its *liquidity coverage ratio* (LCR) and *net stable funding ratio* (NSFR). These indicators express the capacity of the Bank and Group to cover shortfalls in liquidity that may arise from defaults on payments due and funding liquidity risk, connected with difficulties in liquidating assets (market liquidity risk). In particular, with reference to the *liquidity coverage ratio*, which new regulations currently being implemented set at a minimum of 100%, Banca Mediolanum at 31 December 2015 reported to oversight authorities an LCR of 423%.⁴

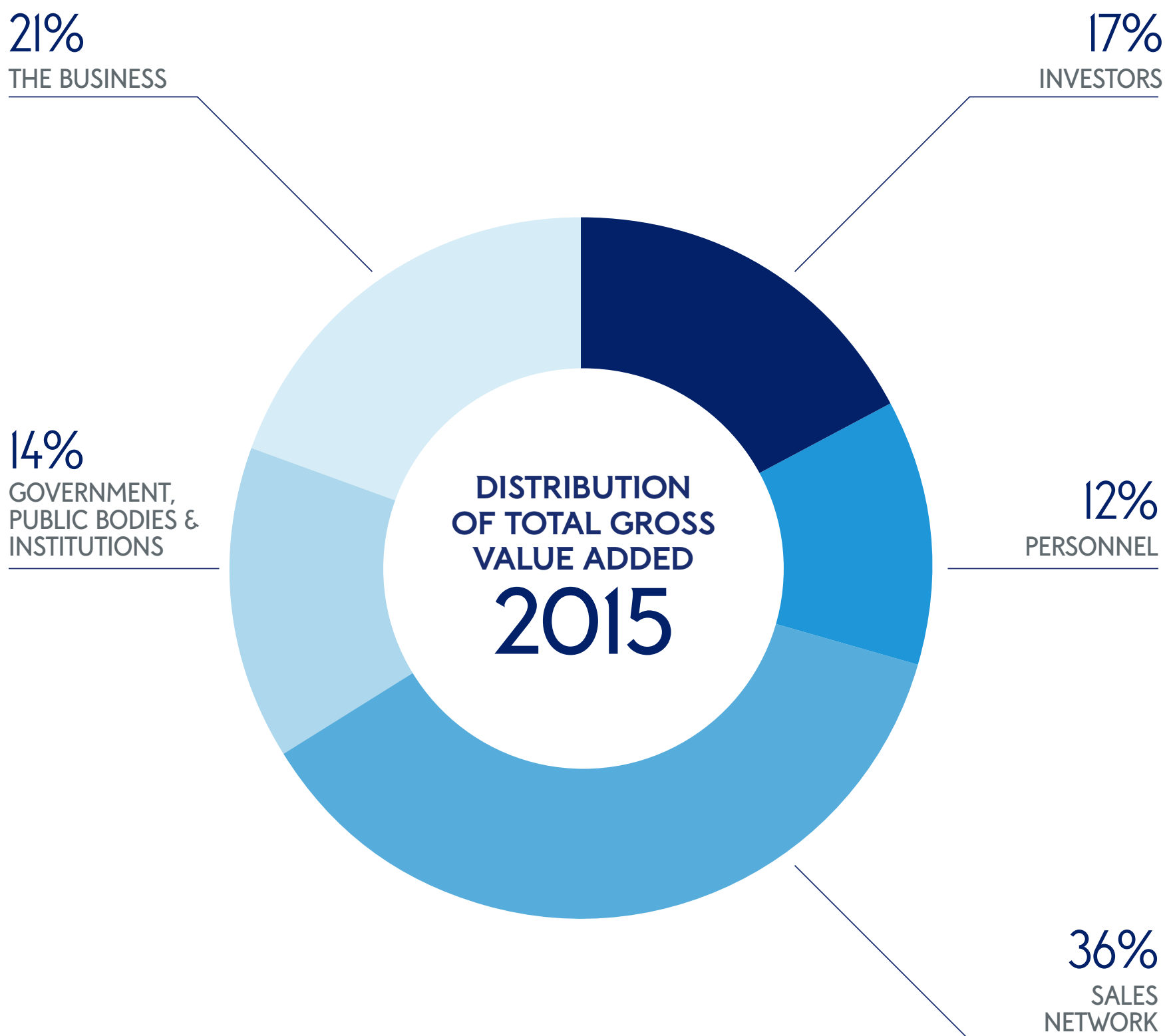
Material aspects addressed: **Financial solidity; Economic-financial performance; risk management; compliance and dialogue with regulators.**

DISTRIBUTION OF VALUE ADDED

The distribution of economic value generated, or value added, is given by the reclassification of income statement items to show the value added by the Group (the sum of all proceeds) and how it is distributed to key stakeholders. The value added by Banca Mediolanum therefore states in monetary terms the relationship between the business and the socio-economic fabric with which it interacts, with particular reference to certain key stakeholders, namely:

- > investors, in the form of dividends;
- > personnel (employees and contractors) and the *Sales Network*, in the form of wages and salaries, social security benefits, termination and pension benefits, and compensation paid to the *Sales Network*;
- > the government, public bodies and institutions, in the form of direct and indirect taxes and contributions paid to trade associations and oversight authorities;
- > the community, in the form of charity and donations;
- > the business, in the form of provisions earmarked for productive investments in order to preserve the efficiency and enable the growth of the corporate group.

⁴ Cf. *INTERIM REPORTING*, Delegated Act 2015/61, in force as of 1 October 2015.



The distribution of value added does not show any particular changes in the selected stakeholder groups between 2015 and the comparison year (2014). The only difference of note is with *“the business”*, which in 2015 accounted for 21% of value distributed compared to approximately 14% the previous year. The change was primarily due to greater reserves and retained earnings not distributed to shareholders in 2015. In fact, while a total of 51% of reported profit was paid out in dividends in 2015 by Mediolanum Group (€438,613,000), in 2014 the percentage was 62% (total profit of €320,617,000).

Material aspects addressed: **Economic-financial performance.**

3.2 Personalisation, security and innovation in financial solutions



Mediolanum Group firmly believes in the importance of guaranteeing high levels of satisfaction with its products and services, a goal it pursues by offering ever more flexible and innovative solutions able to meet the needs of Customers.

Banca Mediolanum guides Customers in their selection of products, guaranteeing:

- > **personalised** financial solutions according to their specific needs;
- > **security** through the limitation of concentration risk in investments;
- > **innovation**, thanks to the many different technological channels for making transactions and to stay in touch with the company.

Banca Mediolanum offers a sweeping range of banking services, investment products and insurance products.

Products and services

BANKING SERVICES

Innovation in 2015 in the range offered by Banca Mediolanum was seen in terms of both the products proposed and in application procedures and processes. Innovation was steered by two main drivers:

- 1) **The centrality of the Customer**, by offering maximum personalisation in the selection of current accounts and related services, enabling a tailor-made package to be built together with the Family Banker®;
- 2) **The digitalisation of Customer acquisition processes and of product application procedures** in an effort to reduce the time required to open a current account to less than 24 hours and minimise management and operating costs for the Bank.

“MY FREEDOM” ACCOUNT

To effectively support the innovation process pursued in recent years, in 2015 Banca Mediolanum enhanced its range of current account options with a new product, “*My Freedom*”, an account that can be personalised and adapted to the needs of each and every Customer. Its main features include:

› **Personalisation:**

Customers can choose the account profile that best meets their needs and select a range of dedicated services that can be adapted as required;

› **Digitalisation:**

Customers apply for the product through an innovative technological platform that completely dematerialises the application process, while a guided procedure, designed to prevent form completion errors, minimises the work required to upload applications, thus saving time and resources.

MY FREEDOM: SUSTAINABILITY BUSINESS CASE

The table below sets out the main features of the “*My Freedom*” account, linking each to the aspects of the *materiality matrix* that they satisfy.

Main features

Material aspects

› Tailor-made approach: complete personalisation of the product and the range of connected services

› Customer’s centrality
› Business innovation

› Opportunity to link the product, where desired, to an insurance policy offering protection for the assets the family members of the account-holders

› Customer’s centrality
› Customer’s protection

› Digitalisation of the Customer acquisition process and the entire application procedure

› Economic-financial performance (reduction in operating and printing costs)
› Business innovation

Main features

-
- › Automatic generation and delivery to the Customer of a transparent “*cost schedule*”: statement of total gross cost for each service selected and any discounts applicable
-

- › Facilitations for Customers that have suffered losses connected with natural disasters
-

- › Dematerialisation of all commercial literature and contractual paperwork required for proposing and applying for the product
-

Material aspects

-
- › Compliance and dialogue with regulators
 - › Transparent marketing and communication
-

- › Community support
-

- › Business innovation
 - › Energy and climate change (no paper used)
 - › Transport and logistics (no need for a courier to deliver contractual paperwork to head office if the Customer is digitally registered)
 - › Purchase and consumption of sustainable products (reduced consumption of materials)
-

CREDIT PRODUCTS

Banca Mediolanum distinguishes itself in its credit products for the constant access to credit that the Bank has guaranteed the market throughout the economic downturn of recent years. That guarantee has seen credit approvals grow gradually and constantly, as part of the Bank's commitment to best serving its Customers.

For Banca Mediolanum, credit products, and in particular mortgage loans, represent key products through which to establish lasting relationships with Customers.

A fundamental element in the provision of credit is the identification of the right product, ensuring suitable flexibility over time, for Customers' needs. But as important as this is, choosing the most suitable product in the application phase itself is not enough - Customers must be understood, fully informed and aware of the decision they are making. This is why the Family Banker® is essential in making the right choice in terms of duration and the needs and future prospects of the Customer.

"RIPARTI ITALIA" INITIATIVE

Banca Mediolanum continued its commitment in 2015 to helping "restart" the economy with the "Riparti Italia" package of mortgages and loans to finance home renovations. Banca Mediolanum launched the initiative at the end of 2013 during a period of severe economic crisis, when the credit crunch was at its worst, in an effort to help get the Italian economy running again and support Customers in a time of need through a range of household loan products designed to stimulate consumption, specifically in the building sector. Renovations, in fact, add value to homes and raise their energy rating, thereby reducing consumption and the cost of energy bills, while delivering unmistakable benefits for the environment.

Material aspects addressed: **Customer's centrality; Customer's protection; transparent marketing and communication; responsible finance and SRI.**

INNOVATION AND DIGITALISATION IN BANKING SERVICES AND PAYMENT INSTRUMENTS

Banca Mediolanum has taken advantage of the latest technological developments to invest in payment services and ensure that transactions are simple, efficient and secure for its Customers. Thanks to NFC technology, bills can be paid, mobile phones and prepaid cards topped up and wire and cash transfers made in real time through the *Jiffy* P2P service. Alongside the payment functions, two new innovations have been introduced to improve the user experience of the service: a *FingerPrint* system to access and confirm transactions and the *Token App* function, which enables the automatic insertion of the password needed to authorise a transaction. Banca Mediolanum also offers its Customers the possibility of using their smartphones to “*Tap&Go*”, a payment function based on NFC technology, while the anti-fraud 3D Secure Code service lets Customers make online payments safely.

Material aspects addressed: **Customer’s centrality; Customer’s protection; business innovation.**

Investment services

In a global economy driven by many different variables, the golden rule to follow is to diversify your investments. Diversification strategies enables investment opportunities to be seized as they arise while at the same time reducing exposure to market swings. This approach has long been endorsed by Banca Mediolanum, in what it calls the “*5D Strategy*”:

- 1) Diversification by time horizon:** investments should be diversified by short, medium and long-term time horizons, in line with individual goals;
- 2) Diversification across securities:** many securities are better than just a few. The more diversified the portfolio, the lower the investment risk;
- 3) Diversification across regions, industries and currencies:** distributing investments among different economies and different

world regions raises investment security and boosts the chances of returns thanks to the lack of correlation between different markets and currencies;

4) Diversification in terms of growth potential: a portfolio with a long-term horizon that is in line with the above guidelines should include investments in emerging markets and companies to add value to the investment;

5) Diversification across instrument classes: additional stability and security is provided by the use of a variety of investment instruments (e.g. mutual funds and insurance financial products).

SOCIALLY RESPONSIBLE INVESTMENT SERVICES

Banca Mediolanum's long-term vision sees *Socially Responsible Investing* (SRI) as an advanced approach to business and not just as an alternative form of charity.

The underlying idea is that investing in global companies that incorporate a sustainable approach to the environment, society and governance into their business is useful because in the long-term they will be the best performers with the greatest market share.

It is also a way of reaching out to Customers. Recent surveys by Morgan Stanley, a renowned international investment firm, show that a majority of investors are interested in SRI and believe that over the next five years it will become widespread, but at the same time it is still commonly believed that such an approach means forgoing financial returns.

Yet a study conducted by Morgan Stanley on 10,000 U.S. funds over the period 2008-2014 showed that average returns for SRI Funds were on par with or higher than traditional investment funds and presented lower levels of volatility.

The study also highlighted the importance of professional manager selection. This is one reason why Banca Mediolanum's SRI service relies on external managers (together with an *Investment Manager* responsible for the overall management of a fund's assets) who steer their investment choices on the basis of environmental, social and governance drivers (*"Socially Responsible Collection"* multi-manager fund of funds).

In practice, to give an example, an asset management policy may focus on investments that satisfy the ten principles of the *United Nations Global*

Compact (fundamental principles concerning human rights, labour standards, environmental protection and anti-corruption) or which have a “*sustainable dimension*” focused on issues or businesses connected with renewable energy, clean technology or which fight climate change.

Another approach in practice might be to exclude investments in companies on the basis of the industries in which they work (such as excluding arms manufacturers) or on the basis of other criteria, such as their association with environmental damage, corruption, child labour or forced labour.

Material aspects addressed: **Customer’s centrality; Customer’s protection; responsible finance and SRI.**

INSURANCE FINANCIAL PRODUCTS

The Bank’s commitment to social responsibility extends to its range of insurance financial products, where investment choices can be paired to an SRI approach, with investment drivers linked to environmental, social and governance issues.

Material aspects addressed: **Customer’s centrality; Customer’s protection; business innovation; transparent marketing and communication; responsible finance and SRI.**

PROTECTION

Banca Mediolanum is committed to the concept of “*human capital*”, meaning all the faculties and resources that each of us possess - our knowledge, education, information, technical skills and experience, which underpin the human ability to work and earn an income. Human capital is valuable and should be protected, just as much as our savings or financial investments. In this way we have sought to attribute value to people as a key economic resource, which if properly looked after represent a true asset for household finances. This was the spirit that led Banca Mediolanum in 2015, through Mediolanum Assicurazioni S.p.A., to release a new insurance product enabling Customers to calculate and quantify the value of their human capital and protect it through an insurance policy personalised to their needs. A single product covering risks relating to injury and illness, which Customers can purchase through a fully digitalised procedure designed to speed up and streamline the whole process.

Material aspects addressed: **Customer’s centrality; Customer’s protection; business innovation; transparent marketing and communication; responsible finance and SRI.**

Customer satisfaction: products and services

Customer satisfaction surveys are used to gauge the quality of the products and services offered to Customers. As can be seen in the table below, Customer satisfaction outcomes were extremely positive in 2015, also when compared to our main competitors.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
A bank that offers products at advantageous conditions	73.7	64.9	78.5
A bank that offers a complete range of products and services	80.6	72.8	80.5

Source: Doxa survey, 2015

Material aspects addressed: **Customer’s centrality; Customer’s protection; transparent marketing and communications.**

Customer's protection

With a view to ensuring effective Customer's protection for its Customers, Banca Mediolanum is part of the ABI's *"Compare Accounts"* initiative, which with 48 participating banks covers 63% of Italian bank branches. The project consists of the development of initiatives to improve bank-consumer relations, focused on key issues such as mobility, clear disclosure of information, assistance and security.

Description of the main services under the *"Compare Accounts"*⁵ initiative.

Transferability of services

The transfer of key services from an *"original"* account to a *"new"* account is governed by legal regulations and industry initiatives. In particular, for wire transfers and direct debits, transfer services are governed by the provisions of a recent law (Law 33/2015), while in the case of financial instruments, standardised automatic procedures are in place, the result of interbank initiatives.

Comparing bank accounts

A free online search engine designed to provide complete, up-to-date and comparable information on bank accounts through the selection of products by user profile, bank, operating channel and geographic location. The search engine covers packaged bank accounts, ordinary bank accounts and basic bank accounts available to consumers. Packaged bank accounts are offered at a flat rate, while ordinary bank rates apply charges on a transactional basis. Basic accounts are products defined by Law 214/2011 and the Convention among the *Ministry of the Economy and Finance*, the ABI, the *Bank of Italy*, *Poste Italiane* and the *Italian Association of Payment Institutions* (AIIP).

⁵ For further information on all the initiatives promoted under the *"Compare Accounts"* project, visit the website www.comparaconti.it

DATA PROTECTION

Legislative Decree 196 of 30 June 2003, also known as the “*Personal Data Protection Code*”, unified the many amendments and addenda to the original Law 675/1996, combining these in a single *Data Protection Act*. The *Personal Data Protection Code* deals with issues relating to confidentiality of information, as well as addressing personal data and identity protection concerns. Processing of personal data is only permitted when minimum security requirements are met. Moreover, to increase personal data security and to ensure that the databases used to store information on Customers and Group companies are secure, (i.e. to mitigate risks associated with the circulation and/or use of information by third parties), the following specific actions have been taken:

- 1) notices were sent to head office staff and *Sales Network* personnel informing them of minimum security measures, the electronic management of data, the storage of documents and the use of e-mail accounts;
- 2) an updated training course was delivered to all staff. Focus was placed on training for *Customer Banking Centre* personnel, whose work primarily involves phone contact with Customers.

Mediolanum has established a *Privacy Unit*, tasked as a specialist team with overseeing compliance with personal data protection regulations. Specifically it: provides notifications to the *Data Protection Authority*; draws up and updates letters of appointment to managerial positions, and letters of engagement; manages requests from relevant parties relating to their data; manages requirements relating to the *Code of Ethics of Private Central Credit Registers*; supervises training delivered to employees and members of the *Sales Network* on data protection; establishes and maintains information and consent relating to data protection; provides advice on data protection to all business functions; deals with complaints made by Customers, regarding data protection violations; and performs checks on access to Customer banking information, as carried out by those responsible for data processing.

COMPLAINT HANDLING

In accordance with existing regulations, Mediolanum Group has adopted a structured and regulated approach to handling complaints received from both existing and potential Customers. Customer satisfaction is one of the foremost priorities of the Group and is a key element in developing a successful corporate image within the market.

For this reason, the complaint handling procedure is not only designed to comply with existing regulations, but also to obtain relevant information in order to allow the company to constantly improve service quality and provide clear answers to its Customers.

In 2015 Banca Mediolanum adopted a new complaint handling policy. Based on existing documentation, the new policy incorporates the recommendations of the *"Guidelines for Complaints-Handling for the Securities (ESMA) and Banking (EBA) Sectors"* issued by the *Joint Committee of European Supervisory Authorities* and directed at national regulatory authorities, which in 2015 endorsed the guidelines.

Banca Mediolanum's procedure for handling complaints allows the essential points of each complaint received to be recorded, in addition to the measures taken to assist the Customer in resolving the issue in question within the timeframe recommended by the guidelines. A number is assigned to each complaint, in ascending order and based on service provided and year of provision, so that each of these can be easily identified.

Banca Mediolanum manages the complaints handling process on its own behalf as a banking and financial intermediary and on behalf of other Group companies under the terms and conditions of outsourcing agreements in place.

The complaints handling process is tasked to the *Customer Marketing and Communications Sector*, part of the *Marketing, Communications & Innovation Department*. The *Compliance Department* (under the umbrella of the *Legal & Compliance Department*) remains in charge of monitoring overall complaint handling and ensuring that this complies with existing regulations and internal policies, as well as evaluating whether actions should be taken to mitigate risks with respect to the processes or procedures adopted, based on the results of the analysis of the problems reported.

Moreover, the *Compliance Department* reports to the *Board of Directors* and the *Board of Statutory Auditors* annually on the issue of complaint handling, highlighting any shortcomings in terms of procedures, organisation or behaviour.

The Group's foreign companies have implemented similar procedures to ensure effective complaint handling, which include reporting to the parent company on a regular basis.

An examination of the complaints received in the year 2015 did not find any shortcomings in terms of procedures, organisation or behaviour requiring notification to senior management or the *Board of Statutory Auditors*, although mitigation initiatives were introduced in the major areas as part of the ordinary process designed to improve operational processes and Customer service.

In this report we have also taken into account mediation, governed by Law Decree 69 of 21 June 2013, claims filed with the *Banking and Financial Arbitrator* and petitions filed with the *Ombudsman*, as well as claims addressed through settlement agreements.

Material aspects addressed: **Customer's centrality; Customer's protection.**

Innovation

Mediolanum Group also places central focus on people when it comes to innovation.

Innovation is one of Banca Mediolanum's core values. To put that principle effectively into practice, a department has been set up with the primary objective of promoting a fundamental culture of innovation in all the human dimensions of the organisation and its business.

A widespread culture of innovation means boosting the chances of generating significant and disruptive innovation, in support of a winning and advanced business model.

The Group sees innovation not just as a process or an outcome but above all as a behaviour to be adopted.

In order to promote and spread a true culture of innovation, it was necessary to:

- 1) define a system of open innovation;
- 2) define a process;
- 3) define a programme.

DEFINING A SYSTEM OF OPEN INNOVATION

Everyone can be a source of innovation. This is why Banca Mediolanum has adopted an open innovation model divided into two macro areas, each involving completely different features and activities: internal sources and external sources.

DEFINING A PROCESS

From a study of the innovation models adopted by other banks and in other industries it was found that the basic assumption that they all shared was that innovation cannot be left to the best efforts of people but required a structured process.

DEFINING A PROGRAMME

Contacts and ties with external sources were maintained and intensified, in particular our ties with the world of start-ups. In 2015 employees were sent as representatives to leading international events, such as *CES* in Las Vegas, *Finovate* in London, the *World Mobile Congress* in Barcelona, the *Web Summit* in Dublin and *DreamForce* in San Francisco. Important ties were also established with the Israeli Ministry of Economy, which led to a visit to the Bank by a delegation of Israeli companies and start-ups and a trip to Tel Aviv and Jerusalem by a team of Bank employees, where they visited the innovation labs run by local and international banks (CitiGroup) and by large multinationals (Deutsche Telecom, Coca Cola, Microsoft and Emc2). The tour also involved visits to leading local venture capital companies and government agencies linked to the armed forces, where issues and strategies in cybersecurity were discussed. The *Chief Marketing Officer* also took a week-long course at the Singularity University in Silicon Valley along with other top managers of international standing, to understand the key success factors of exponential organisations.

Stimulating internal sources of innovation is another line of action that is fundamental to the programme for spreading a culture of innovation.

This has involved the launch of initiatives which, to start with, are being targeted at employees, Family Bankers® and Customers.

One example is a joint project begun in 2015 with the *Copenhagen Institute of Interactive Design* entitled “*Inspiring the Future of Banking*”.

Involving 6 Family Bankers®, 16 employees, 10 Customers and 20 Prospective

Customers, the aim of the project is to:

- 1) listen to and observe existing and Prospective Customers;
- 2) generate ideas based on the insights gathered as above;
- 3) learn a method.

Material aspects addressed: **Business innovation; development of human capital.**

Customer-oriented communication

In accordance with transparency regulations and its own company principles, Banca Mediolanum provides clear disclosures and information on transactions and banking services to its stakeholders.



INSTITUTIONAL COMMUNICATIONS

The rebranding campaign and launch of the new logo were without a doubt a highlight of 2015, reinforcing the company's identity by capitalising on the symbol of the circle and improving the visibility and memorability of the brand. The initiative encompassed all marketing communications of the Group and its companies, including Family Banker® offices across the country, which are progressively adopting the new logo.

The key themes that dominated marketing communications in 2015 centred on the solidity of the Bank, the focus of campaigns launched in July, and innovation, through the promotion of contactless payments, NFC technology and the new *Mediolanum Wallet* app, which enables transactions to be made by smartphone and confirmed using a fingerprint - an innovation underscoring the innovative and technological spirit of the Bank.

In January, Banca Mediolanum turned to major national newspapers and trade magazines to announce the news of the achievement of an important milestone: for the sixth consecutive year, the Bank was the industry leader in total net deposits, topping the €4 billion in 2014, with over €21 billion raised since 2009. This result reflects the professionalism of our Family Bankers® and Customers, who place their trust in our model day after day - and it is to them that Mediolanum extends its sincere thanks.

The first full media campaign of the year was launched in March, presenting the main current account features and highlighting the possibility of earning an interest rate of 1.70% on time deposits. Then there were messages focused on developments in access channels to the bank (such as the voice-control iPad app) and on innovative payment instruments (payments using NFC technology).

A new campaign was then launched in June to promote the banking model and range of products and services, including innovative services and instruments (contactless payments by debit card - the first Italian bank to offer the service), and the Group's financial solidity, underscored by one of the highest capital ratios in the sector.

A follow-up campaign was begun in September, involving messages broadcast through television, radio, the press, the Internet and billboards. Another campaign, on air as of 14 December, broadcast "*solidity*" commercials for one week, building on the July and September campaigns, with focus placed on the Bank's *Common Equity Tier ratio* of 18.80%, highlighting how Mediolanum Group can still boast of being one of the most solid banking groups on the market. As of 20 December the focus of the

advertising messages turned to the launch of the new *“Mediolanum Wallet”* app, with its innovative payment tools, including peer-to-peer payments through the Jiffy service, utility bill payments by photo and fingerprint authorisation of transactions.

In all, marketing communication activities in 2015 involved:

- > 4 full-media campaigns run on television, radio, the Internet, in the press, at cinemas and on billboards;
- > the promotion of 5 communication initiatives that did not involve television media (e.g., the *“Member get Member”* campaign);
- > the planning of 10 local campaigns;
- > ongoing Internet campaigns on the Bank’s websites and social media pages.

The number of fans and followers of the Group posted double-digit growth in 2015 on the social media sites Facebook, Twitter, LinkedIn and YouTube.

According to the Multifintrack 2015 study by GFK Eurisko, Banca Mediolanum beat its main competitors for a second consecutive year to hold the top spot in spontaneous ad recall. The Group’s communication campaigns were also found to have boosted consideration for the brand, that is the propensity of people to become Customers of the Group.

SURVEY FINDINGS ON CLEAR AND TRANSPARENT COMMUNICATION BY BANCA MEDIOLANUM

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
A bank that is clear and transparent in its communications	80.2	67.9	80.2

Source: Doxa survey, 2015

The *Customer Satisfaction Survey* conducted by Doxa found that Customers on the whole recognise the Group’s communications to be clear and transparent, with the figure proving much higher than for Customers of

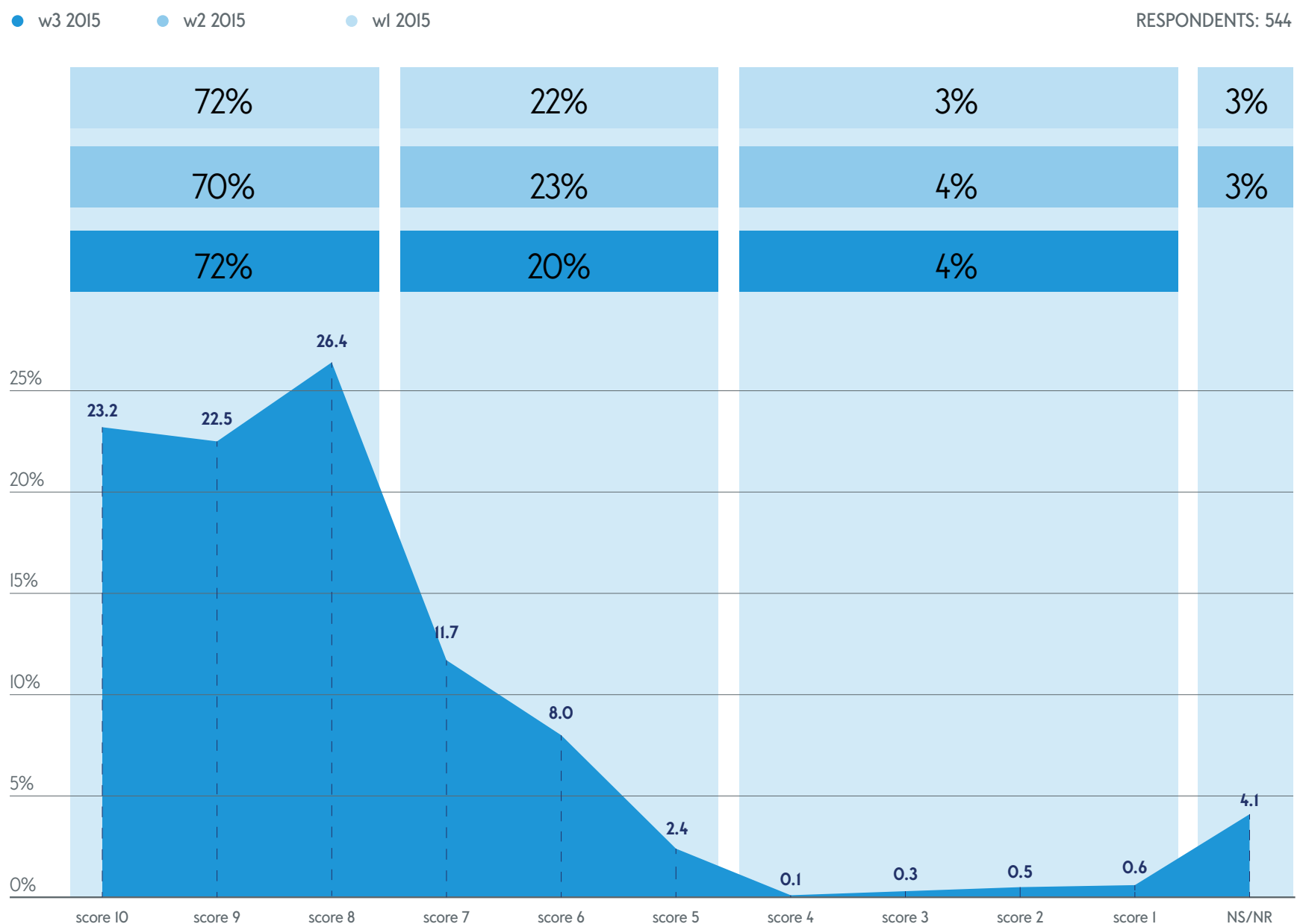
“traditional banks” and on par with those of “online banks”.

EVENTS

For the Family Banker® Network, trade fairs and cultural, artistic and sporting events are a key opportunity to reach out to the public. Customers' appreciation of events is shown by the findings of the Customer experience survey conducted quarterly by Doxa, where satisfaction with events scores an average of 90 on a scale of 0 to 100. Events improve Customer experience by raising Customers' engagement and improving their opinion of the Bank.

The impact of events on customer relationships

Do you feel “closer” to Banca Mediolanum? Please reply giving a value of 1 to 10, where 1 means “not at all” and 10 means “very much”.
Base: Total interviewed – Percentage values



GIRO D'ITALIA

Banca Mediolanum has sponsored the blue jersey in the *Giro d'Italia* for 14 years now, creating a key occasion for the Family Banker® Network to reach out to local Customers in a great number of different localities. Following the event, the Bank is present at each and every stage along the race route, offering the wider public entertainment and information and meeting thousands of Customers along the way, with special dinners organised. The endorsement of high profile cyclists (Moser, Fondriest, Motta and Bettini) and the experience acquired over the years has enabled us to enrich the format of the event with new and exciting initiatives, such as cycle tours with pros, hospitality areas and stands at the starting and finishing lines of each stage.

LOCAL EVENTS

The sponsorship initiatives organised by the Bank are not limited to events on a national scale, but are also carried out at local level (e.g. fairs, conferences, sporting events and exhibitions), where Family Bankers® identify key opportunities for meeting with both current and Prospective Customers. In 2015 around 8,200 events of local scope were organised, which attracted the participation of over 270,000 people.

INMEDIOLANUM DISPLAY AREAS

Four InMediolanum campaigns⁶ were organised across all of Italy during the year, mostly targeting major urban centres in an effort to boost the Bank's visibility even further. A total of 60 locations were covered, including high-traffic retail centres and beach resorts, with stands open for a comprehensive total of 196 weeks, or over 1,200 days of promotional activity.

HIGH-LEVEL EVENTS

The concept behind Mediolanum Private Banking revolves around the importance of building a direct personal relationship with Customers - a partnership in which every single need of the Customer can be served. High-level events are different from other initiatives due to the personalised

⁶ InMediolanum display areas are stands in public places where Family Bankers® meet with existing and Prospective Customers to illustrate the products and services offered by Banca Mediolanum.

level of the advisory services offered by top professionals, the extreme focus on details and the customisation of the experience.

In 2015 around 70 local events were organised, which attracted the participation of over 5,000 people.

PRIMAFILA

These select events embrace the worlds of art and culture, music and entertainment, sport and recreation, representing a key relationship tool for Family Bankers® to create special opportunities to engage *PrimaFila Club* Customers.

In 2015, 456 *PrimaFila* events were organised across the country, involving 1,500 Family Bankers® and 16,633 Customers.

Events in 2015 included a tour organised together with Moët & Chandon, a prestigious and internationally renowned brand, famous the world over for the magic of its champagne and for centuries known as the epitome of excellence, class and exclusiveness.

The annual *Art Tour* was also run in 2015, a special initiative dedicated by Banca Mediolanum to the art lovers among its *PrimaFila Club* members. The tour offers *PrimaFila* Customers exclusive access to the most prestigious and renowned locations in Italy, with an expert tour guide reserved to them and the opportunity to dine in the venue itself.

The prestigious calendar of *PrimaFila Club* events, reserved exclusively to club members and their companions, includes concerts and shows staged at the Mediolanum Forum, the Palalottomatica, the PalaGeox in Padua and the PalaOlimpico in Turin, theatre shows at the Manzoni Theatre in Milan and the Donizetti Theatre in Bergamo and tickets to watch the home matches of A.C. Milan from our Sky-Box for our most important Customers.

Material aspects addressed: **Customer's centrality; Customer's protection; transparent marketing and communications.**

3.3

Multichannel banking, digitalisation and the Family Banker[®] Network



Banca Mediolanum distinguishes itself as a multichannel bank whose operating tools are specifically designed to satisfy all the various needs of Customers. The digitalisation of services underpins the opportunities Customers have for remote banking, giving them access to the bank anywhere and everywhere and a Family Banker® who is always on hand to guide them in their asset management choices.

Multichannel banking, Banking Centre, Internet and mobile



In 2015, 84% of Customers who are bank account holders used direct channels (+14.3% compared to 2014), with 46.5 million contacts and 10.8 million transactions made, a significant increase over 2014 figures (+26%).

This growing trend confirms, once again, the centrality of Customers for the Bank and their appreciation of the Bank's multichannel platform. Moreover, the fact that approximately 94.9% of contacts were made via the automated services provided by the Bank, specifically the Internet, Mediolanum's smartphone apps for Apple, Android and Windows Phone 7 operating systems, the new app for tablets launched in March 2015 (currently available for iPad), and the voice portal (*B.Med Voice*), also confirms that Customers tend to prefer direct channels for their transactions.

Of all contacts made with the Bank, 50% are made via the Internet website, although the figure showed a drop of 4% on the 2014 figure, returning to 2013 levels, while 37% of contacts were made through mobile applications (27% in 2014). More specifically in 2015, 17,273,000 contacts were made with the Bank through mobile applications (up by 57% on the 10,906,000 contacts registered in 2014), of which 59% were through Android devices, 37% through iOS devices and the remaining 4% through Windows Phone devices.

Transactions made through mobile apps for smartphones totalled 1,840,000 in 2015 compared to 1,012,000 in 2014, an increase of 82%.

An additional 91,000 transactions were made via the tablet app (not available in 2014).

The number of contacts made via the voice portal recorded a drop of 6%. Nevertheless, use of the *Banking Services Centre* was not negatively affected by the increased use of self-service banking, as the number of contacts made via the *Banking Services Centre* actually increased by 8.7% compared to 2014, confirming that Customers still favour this channel when dealing with more complex requests, as a form of "*Customer's protection*". In terms of service levels, the *Banking Services Centre* answered approximately 92% of calls within 20 seconds (the average waiting time for all calls being 9.7 seconds). In addition, the text messaging service has become increasingly popular, with over 84 million Alerts sent (+32.7% with respect to the previous year). This service is particularly appreciated by Customers because it enhances "*transaction security*" and "*risk management*" (text alerts are sent when Customers make ATM withdrawals, carry out POS transactions or bank transfers or when they log in to the website).

Customers appear to appreciate the investment and focus dedicated to remote banking, as shown in their assessment of its "*ease of use*", with satisfaction levels comparing strongly with those of our main competitors.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
An “easy-to-use” bank	84.3	72.5	84.8

Source: Doxa survey, 2015

Customer satisfaction levels with the Internet banking service were higher than those for both “*traditional banks*” and “*online banks*”.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Overall satisfaction with Internet banking	85.8	79.2	85.5
Overall satisfaction with Internet services	86.1	79.1	85.8
Satisfaction with Internet services vs. expectations	85.4	79.4	85.3

Source: Doxa survey, 2015

The quality of *Banking Centre* services is also shown by a GFK Eurisko survey of financial advisors conducted in 2015, which found that satisfaction levels among Family Bankers® were the highest among the peers surveyed.

	BANCA MEDIOLANUM	TOTAL MARKET
Customer service	3.51	3.26

Source: GFK Eurisko, 2015

Material aspects addressed: **Business innovation; Customer's centrality; Customer's protection; transparent marketing and communications.**

Digitalisation programme

In June 2012, Banca Mediolanum launched a programme of initiatives aimed at enabling the dematerialisation of all orders and applications that can be made electronically and progressively expanding the adoption of digital application processes.

The programme covers all products and services issued or distributed by the Bank (banking, investment, insurance, retirement and credit products and services) and all aspects of Customer applications and orders (initial contracts, post-sale transactions, administrative forms), adopting various electronic methods to satisfy the legal requirements of robustness and security in application processes.

Banca Mediolanum's initiatives stand out in the banking industry for their broad scope of application, covering all possible services, products, transactions and user channels - the Internet, mobile apps, Family Bankers® and telephone banking.

Specific initiatives rolled out in 2015 included:

- > Extension of the scope of application: at the end of 2015, 90% of all application and order forms had been dematerialised, after the dematerialisation of, among other things, *MyFreedom* bank account

contracts through the introduction of digital signatures in the first half of the year;

- › *Digital Signature* campaign: at the end of 2015, Customer registrations with the digital signature service totalled 257,720, a staggering jump on the 2014 figure of 80,000 Customers, with registrations growing fastest in the last quarter;
- › *Strong Authentication*: a one-time password was introduced for the strong authentication of online orders and applications, simplifying the process while at the same time enhancing security levels. At the end of 2015, 550,000 Customers had registered for the service;
- › *Use*: in 2015, a total of 84.7% of transactions made by Customers (more than 13 million orders) were made through digital or telephone channels, drastically reducing the amount of traditional paperwork involved (2,019,628 paper forms in 2015 vs. more than 2.5 million in 2014). The trend is growing, thanks to the great efforts of everyone in the company in the implementation and adoption of digitalisation initiatives.

The digitalisation of orders and applications enables the number of printed documents to be minimised, delivering significant environmental benefits in terms of paper and toner consumption and production.

Below is an overview of how digitalisation activities are connected with key aspects identified in the materiality matrix.

› **Purchase and consumption of sustainable products, transport & logistics**

The dematerialisation of orders and applications reduces transmission and execution times for contracts at Banca Mediolanum's headquarters and eliminates the need to deliver physical documents. In this way the use of couriers to deliver documents between Family Banker® offices and headquarters has been drastically reduced.

› **Customer's centrality**

Dematerialisation and the reduction in transmission and execution times for orders and applications adds value to Customer services in terms of the archiving and retrievability of orders, shorter time-to-market, the minimisation of errors otherwise made when completing forms by hand, availability of services and ready access to notices and information.

› **Economic-financial performance**

Dematerialisation enables a straight-through process which eliminates or reduces the need for human intervention in data entry processes and in the management and control of anomalies. Besides reducing printing and distribution costs, significant organisational efficiencies have been attained.

› **Business innovation**

Digital application and order processes, alone or with the support of a Family Banker®, are designed to improve user experience and enhance personalisation in relation to Customers' need for easy-to-use services, support and information. They have enabled new, personalised presentation pages and configurators for Banca Mediolanum's products and services.

Material aspects addressed: **Purchase and consumption of sustainable products; Customer's centrality; Economic-financial performance; business innovation.**

Family Banker® Network

Banca Mediolanum's Family Bankers® represent the country's biggest network of financial advisors, consisting of a team, at 31 December 2015, of 4,387 professionals present throughout all of Italy. Their widespread distribution means they can serve all our Customers, even those located in sparsely populated and economically disadvantaged areas.

Breakdown of the Family Banker® Network by professional group

Number of people	2015	2014	% change
Supervisors and managers	946	1,082	-12.6
of which FB Supervisors	302	370	-18.4
of which FB Asset Managers	102	115	-11.3
of which Managers	542	597	-9.2
Family Bankers®	1,644	1,826	-10.0
Global Bankers	1,797	1,478	21.6
TOTAL	4,387	4,386	-
of which Private Banker	446	409	9.0

Note: An *Asset Manager* is a management role created as of 1 January 2014.

Asset Managers have significant assets under management assigned to them and a smaller team of direct advisors with a significant average amount of assets under management.



In line with strategic decisions in recent years concerning the composition of the *Sales Network*, in 2015 the Family Banker® Network once again saw a decrease in the number of less experienced and qualified advisors and an increase in the number advisors who deal with affluent Customers (Global Bankers +21.6%, Private Bankers +9%). Moreover, Banca Mediolanum's decision to significantly increase the numbers of highly-qualified managers led to a decrease in the number of Supervisor and Manager positions.

Banca Mediolanum and its Family Bankers® are present in all Italian regions and main cities in Italy with offices that are located at street level and offices located on higher floors. All Network offices are Family Banker® administrative offices. The street level premises - i.e. the Family Banker® Offices - are the place where Customers can find out about Banca Mediolanum and, with the help of a Family Banker®, learn how to use the Bank's multiple channels. Family Banker® Offices are a point of contact where existing and Prospective Customers can obtain information or advice on financial, banking or pension matters from a Family Banker®.

Distribution of Family Banker® Offices, traditional offices and branches across the territory



Note: In addition, there are three bank branches, one in each of Basiglio, Milan and Rome.

COMMERCIAL TOOLS AND BROCHURES

Family Bankers® build relationships with Customers relying on commercial tools designed to help them illustrate specific products and services and to plan their sales activity.

These tools:

- › contain certified data and information;
- › have commercial appeal for Customers and Family Bankers®;
- › are updated and adapted to reflect the changing market conditions and needs of Customers and the *Sales Network*;
- › are flexible, enabling Family Bankers® to adapt their sales approach to each Customer's requirements.

Developed by building on experiences of success in the country, the tools include:

- › **tools**: tools integrated with *BMedNet* and connected to the Customer database, developed according to a sales approach and containing certified and constantly updated information and data;
- › **mobile apps**: native applications for tablets and smartphones with characteristic simplicity of use, even without an Internet connection;
- › **commercial brochures**: paper versions of the tools, which are usually brochures also containing separate technical data sheets integrating the multimedia tools to enable flexible use of such tools and meet a wider range of Customer and Family Banker® needs.

These commercial support tools are designed to respond to specific Customer needs in terms of banking, pension, investment and credit services. The *Sales Network* uses these devices more than 40 thousand times per month on average.

ADVERTISING CAMPAIGNS

With a view to working ever more closely with the *Sales Network*, 39% of campaigns targeted at Customers are rolled out through the Family Banker® Network. Campaign material is provided directly to the network and is designed so that the target audience can be selected, thus enabling campaigns to be personalised. Delivery of advertising literature is followed up by a phone call from the Family Banker®. Initiatives have included campaigns for the *MedPlus* family of Index and Certificate policies, with Customers notified of the impending expiry of the policies and the possibility of reinvesting earnings in other high performing products, campaigns linked to the opening of new Family Banker Offices®; and the information campaign on the *Bank Bail-out Decree*.

OVERALL SATISFACTION OF FAMILY BANKERS®

The annual *GfK Eurisko Pf Monitor* study shows that overall satisfaction levels of Family Bankers® have grown strongly with respect to 2014, jumping from a score of 3.38 to 3.51 in 2015, on a scale of 1 to 4, versus a market average that has remained substantially stable (3.44 to 3.48). This ranked Banca Mediolanum in third place for the satisfaction level of its Family Bankers®, with 98% of respondents saying they were satisfied.

Material aspects addressed: **Business innovation; transparent marketing and communication.**

3.4 Development of skills and knowledge



As the banking industry continues to be swept by profound transformation, human capital has become an ever more precious asset for the professionalism, skill and propensity for change that it can bring to an organisation.

Mediolanum Group prides itself as a pioneer in innovation and technology and as such it seeks out people who strive for excellence in their professional skills, are flexible in their approach and extremely motivated.

Mediolanum Group employees

ANALYSIS OF EMPLOYEES 2015

An overview of the Mediolanum Group's total workforce at the end of 2015 is provided in the following pages. Figures for 2015 are compared with 2014 figures.

BREAKDOWN BY CATEGORY AND GENDER

In 2015 the Group's workforce grew by a net 1.5%, the result of a 4.2% growth in recruitment (90 new hires) and a 2.7% termination rate. The net growth figure is significant when compared to the employment trend for the sector, which posted a 1% drop in jobs for the two years 2013-2014 (ABI data⁷).

Continuing the trend of recent years, 2015 saw a significant rise in the number of employees covering highly-skilled positions, with a 6.1% increase in executives and a 4.2% increase in the number of middle managers compared to the previous year.

The breakdown of the workforce by gender showed no substantial change over the previous year, although in contrast with the banking sector as a whole, which recorded an 0.3 percentage point rise in jobs held by women (ABI data⁷), the Bank recorded a slight drop of 0.6% in its female workforce compared to 2014.

⁷ Data from the "2015 Report on Employment in the Finance Industry".

Nevertheless, women represent 52% of the Bank's workforce compared to an average 44.7% for the banking industry as a whole at 31 December 2014 (ABI data).

The gender balance within the organisation is also reflected in equal pay practices. Compared to the previous year, no significant differences emerge between average salaries for men and for women. There is a significant difference in compensation among executives in certain length-of-service categories, but this is attributed in large part to the different roles and levels of responsibility, as well as to the large number of employees falling within such length-of-service categories.

Ratio of women's and men's average gross annual salary⁸

	2015			2014		
Euro	Men	Women	Ratio Women/Men	Men	Women	Ratio Women/Men
Executives	170,089	137,292	80.7%	163,047	138,062	84.7%
Middle managers	69,158	65,899	95.3%	69,006	65,094	94.3%
White collars	34,567	34,604	100.1%	34,195	34,056	99.6%

⁸ Gross Annual Salary earned by employees for the performance of work is given by monthly pay multiplied by the number of monthly payments under the collective bargaining agreement of reference plus bonuses paid under the supplementary enterprise agreement.

Ratio of women's and men's total remuneration⁹

	2015			2014		
Euro	Men	Women	Ratio Women/Men	Men	Women	Ratio Women/Men
Executives	215,221	171,678	79.8%	221,906	178,749	80.6%
Middle managers	72,996	68,739	94.2%	73,513	68,283	92.9%
White collars	35,888	35,822	99.8%	36,940	36,164	97.9%

CHANGES TO PERSONNEL STRUCTURE AND TURNOVER

Banca Mediolanum's commitment to creating jobs of value continued in 2015. Through a structured recruitment process firmly underpinned by the principles of fairness and impartiality, the Bank offers highly-skilled and specialised employment positions and guarantees opportunities for growth and the learning of new skills. Selection and recruitment is based entirely on individual merit and is not influenced in any way by factors relating to gender, race, ethnicity, religion, personal beliefs, sexual preference, marital status or political opinions.

In 2015 the permanent workforce was consolidated with a 2.5 percentage point increase in the category compared to 2014. The increase was driven in part by the conversion of apprenticeships into permanent employment contracts (42 people) and in part by new hires on a permanent basis (72% of new hires). The share of the workforce employed on flexible and/or trainee contracts decreased as a result, showing a 2 percentage point drop compared to the previous year.

⁹ Total remuneration is given by gross annual salary plus variable performance components paid to the employee.

The Bank continued to favour the recruitment of school leavers and new graduates on professional apprenticeship contracts, with approximately 41% of new hires offered this type of employment contract, accounting for 8.7% of the total workforce.

Emphasis continued to be placed on the recruitment of *Banking Specialists* for the *Banking Centre* on the basis of professional apprenticeships offering the opportunity to attain qualifications. In 2015 a total of 43 young people took up the opportunity.

Also in 2015, 34 new hires were recruited for various different departments, all on the basis of their specialist and distinctive professional skills. Working for Banca Mediolanum requires the skills and knowledge necessary to deal with new complexities in the banking and finance market, in terms of business, regulatory, control and technological transformations.

Banca Mediolanum is also committed to hiring young people entering the labour market as they take their first steps in building their careers. In 2015 the internship programme for graduates was continued, with 16 interns taken on and given the opportunity to start gaining skilled experience.

Temporary workers are a growing part of the labour market and are also a presence at Banca Mediolanum. In 2015, temporary workers were hired through agencies to cover specific projects and needs, with a total of 27 people employed by the Group during the year.

AVERAGE AGE

The average age of Mediolanum Group employees remained stable compared to 2014 at 39 years of age, a figure below the average for the sector, which stands at 45.7 years (ABI data). The breakdown by category and gender shows that the average age for women was similar to that for men.

EDUCATION LEVEL

Education levels of employees also showed little change compared to the previous year, with approximately 47% of the workforce holding a university degree (sector average, ABI data: 37.3%). The percentage of middle managers holding a degree rose by 2 percentage points compared to 2014. Again in 2015, the percentage of new hires holding a university degree was very high, mainly due to the recruitment of highly-skilled personnel.

PROTECTED CATEGORIES

As current laws require the hiring of individuals belonging to what are termed “*protected categories*”, all the main Group companies have signed special agreements with the Province of Milan local authority to plan such hires over the next few years in line with regulatory requirements. An agreement with an agency, recognised by the Milan provincial authority and specialised in helping the disabled find work, provides another means of searching for candidates from protected categories.

Very often, the difficulties disabled people face in the workforce are not connected with performance but other factors, such as possible misunderstandings with work colleagues, difficulties in dealing with new environments and the risk of isolation in situations inside the company.

In 2015, as part of the Sistema project and in partnership with a team of psychologists from AfolSud, a training institute in Corsico (province of Milan), a programme was launched entitled “*Approach to Diversity*”, designed to monitor and understand how people classified in protected categories are coping in the workplace and the issues they face.

The programme involved interviews with the disabled workers and with their team leaders to observe and identify the organisational arrangements required to effectively manage the needs of disabled workers, with monitoring their careers and updating their key competence frameworks with both soft and hard skills and the potential they have.

On the basis of the interviews, training days and on-the-job coaching was organised for both the coordinators and the workers involved. Coordinators, in particular, were encouraged to share their experiences and reflect on issues such as inserting disabled people in the workplace, the fears, psychological barriers and false perceptions of those workers and their teams and effective strategies for addressing and overcoming these limitations.

Protected categories (No. of people)	2015	2014	% change
Middle managers	6	6	0
White collars	47	48	-2
TOTAL	53	54	-2

In 2015, in compliance with existing legislation (article 14, Legislative Decree 276/03), Banca Mediolanum entered into two agreements with two social cooperatives to offer job opportunities to 9 disabled people, covering the associated costs.

The Group's headquarters is fully accessible to disabled employees and visitors, and provides: 13 wheelchair-accessible entryways and 23 reserved parking spaces. There are also 8 disabled toilet facilities.

The Group embraces an overriding commitment to bringing out the best in its people, encouraging the active participation of employees in the processes in which they are involved and fostering greater channels for dialogue and the circulation of information.

In terms of personnel management and development, there was a continued effort to improve *Performance Management* tools, gearing them increasingly towards performance improvement in order to support internal processes. Because of their different characteristics and the range of responsibilities assigned, assessment tools are differentiated by category: managerial, professional, coordination and operational.

The compensation system and the rationale behind compensation policy management were redesigned to:

- > nurture staff members by rewarding merit and performance;
- > offer an attractive and competitive compensation package (both for existing and prospective staff);
- > differentiate according to internal workforce segmentation criteria.

The *Variable Compensation Plan* introduced in 2014 was continued, dedicated to company middle managers and officers. Based on a performance appraisal process, the goal of the plan is to steer and improve performance and enhance the strengths of our people to take on the challenges of the future by assigning individual performance targets and then comparing actual performance delivered at year end.

The plan sets out the criteria and methods for defining variable bonuses, which are awarded to the best performers of the year, as measured by taking into consideration how challenging assigned targets are, their complexity and, in general, the value created by the results delivered both at the company level and for the organisational area of reference.

At a time when state welfare is increasingly facing funding cuts, the private sector has sought to step in and help provide for the needs of workers and their families.

The *WellMED Plan* of flexible benefits, outlined in 2014 and introduced in 2015, is a company welfare plan aimed at providing socio-economic support to employees and their families.

The *WellMED Plan* is designed to boost the spending power of beneficiaries and is a service employees can select through the welfare portal.

For employees hired on a permanent basis or on apprenticeship contracts, the plan provides funding grants that can be spent as desired on a range of goods and services that include school and university fees for children, care services for the elderly and recreational services such as gym memberships, personal care, cultural activities and leisure.

Breakdown of net new jobs by employee category (No. of people)

	2015				2014			
Category	Executives	Middle managers	White collars	Total	Executives	Middle managers	White collars	Total
Hires	6	9	75	90	2	46	184	232
Terminations	3	3	52	58	2	5	48	55
Resignations	2	3	35	40	2	4	31	37
Retirement							1	1
End of contract	1		14	15			9	9
Death			1	1				
Other			2	2		1	7	8
NET NEW JOBS*	3	6	23	32	0	41	136	177

* Where Net New Jobs = Hires - Terminations

NOTE: Please note that the figures for net new jobs by category - shown in the table above - do not coincide with those in the table "Breakdown of Employees by Category" as they do not include the impact of promotions to higher positions. The executive category does not include executives hired under fixed-term contracts, new hires/terminations at international Group companies or new personnel absorbed through acquisitions.

RECRUITMENT

Mediolanum Group recruits qualified people on the principles of fairness and impartiality, through a structured process designed to ensure the ongoing growth and renewal of skills within the company.

Recruitment is coordinated by the *Recruitment and Selection Department*, established in the spring of 2014. The department is tasked with sourcing and assessing personnel, taking into account budget limits, operational needs and the existing recruitment plan.

In 2015, the Group focused its efforts on employer branding, setting a strategy to compete successfully in the war for talent that has come to characterise the market, where organisations like ours, built intensively on intellectual capital, need to attract the best skills and competences.

For the recruitment of Professionals, the strategy is based on the search for quality candidates using a careful methodology to identify the people who can be predicted to bring the greatest added value and benefit most from the Group.

For the recruitment of *New Graduates*, one of the key targets of the Bank's employer branding strategy, major focus has been placed on building stable ties with academia, especially in areas of excellence which would naturally lead to a career with the Bank, considering its size and structure.

Initiatives at universities have focused in particular on innovative approaches such as gamification, a learning-by-doing approach to developing talent, creating interesting opportunities for knowledge and the effective sharing of experiences.

EMPLOYEE TRAINING

Human resources training targeted at employees continued in 2015 at the same intense levels reached last year. Both technical-professional training and managerial training was delivered at substantially the same volumes as in 2014 (-0.8%). The drop in the total number of training hours was driven entirely by the delivery of fewer hours of orientation training for new employees, reflecting the smaller number of new hires by the Group. In 2015, a total of 91,455 hours of training were delivered (-21% vs. 2014), with a significant 40 hours of training delivered per capita.

The 77% of the workforce took part in classroom training initiatives.

Strong growth was seen in the number of hours delivered remotely (+29%), an approach that offers greater organisational efficiency and flexibility for people to take part in training modules. Remote training is set to grow in forthcoming years thanks to the development of technologies assisting its delivery, which permit more effective solutions to be proposed while keeping satisfaction levels high.

Investment in training delivered by external providers also rose (+13%).

External training providers are called in to enrich and personalise high-level individual training programmes and ensure the exchange of experiences and ongoing benchmarking with competitors in the industry, universities and the

professional world through participation in conventions, conferences and intercompany task forces and work groups.

The total number of internal and external courses provided rose to 134 for the year.

In terms of projects and one-off initiatives, during the year the first *Certificate in Banking and Finance* course was completed, targeted at middle managers and white collars of the Group. The initiative replaced the two-year course and methods of the *Executive Master in Banking and Finance* programme, offering a more streamlined format without affecting the high content and teaching standards.



The course is designed to teach a fundamental understanding of business and business management, in order to build a common and widespread approach on economic issues.

In this case, as in the past, a number of course places were offered as prizes in a competition, through an internal selection process open to all employees meeting the minimum company service and resume requirements.

Teachers were sourced from a number of leading business schools, including SDA Bocconi and the *MIP-Politecnico di Milano*. Over a third of the teaching roles were assigned to company managers, who were also involved in numerous presentations of their experiences and in-depth knowledge of the specificities of the Group. The use of in-house teachers has been growing constantly in recent years, with the majority of training courses managed directly by the Mediolanum Corporate University, an internal faculty consisting of managers, specialists and expert members of the company, who are in turn trained to deliver training.

In June the first ever *Mediolanum Brain Marathon* was run, which saw 39 Group middle managers and white collars challenged in the analysis of real business problems requiring an innovative approach. Applying project management methods and tools, the teams designed and planned concrete solutions, some of which were subsequently incorporated into specific company projects. This highly original training and development exercise is aimed at identifying the professional and managerial abilities of select company people, while promoting the value of knowledge development, collaboration, teamwork and interdepartmental partnerships. The initiative was organised in partnership with the *MIP-Politecnico di Milano*. It recalls the Olympics both in name and in its intention to celebrate the values of fair competition, sacrifice and the search for excellence.

Other initiatives involved in programmes to drive collaboration and innovation included activities connected with the *"Idea Management"* platform, through which key ideas and improvement projects focused on processes and services were gathered through the *"challenges"* taken up by a good part of company employees.

Specialisation and refresher programmes for the various professional families continued to be run during the year. Numerous colleagues from the organisation and information technology areas took part in a challenging

international specialisation programme developing their project management knowledge and skills, earning them a *Project Management Professional Certificate*, awarded by the *Project Management Institute* in the United States. The certificate is one of the most important specialist qualifications in the field of corporate project management, a world standard for professionals and companies. The programme will be continuing for the benefit of colleagues from other specialist areas.

Another initiative was the *Mediolanum Team Management* programme, targeted at all personnel responsible for team coordination, which will continue into 2016. The programme is focused on the development of human resources and team management skills.

Designed in partnership with *SDA Bocconi* with the specific needs of Banca Mediolanum in mind, the programme involves over 200 managers and team leaders and will see their direct staff and team members involved in analysing and sharing with their leaders best “*practices*” for achieving the common objective of growing professionally as individuals and improving department and interdepartmental processes.

Together with the project management programmes, this team management initiative represents a key investment in human resources to help fine-tune our cultural, training and methodological tools to the need to boost the organisation’s capacity and speed in responding to our Customers’ calls for innovation and development in products and services.

Also as regards the coordination and management of human resources, workshops were organised with a view to informing employees of the main features and changes introduced to staff performance assessment, management and development processes, giving them the opportunity to discuss items with managers.

The training modules available in the ambitious programme of training and refresher courses on financial and banking matters for specialist operating areas (banking services and loans in particular) were expanded, offering learning modules delivered both in the classroom and remotely. A structural overhaul was completed of the self-study modules available through the introduction of original self-study packages, designed to consolidate fundamental knowledge of banking, finance and insurance. In 2016 additional modules will be introduced to expand the offer of easily accessible basic support in the main thematic areas and specialist issues characterising our business.

Training and instruction for *Customer Care* units continued to be delivered,

focused on the transfer of technical-professional knowledge as well as on the company's strategic focus on delivering high service and care levels to Customers and the *Sales Network*, with all courses designed around the theme of "*caring for the Customer*".

Going forward, in 2016 a broad series of initiatives will be rolled out focused specifically on listening to and understanding the needs of Customers and the *Sales Network*, with the imperative placed on the strategic importance of improving the internal processes involved in service delivery.

Numerous initiatives were organised over the year in an effort to help staff learn and improve their language skills. Besides specific programmes targeted at company roles that most use the language, a wide range of activities were organised to create both informal and more specialised occasions for speaking English.

Growing prominence is being placed on the use of digital and social media for learning and training purposes (learning materials to support training, professional communities and project- and issue-focused communities) and on spreading awareness of and familiarity with the productive applications of these technological platforms.

These efforts will converge in the development of a "*digital education*" plan, paving the way for an in-depth overhaul of how training content is designed and delivered.

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT TOOLS

Various tools are deployed within the Group to support HR in managing and developing employee performance, in terms of meeting targets and employees' conduct and attitude in carrying out their work.

Performance Management encompasses all projects relating to the development and management of assessment processes designed to improve employee performance, and thus support our business.

Because of their different characteristics and the range of responsibilities assigned, assessment tools are necessarily differentiated by category: managerial, professional, coordination and operational.

All employees are subject to performance management over a 12-month cycle, with individuals assessed on their success in meeting a series of set expectations.

More and more emphasis is being placed on creating a work culture with a strong focus on performance, fairness and transparency. Performance assessment processes are being fine-tuned to ensure impartiality in judgements,

with training provided to HR heads and managers on the assessment and management of feedback.

The Bank has a *Job Posting* system in place, which it uses as an internal recruitment channel and career development tool. The system enables all employees to raise their profiles - in terms of CVs, aptitude and professional aspirations - in order to promote personnel growth, develop talent, enhance skills acquired and support all-round business skills by encouraging job rotation according to transparent and meritocratic criteria.

In 2015, 7 positions were filled by company employees through *Job Posting*. The process is organised in such a way that all employees can freely access the selection procedure by taking part in a series of tests and interviews tailored to the job requirements.

During the year, the *Job Posting* channel for the selection of internal personnel to cover positions vacant was extended to the *Customer Banking Centre* and the *Sales Support Centre* as a tool for identifying technical skills, as part of what has been dubbed "*Skill Posting*".

The objective of the new system is to encourage people to be more proactive and responsible in putting forward their names for positions, to make recruitment choices more transparent and to identify the people who best fit the profile of the job to be filled. Under the new system, personnel take a technical test designed by *Human Resources Training* to identify the most deserving candidates to be inserted in a training programme for the acquisition of specific new skills.

In 2015 seven *Skill Posting* rounds were held, attracting the participation of 242 candidates. On the basis of the aptitude test, 92 people were identified and inserted in the training programme offered.

COMPANY WELFARE

WELLMED PLAN

In keeping with the corporate culture promoted, and on the basis of a study of how to expand company welfare, in 2015 the *WellMED Plan* was introduced, an initiative that boosts employee engagement and the company's value proposition for people.

The *WellMED Plan* offers access to a basket of goods and services to permanent employees of the Group's Italian companies.

Employees that sign up for the plan are given a set amount of money by the

company to reimburse the cost of certain goods and services purchased for themselves or for their immediate family.

The plan is offered through the *Easy Welfare* platform, through which employees can sign up for the plan and select the goods and services they prefer. All the services offered to beneficiaries of the *WellMED Plan* are managed through the platform, which is integrated into the Group's IT systems.

A statistical analysis shows that in 2015, 96% of employees signed up for the plan through the company portal.

Services	% requests
FAMILY CARE AREA	0.0
Social worker services	0.0
EDUCATION AREA	27.5
Education	13.6
Refund of school books	6.9
Campus and study vacations	7.0
LEISURE AREA	21.7
Recreation, cultural activities, personal care	2.3
Sports activities	16.7
PleaseGiveWay (PGW)	2.7
VOUCHER AREA	50.8
Gift cards	49.3
Wonderboxes	1.6
TOTAL	100.0

EMPLOYER-SPONSORED SUPPLEMENTARY PENSIONS

Some time ago, the Group established a *Company Pension Fund*, available to all employees. The mechanism incentivises employees to enrol, as those employees (with “banking” contracts) who opt to pay their productivity bonus into the fund rather receive a cash payout will see their bonus increase. At the end of 2015, approximately 87% of middle managers and 89% of white collars had joined the scheme.

PROTECTION: SUPPLEMENTARY HEALTH INSURANCE

Supplementary healthcare is a benefit offered free of charge to employees (middle managers and white collars covered under banking, insurance and commerce contracts, hired on a permanent or apprenticeship basis). It includes coverage for a range of medical expenses, and in some cases can be extended to the employee’s family for an additional payment. In 2015, a total of 1,950 employees took up the benefit.

TAX ASSISTANCE

Again in 2015, a free tax assistance service - introduced several years ago - was offered to employees to help them file their annual income tax returns. This year, 1,395 employees took advantage of the service, 8% more than last year.

SPECIAL TERMS FOR PRODUCTS AND SERVICES

In 2015, even more favourable conditions were offered to employees applying for Group products and services, particularly on rates for mortgages and loans.

Employees may also take advantage of special terms for Group products and services, such as:

- > Mortgages;
- > Protection and life insurance products;
- > Current accounts;
- > Credit and personal loans;
- > Financial products and services (e.g. mutual investment funds and supplementary pension plans).

Moreover, a general advice service on savings and investments regarding the Group's products is available for employees and their families. The service is free and run by Group employees, known as '*Supporter di Sede*' (*Headquarters Support Service*).

Material aspects addressed: **Development of human capital; protection of human capital; industrial relations management.**

Developing the Family Banker® Network

FAMILY BANKER® TRAINING

The company believes that learning and training are fundamental for its *Sales Network*. All Family Bankers® are trained at the Mediolanum Corporate University, the educational arm of Banca Mediolanum established to develop excellence in Customer relationships, in financial advisory services and in household asset management.

LEARNING: AN INTEGRATED PROCESS

Training courses are developed based on an approach that integrates different teaching methods and tools in order to make learning as effective and as practical as possible. An advanced *Learning Management System* supports and facilitates self-directed learning. Self-study provides fundamental preparation prior to entering the classroom where all the ideas and knowledge acquired during the self-study phase turn into a shared experience. On-the-job training follows the training phase to put into practice what was learned in the training sessions.

TRAINING AND DRILLING: DIALOGUE AND SHARING

Below we report the main initiatives and figures characterising training in 2015 for the Bank's *Sales Network*.

The *Master in Family Banking*, designed together with the *Faculty of Banking, Financial and Insurance Sciences at Università Cattolica del Sacro Cuore*

entered its second year of coursework. The quality of the instruction is guaranteed by a teaching body made up of tenured professors from the *Università Cattolica*, combined with contributions from managers at Banca Mediolanum and leading professionals in the industry. The Master programme aims to build and maintain high levels of specialisation in finance, strengthen skills involved in wealth management and financial planning, expand understanding of succession management and leverage social skills, which are essential for building robust and trusting Customer relationships while guaranteeing a top-class advisory service.

In addition to normal training activities, *Mediolanum Business Meetings* - which are held every two weeks and cover the entire Family Banker® Network - also continued in 2015. The meetings are designed to inform the Bank's sales network of issues relating to new market scenarios and company strategy and also provide an in-depth understanding of the technical and commercial features of products and services sold. Moreover, the same cycle of meetings has also continued for our professional Global Bankers, distinguished by a different level of training on some topics and the frequency of meetings, which in this case is monthly. As regards the training of the team of trainers selected to carry out the programme, focus continued to be placed on improving technical and communication skills, which in 2015 involved monthly appointments in both the classroom and on digital channels (webinars and corporate TV). A total of 4,083 Family Bankers® participated in the Mediolanum Business Meetings either in person or remotely, providing 177,702 hours of classroom-based training across Italy.

Since 2011, Banca Mediolanum has worked alongside the *Sales Network* to provide Family Bankers® with training courses leading to the *EFPA Certification*, both at *European Financial Adviser* (EFA) and *European Financial Planner* (EFP) level. Seven rounds were held in 2015, one of which for the advanced level EFP. At the end of December 2015, there were 187 EFA-certified Family Bankers® at Banca Mediolanum, plus 42 with EFP certification, totalling 229 EFPA-certified Family Bankers®.

As part of efforts to develop knowledge in financial matters, a series of conventions were organised entitled "*Bond Markets: What We Know - The Right Perspective*". The conventions provided technical insight into our knowledge of bond market dynamics and looked at issues relating to behavioural finance, with a view to strengthening interpersonal skills so as to deal suitably with Customer expectations. A total of 2,052 Family Bankers® took part in the 11 conventions, held across all of Italy.

The important role that MCU faculty lecturers play in delivering training continued to be recognised in 2015 through the emphasis placed on the selection and training of lecturers. Targeted training was provided to lecturers in relation to the different types of courses offered, aimed at strengthening both technical knowledge and relational skills to improve classroom communication and management.

TRAINING IN 2015

In 2015, a total of 602,932 hours of training were provided, an increase of 40.12% on the 2014 figure. More specifically, classroom training hours rose by 7% while online training grew by 130.33%, largely due to the increase in self-learning modules accessed through the *MyFreedom* platform, for digital applications for banking services, through the *iMonitor* platform, for portfolio analysis, and through the *MyEvents* platform, for the management of local events. Other training delivered online focused on issues connected with developments in the regulatory framework, in particular *MiFID*, *Voluntary Disclosure*, and *IVASS*.

TOTAL TRAINING HOURS	2015	2014
Total Classroom Hours	336,781	314,762
of which MCU classroom	55,677	49,481
Total Online Hours	266,151	115,550
TOTAL	602,932	430,312

A total of 262,164 hours of training were delivered in connection with “*Technical, Professional and Product Training*” (+7.75% vs. 2014). Over the years, specialist training in connection with products and services has been increasingly integrated with technical finance and macroeconomic units of study, also in an effort to respond to the needs expressed by the *Sales Network*. With reference to managerial training, in 2015 a total of 27,879 hours of training were delivered, showing a drop on the previous year’s

figure. Managerial training refers to specialist training courses focused on strengthening interpersonal and communication skills as well as the managerial skills needed to help new hires settle in and start their careers. In consideration of the professional context and future scenarios, in 2015 the manager training programme continued to be the focus of a redesign initiative aimed at creating more of a proper management school, with a view to boosting the technical knowledge and managerial skills Group managers need in their role as leaders.

In relation to training on regulatory compliance, a total of 294,361 hours were delivered in 2015, showing a sharp increase on the previous year (+121.15%) which was driven by the reasons explained above. Training on digital media and tools saw a total of 18,527 hours delivered, a figure in line with the total for 2014.

TRAINING HOURS BY CATEGORY	2015	2014
Technical, professional and product training	262,164	243,313
Managerial training	27,879	35,945
Regulatory compliance	294,361	133,107
Digital media and tools	18,527	17,947
TOTAL	602,932	430,312

Family Bankers® are trained by a faculty of 148 lecturers, with courses delivered both at the *Milano Tre* headquarters and at other venues across Italy.

PREPARATION FOR THE STATE EXAM FOR CHARTERING AS A FINANCIAL ADVISOR

A significant increase in candidates for the exam (+21.5%) from the market was recorded over 2013-2015, primarily due to changes in the traditional concept of banking, in particular in branch operations, which are bringing greater flexibility and driving Customers to be more involved in banking, especially through the full digitalisation of banking services. These changes have determined the need for the professional reskilling and retraining of bank staff across the industry, which has brought the number of candidates interested in chartering as financial advisors to grow significantly.

Over the same period, the number of aspiring candidates prepared by Banca Mediolanum has instead fallen, reflecting the growing and more scrupulous attention focused by the Bank in recruiting people of the highest professional standard.

In 2015, 92.11% of candidates from Banca Mediolanum passed the state exam (up 2.86 percentage points on the 2014 figure and as many as 8.27 percentage points up on 2013) compared to a nationwide average of 42.98%. Such a strong pass rate reflects the quality levels reached by the Bank in its training programme, the efforts dedicated to preparing candidates, the scrupulous training methods adopted and the focus of management in selecting suitable candidates for the exam.

SATISFACTION LEVELS OF FAMILY BANKERS®

In 2015 GFK Eurisko surveyed Family Bankers® to gauge their satisfaction with the quality of the training programmes provided to the network. The results show, once again, top level satisfaction compared to peers, underscoring the attention Banca Mediolanum invests in its Family Bankers®.

	Total market 2015	Banca Mediolanum 2015	Banca Mediolanum 2014
Training quality and effectiveness	3.32	3.59	3.58

Source: GfK Eurisko, 2015

FAMILY BANKER® RECRUITING

Focusing mainly on professionals from the banking and financial sectors, Banca Mediolanum confirmed its strategic decision to invest in qualitative improvement. Professional background and experience once again was the crucial element in the recruitment of new Family Bankers®.

The Department responsible for achieving these objectives aims - through management teams both at headquarters and locally - to support the far-reaching work of the *Local Managers*, who are directly responsible for growth.

In particular, the *Headquarters Team* - which reports directly to the *Sales Department* - works to provide innovative support and suitable tools to ensure the efficient functioning of the recruitment process. It also works alongside and trains the managers responsible and all those involved in the recruitment process.

Last year was characterised by a significant focus on candidates with a proven market of existing contacts, totalling 173 new Family Bankers®, of whom 99 from the banking and financial sector.

To meet market requirements, new types of contracts have been introduced for bankers and advisors from other sales networks, to ensure greater transparency and make the working relationship more durable and fruitful.

Other than these contracts, themed events were organised during the year with the active involvement of senior management, to improve candidates' familiarity with Banca Mediolanum's core cultural and business values.

Tools have been created to help bankers interested in chartering as financial advisers throughout the training and examination period.

Increasing the size of the Family Banker® Network remains a Group-wide strategic objective for Banca Mediolanum.

Satisfaction with initial training and development across the network was surveyed in 2015 by GFK Eurisko. The results reflect the overriding commitment of Banca Mediolanum to the professional development of its Family Bankers®.

	Total market 2015	Banca Mediolanum 2015	Banca Mediolanum 2014
Initial training and career development	3.16	3.29	3.28

Source: GFK Eurisko, 2015

Material aspects addressed: **Customer's centrality; Customer's protection; business innovation; transparent marketing and communication; responsible finance and SRI.**

3.5

Responsibility towards the community



Banca Mediolanum promotes a global approach in supporting community development through a wide range of initiatives embodying the principles of sustainability and sharing value. This commitment is conveyed through a variety of means, including:

- > promotion of an ethical approach in all stakeholders of Mediolanum Group through specific programmes organised by Mediolanum Corporate University;
- > support through Banca Mediolanum products and services;
- > initiatives for Customers and personnel in need;
- > partnership with the Mediolanum Foundation NPO;
- > focus on the environment and the consumption of resources;
- > responsible procurement policies.

Banca Mediolanum's social commitment

A **social commitment** survey (solidarity and humanitarian aid projects, local socio-cultural initiatives, assistance for Customers in need, socio-economic development of local companies) shows that 78.1% of the 916 people surveyed believe that Banca Mediolanum is committed to social welfare and development. The percentage is higher than both for *"traditional banks"* (59.6% of 521 people surveyed) and for *"online banks"* (63.7% of 402 people surveyed).

The Customer Satisfaction Survey conducted by Doxa showed that Banca Mediolanum's social commitment is highly rated by Customers, at a level that is decisively greater than for *"traditional banks"* and *"online banks"*.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Social commitment	78.1	59.6	63.7

Source: Doxa, 2015

MEDIOLANUM CORPORATE UNIVERSITY

Mediolanum Corporate University is Banca Mediolanum's educational arm, established to safeguard and pass on the values that have made the Bank the eminent company it is today. A business within a business that develops leading professionals expert in Customer relations, family wealth and succession planning, financial advice and asset management. With a staff of 134 lecturers, consisting of managers, corporate consultants and university lecturers, Mediolanum Corporate University is an important point of reference for:

- > Banca Mediolanum's Family Bankers® and employees, in their ongoing professional development and personal growth;
- > Banca Mediolanum's Customers - or even just savers and investors - to improve their economic and financial literacy;
- > universities and the academic world, for exploring issues around market trading, sales and Customer relationship management;
- > the company's partners and all those who have ties with the Mediolanum Community.

The Mediolanum Corporate University campus is in Basiglio (Milan, Italy), where Banca Mediolanum has its headquarters. More than 4,000 square meters set aside for students, with spacious classrooms, a museum - where the Bank's origins are conserved - and a *Media Library*, which holds a large collection of texts and videos from around the world, using advanced multimedia equipment. Moreover, to let information learnt during the day sink in and to prepare for the next day's studies, the *Mens Sana* space has been created: the perfect place to find harmony between mind and body.

CENTODIECI

At Banca Mediolanum we firmly believe that sharing values, experience and knowledge is the most effective way for individuals, relationships and hence the company itself to grow and develop.

Centodieci is a project by Mediolanum Corporate University, designed to offer managers, entrepreneurs and students the resources and tools needed to innovate in business. *Centodieci* is an open space to encourage thought, dialogue, learning, stimulus and inspiration, an initiative to export the core values endorsed by Banca Mediolanum so that they can be acquired and be of benefit

to all in nurturing knowledge. *Centodieci* revolves around the importance of human capital - change is only possible if it is truly desired and if the right tools and stimuli are provided to create the best conditions for change.

The *Centodieci* project has been developed through two channels:

- > local events, special opportunities for learning and experience, featuring the participation of speakers and guests who embody the values of Banca Mediolanum;
- > *Centodieci.it*, an online magazine presenting all the initiatives and events connected with the project and featuring a forum for cultural exchange in the form of a blog, with posts focused on the topics of innovation, technology and values that apply across the company.

Many illustrious guests have taken part in the *Centodieci* project, illuminating us all with their revolutionary ideas and efforts. They have included the American physician and activist Patch Adams, the dancer, writer and painter Simona Atzori, and the highly successful Italian entrepreneur Oscar Farinetti. All the guests are role models of excellence and the embodiment of the values and ideals promoted by Banca Mediolanum. The guest of honour in autumn 2015 was Sammy Basso, an exceptional young man who at almost twenty years of age has shown the drive and determination to realise so many of his dreams, thanks also to the support of his parents Laura and Amerigo. Sammy suffers from Progeria, an extremely rare disorder that cause premature ageing. He is one of just a hundred sufferers in the world, but without a doubt one of the most determined to live life in all its glory.

CENTODIECI 2015: OUR MODELS OF EXCELLENCE

Four *CENTODIECI* formats were produced in 2015, dealing with topical issues such as the use of social media, technological innovation, marketing scenarios and new paradigms, as well as insights into communication and listening techniques. Over 43,500 existing and Prospective Customers attended the 145 sessions held, for over 290 hours of events.

Inspiration, Change, Progress and Sharing are the values that the *Centodieci* open space initiative puts into practice, dedicated to all those who strive every day to become overachievers.

	Total events	Total hours delivered	Total attendees
Centodieci is Inspiration: special people with unique values. Encounters with people who are changing the course of history or who, through their life experiences, represent role models of excellence, invited to share their values and ideas with Mediolanum.	41	82	12,300
Centodieci is Change: thoughts for the third millennium. In "Centodieci is Change", Oscar Montigny, Director of Marketing, Communications and Innovation at Banca Mediolanum, talks about his concept of Economics 0.0, new paradigms, the digital revolution, marketing and technological innovation.	7	14	2,100
Centodieci is Progress: science at the service of the future. A conference addressing issues of economics and finance through the lens of progress and technology.	65	130	19,500
Centodieci is Sharing: the digital revolution transforming relationships. A seminar focused on social networks as an indispensable business tool and new approach to interaction.	32	64	9,600

BANCA MEDIOLANUM’S COMMITMENT TO SOCIO-CULTURAL INITIATIVES

The Customer Satisfaction Survey conducted by Doxa also showed that Banca Mediolanum’s commitment to local socio-cultural initiatives is highly rated by Customers, at a level that is decisively greater than for “*traditional banks*” and “*online banks*”.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Banca Mediolanum is committed to socio-cultural initiatives in the areas in which it operates	78.0	62.0	60.7

Source: Doxa, 2015

Material aspects addressed: **Community support.**

Support through Banca Mediolanum's products and services

MICROFINANCE

Banca Mediolanum S.p.A. and the Mediolanum Foundation NPO have two key agreements in place, one with the *San Bernardino Foundation* (in 2009) in Lombardy, and one with the *Fondazione San Gaudenzio* (in 2013) in Novara, Italy. These charities provide help and support to vulnerable individuals and families struggling with debt, with the aim of preventing them from turning to loan sharks. Under the agreements, the Bank provides low-income individuals and/or people living below the poverty line access to loans to help them through difficult times and improve their quality of life (or at least maintain it). Both foundations work with the *Caritas* organizations of the respective dioceses, which rely on local *Church Counselling Centres* to identify the needs of vulnerable families with children. Volunteers qualified in the financial sector provide assistance to these individuals.

The Bank bears the full credit risk associated with the loans. The Mediolanum Foundation NPO, in line with its mission, gives guidelines to favour the granting of loans to financially vulnerable single mothers.

Thanks to the revolving loan funds set up by the Bank, since the start of the agreements 59 loans have been granted, for a total of €451,000, at 31 December 2015.

CENTS THAT COUNT

"*Cents that Count*" is a Banca Mediolanum's initiative that gives its Customers the option of donating the cents from the balance of their current account - provided it is in credit - to the Mediolanum Foundation NPO. Donations are automatic and take place on the third working day of the month.

The initiative covers retail, professional, time deposit and card accounts. The sums donated are earmarked by the Mediolanum Foundation NPO to support aid projects for children living in poverty in Italy and around the world, involving concrete actions in the fields of schooling, health care, welfare, research and the rights of children.

At 31 December 2015, the option was taken up on 12,653 accounts (+79% on 2014) and generated a total of €51,365.80 in donations for the year.

The initiative has enormous potential since only about 2% of target current accounts have activated the option so far.

Material aspects addressed: **Corporate identity and responsible business; financial inclusion.**

BASIC ACCOUNT

Basic accounts are designed for disadvantaged socio-economic groups. The initiative was developed in partnership with the *Ministry of the Economy and Finance, the Bank of Italy, the ABI, Poste Italiane* and associations of payment service providers.

INITIATIVES FOR CUSTOMERS AND PERSONNEL IN NEED

Bank policy at Banca Mediolanum is to support its Customers and personnel not only with financial services and advice but through solidarity initiatives that certainly cannot be said to be typical of Italian banks. Those initiatives have involved concrete action to help populations tragically affected by natural disasters, in particular:

- > Storms, March 2015;
- > Veneto tornado, 8 July 2015;
- > Storms, August 2015 (Calabria/Tuscany);
- > Storms, September 2015 (Piacenza/Liguria);
- > Storms, Autumn 2015 (Campania/Sicily).

In response to the emergencies, Banca Mediolanum allocated a total of €1,750,000 to help the families of its Customers and Family Bankers® that suffered financial loss and material damage to their family homes and contents, as well as to other registered property.

Additionally, it offered the following assistance:

- > the option of suspending mortgage and loan payments for 12 months;
- > preferential credit lines;
- > a 1% reduction in existing mortgage and loan rate spreads for 24 months;
- > cancellation of all current account and time deposit fees for 24 months.

Donations to Customers and Family Bankers® affected by natural disasters in previous years totalled €567,700 in 2015, benefiting 174 Customers. The donations were distributed as follows:

- > Sardinia floods, 2013: 63 Customers for a total of €126,500;
- > Lunigiana earthquake, 2013: 11 Customers for a total of €43,500;
- > Autumn/winter floods, 2013-2014: 39 Customers for a total of €177,600;
- > Marche floods, 2014: 11 Customers for a total of €59,500;
- > Central-northern Italy floods, 2014: 50 Customers for a total of €160,600.

Banca Mediolanum's support for Customers in need

Banca Mediolanum's support for Customers in need is highly rated by its Customers.

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Banca Mediolanum supports its Customers in times of need	76.5	55.7	64.5

Source: Doxa survey, 2015

Material aspects addressed: **Corporate identity and responsible business; community support.**

Partnership with the Mediolanum Foundation NPO



The Mediolanum Foundation NPO was established in 2002 with the objective of promoting, developing and implementing the social initiatives pursued by Mediolanum Group. In 2012 the Mediolanum Foundation attained the status of non-profit organisation, thanks to which it can organise fund-raising initiatives to help as many children as possible in Italy and around the world.

MISSION, OBJECTIVES AND ACTIVITIES

The objective of the Mediolanum Foundation NPO is to support projects for disadvantaged children to educate them on freedom, empowering them to be the free adults of tomorrow.

The foundation supports projects dealing with basic education, learning a trade and fulfilling primary needs such as food, shelter, medical care and vaccinations. In this way the foundation has helped dozens of children to become independent adults and live a life of freedom based on the universal values of the individual, while respecting local cultural traditions and religious beliefs.

DONATIONS AND FUND-RAISING

MEDIOLANUM GROUP DONATIONS

During the year, the Foundation benefited from the Group's regular donations, which allow it to continue its work as a funding body, selecting and financing partners' projects for children in need.

In 2015, a total of €550,000 was donated to the foundation (+8% vs. 2014).

5/1000 DONATIONS

In November 2015, the Mediolanum Foundation NPO received €72,629.58 from the *Italian Revenue Agency* for taxpayers' "0.5% donations to recognized associations and foundations" of their choice (+16% vs. 2014).

EVENTS

Through the sports events, *Centodieci* conventions and commercial initiatives sponsored by Banca Mediolanum, the foundation raised a total of €125,689 during the year (+30% vs. 2014).

HOLIDAYS

During major holidays (Christmas and Easter), the foundation organizes fund-raising events involving Group employees.

Thanks to these initiatives, a total of €105,003 in funds were raised over the year (+87% vs. 2014).

SPONTANEOUS DONATIONS ONLINE AND VIA BANK TRANSFER

Thanks to communication campaigns promoting the foundation's projects on the Foundation website, the Banca Mediolanum's website and social media networks (Facebook and Twitter), a total of €69,852.19 was raised during the year.

SMS SOLIDARITY CAMPAIGN

The *SMS Solidarity* campaign raised a total of €27,943 in funding.

OTHER FUND-RAISING INITIATIVES

Other fund-raising initiatives promoted during the year raised as much as €41,176.71 in donations.

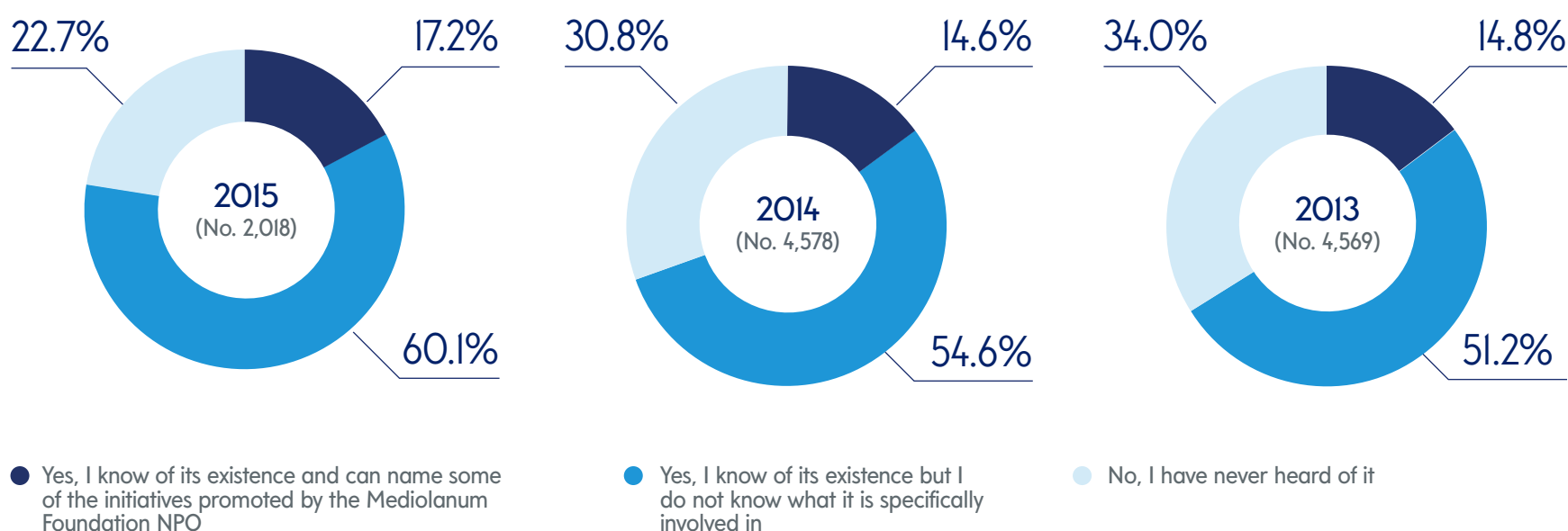
Fund-raising - Overview

Donations and fund-raising (€)		2015	2014	% change
Mediolanum Group	Donations	550,000	510,000	8
Italian Revenue Agency	5/1000 donations	72,630	62,738	16
Direct fund-raising	Events	125,689	96,658	30
	SMS Solidarity	15,766	45,690	-65
	Holidays	105,003	56,413	86
	Cents that Count	51,366	3,740	1,273
	Transfers and PayPal	69,852	7,822	793
	Other initiatives	41,177	25,034	64
TOTAL		1,031,483	808,095	28

Funds raised were earmarked by the foundation for projects in Italy and the rest of the world in near equal proportion (48.7% vs. 51.3%).

The Mediolanum Foundation NPO's social commitment

According to the findings of a Doxa survey conducted in 2015, awareness of the Mediolanum Foundation NPO and its work has grown over the last two years.



Banca Mediolanum's commitment to solidarity and humanitarian aid projects

A survey conducted by Doxa in 2015 found that 81.4% of the 916 people surveyed believe that *"Banca Mediolanum is committed socially to supporting solidarity and humanitarian aid projects"*.

The figure is much higher than both for *"traditional banks"* (61.4% of 521 people surveyed) and for *"online banks"* (65.1% of 402 people surveyed).

	BANCA MEDIOLANUM	TRADITIONAL BANKS	ONLINE BANKS
Banca Mediolanum is committed socially to supporting solidarity and humanitarian aid projects	81.4	61.4	65.1

Source: Doxa, 2015

Material aspects addressed: **Corporate identity and responsible business; community support.**

Environmental protection

The significance of the environmental impact that all the activities undertaken by the Group and its employees generate at every level has led to a number of concrete initiatives and projects aimed at reducing consumption and waste (e.g. energy, paper and water) as well as encouraging employees to adopt environmentally friendly behaviour.

RAISING EMPLOYEE AWARENESS AND RESPONSIBILITY

The Group's eco-friendly approach is a daily reality at headquarters, thanks to a series of simple practices that have allowed the Group to significantly cut costs and reduce its environmental impact, as well as help employees acquire more environmentally aware habits in the workplace. Specifically, some of the well-established practices that have been continuously improved over the years are:

- › using copiers' energy-saving features, i.e. the auto shut-off mode;
- › reducing paper consumption by using copiers as centralized printers and scanners as well as for e-mail (sending documents directly via e-mail);
- › setting multifunction copiers to print front and back by default to reduce paper use;
- › placing toner cartridge and paper recycling bins on all floors;
- › encouraging employees to use electronic alternatives to paper-based forms of communication.

FOCUSED TECHNICAL SYSTEMS AND INTERVENTIONS

In 2009, two tri-generation plants were installed at the *Milano Tre City* headquarters for the independent production of electricity, heating and cooling, through the use of co-generators and reversible gas-absorption heat pumps. The plants are fuelled by natural gas and provide self-generated electricity for daily consumption (e.g. lighting, PCs, motive power). The system consists of two separate, independent units positioned on the roofing of the *Meucci-Galvani* and *Galeno-Fermi* buildings.

The use of the system in 2015 alone covered:

- > 48.78% of electricity consumption;
- > 100% of heating needs;
- > partial coverage of air conditioning.

To improve the efficiency of the plants, electrical connections were installed from the two units to the *Archimede and Galilei* buildings and the company day care centre. Apart from providing self-generated electricity, these connections also enable the continuous coverage of 100% of workstations (UPS and engine-generators).

In 2015, the tri-generation plants produced 5,182 MWh of the 10,622 MWh of energy consumed and heated all the water needed for the heating system, with an estimated 3,100 million Mcal not used of the 5,100 million Mcal needed for the entire company complex.

Thanks to this, the company was in a position to apply for *Energy Efficiency Certificates* (or *White Certificates*), issued by the *Energy Markets Operator* on the authorisation of the *Electricity and Gas Authority*. The certificates are documents attesting that energy savings have been attained through the application of efficient technologies and systems.

The Group places major focus on reducing energy consumption. In 2015 targeted measures were introduced whose benefits were felt partially in 2015, with more expected throughout 2016. Besides reducing energy costs, the measures have improved the micro-climate of the buildings and delivered further reductions in carbon dioxide emissions in the atmosphere.

In 2014 a first trial was conducted in the *Galvani Building* of a primary air flow system on the floors which uses probes to measure the amount of carbon dioxide in the environment and open and close accordingly the modulation shutters which adjust (through the use of inverters) the speed of the air flow fans. The system, extended in 2015 to part of the fourth floor of the *Meucci Building*, has brought benefits to the environment and reduced electricity consumption.

At the end of 2014, a project was rolled out for the installation of inverters on the recirculation pumps of the air-conditioning system in the *Meucci Galvani Building*. The benefits of the projects, in terms of savings, were seen throughout 2015.

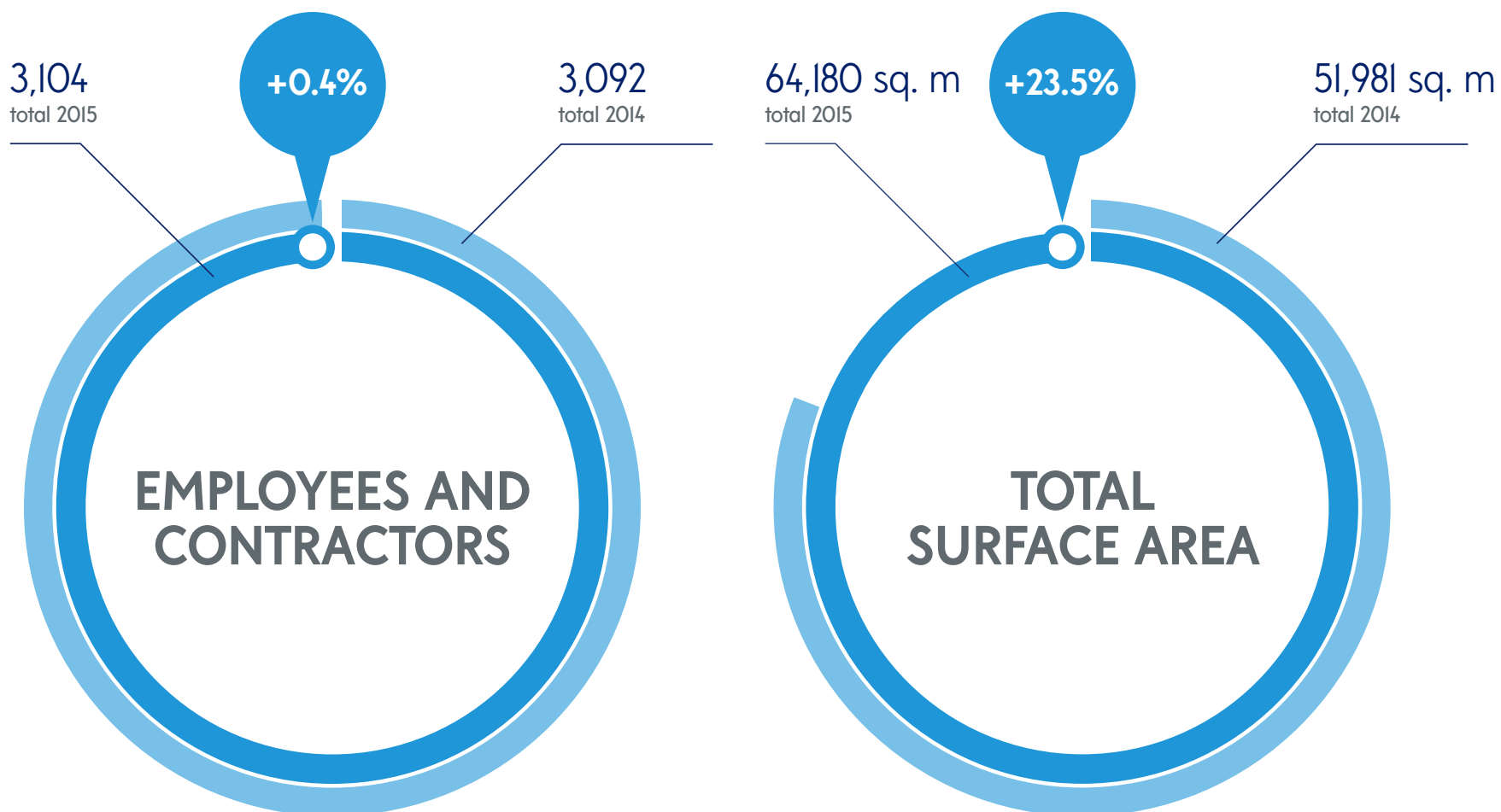
In November 2015 a new lighting system that uses LED lamps was installed in the *Pitagora Building*. The system automatically adjusts the amount of light produced on the basis of external light levels and features sensors that adjust or switch on lights when people are present.

In mid 2015, following the purchase of the *Archimede Pitagora Building*, the existing air refrigeration machine (using R22 gas which is now banned) was replaced with an air condensing unit, thereby improving the efficiency of the air conditioning system.

At the end of 2015, a refrigeration machine with heat pump was installed in the *Pitagora Building* so as to eliminate the need for heating to be supplied through the district heating grid. The building is this now autonomous and electricity consumption is expected to fall thanks to the removal of the conditioning unit needed to adjust temperatures to more comfortable levels. The benefits will be seen in 2016.

ENERGY CONSUMPTION

In 2015, the total area assessed was 64,180 sq. m, a 23.5% increase on the total surface area assessed in 2014. As a result, the consumption figures reported in the following tables are higher, but substantially in line with the previous year when the change in surface area is taken into account. The company population, including employees, students at the Mediolanum Corporate University, the *Lombardy Division* office and the company day care centre, was estimated at 3,092 for 2014 and 3,104 for 2015 (+4%).



Note: Values refer to the *Basiglio - Milano Tre* headquarters

Electricity

	2015	2014	% change
Total consumption (kWh)	10,622,918	8,559,938	24.1
Yearly consumption/sq. m (kWh/sq. m)	165.5	164.7	0.5
Yearly per-capita consumption (kWh/employee)	3,422	2,768	23.6

Heating from natural gas

Fuel	2015	2014	% change
Total consumption (m ³)	1,478,623	1,380,656	7.1
Total consumption (GJ)	51,826	48,392	7.1
Per-capita consumption (GJ/employee)	16.7	15.7	6.7
Consumption/sq. m (GJ/sq. m)	0.81	0.93	-13.3

The data reported in this section refer to buildings at the Basiglio - Milano Tre (Milan) headquarters of Banca Mediolanum.

SUSTAINABLE MOBILITY

Headquarters in Basiglio is connected to Milan (*Famagosta* and *San Donato* subway stops) by a shuttle service. This service was used by 394 employees on average per day in 2015, out of a population of approximately 3,000 people. The cost of the shuttle is paid by the company and is provided by a private transportation service that connects the Basiglio headquarters with Milan and San Donato.

The use of public transportation to get to work was incentivised by an agreement with ATM - *Azienda Trasporti Milanesi*, the public company responsible for public transportation in Milan - regarding special rates for annual passes. Group employees purchased 134 ATM urban passes in 2015.

Our commitment to sustainable mobility led to the installation, in 2015, of 5 rapid charging stations for electric vehicles, as part of investments in a zero environmental-impact project.

In 2015, the number of cars in the Group's fleet increased with respect to the previous year (115 cars this year versus 109 in 2014).

The fleet consists of vehicles with low CO₂-emission engines, diesel cars fitted with next generation diesel particulate filters, and alternative energy vehicles. Almost the entire fleet consists of vehicles meeting Euro 5 or Euro 6 standards. At the end of 2015, the fleet was expanded to include a fully-electric car and a hybrid car, to be used for company transport services.

The group's overriding focus on minimising fuel consumption and environmental emissions can be seen in the company's new fleet policy, which introduces maximum limits on both CO₂ emissions and mileage and gives preference to alternative energy vehicles, hybrid cars, electric cars and other environmentally-friendly vehicles when new vehicles are added to the fleet.

Travel expenses (€)

	2015	2014	% change
Fuel	330,323	350,461	-5.7
Car rental	1,475,672	1,462,612	0.9
Bus	479,356	448,968	6.8

In the second half of 2015, the fleet's traditional fuel cards were replaced with a new *DKV Card*, which, in line with the company's sensibility for green issues, actively sponsors duly certified environmentally sustainable projects. Users of the card will be shown and informed of the projects over the year.

Alongside the decision to adopt the *DKV Climate Card*, an agreement was signed with the non-profit organisation *MyClimate* in an active effort

to reduce and offset CO₂ emissions in the atmosphere. Documents certifying the contribution made to cutting CO₂ emissions will be released. The sustainable mobility initiatives adopted by Banca Mediolanum over the last year have had a positive impact on reducing the emissions generated by the company's fleet.

Fleet emissions - SCOPE 1 (tons CO₂ eq.)

2015	2014	% change
522	554	-5.8

Source of emission factors: ABI Lab 2016.

SUPPLIER SOURCING PROCESS AND PURCHASING METHODS

The *Purchasing Department* assists the entire organisation in searching for, identifying and purchasing the goods and services needed to run the business. The Department is in charge of keeping the *Register of Suppliers*, comprising suppliers with which the company has an ongoing relationship for the provision of goods or services. Suppliers are invited to register on the platform, providing their company details, before moving on to the second step of providing full information on services provided and their business, including key references. Using the *Official Register*, the *Department* is also responsible for monitoring and assessing supplier performance on a regular basis, both in terms of commercial and technical performance and based on Key Performance Indicators. Market searches are conducted on a periodic basis to identify and assess alternative suppliers. To purchase goods and services, the Department uses tender processes which follow internal policies (approved by the *Board of Directors*) and operational regulations. With strategic and major suppliers, regular meetings are held to review the quality of services provided.

The entire process of the procurement of goods and services was automated so that all phases of the activity could be monitored; it includes carefully analysing and assessing the technical and financial offers based on a Scoring Model containing technical, financial and contractual criteria to identify the best option. The *Purchasing Department* and other departments identified by internal regulations are also responsible for negotiating contracts in accordance with the provisions of law, regulations in force and industry rules applicable to the individual types of contracts.

Lastly, the *Banca Mediolanum's Procurement Department* joined ABC (*Asset Banking Consortium*), the *Consortium* that assists banks in identifying best practices for continuous improvement and better management of the purchasing process.

SUPPLIER RELATIONSHIP MANAGEMENT POLICIES

The Mediolanum Group attributes great value to its suppliers and the role they play. Accordingly, it makes great efforts to build strong and constructive long-term relationships with current and potential suppliers. These relationships are based on the values and principles of lawfulness, transparency, fairness and loyalty, in compliance with the corporate social responsibility criteria contained in the Sustainability Report and the requirements imposed by Model 231/01 (i.e. the *Organization and Management Model*) and the *Code of Ethics*.

At 31 December 2015, the Group had approximately 2,183 suppliers. The provision of services was particularly concentrated in the following areas: information technology, systems and maintenance, marketing and communications and consultancy.

Suppliers are carefully selected and closely monitored, so as to find the best overall option available on the market. Moreover, the Group selects (or retains) its suppliers based on their financial solidity as well as other criteria, such as:

- > service quality;
- > absolute reliability;
- > assistance and prompt delivery of their services;
- > responsible and ethical behaviour, also concerning the environment and the community at large.

Material aspects addressed: **Corporate identity and responsible business; energy and climate change; purchase and consumption of sustainable products; procurement policies and supplier assessment.**

ANNEXES



The information and data reported in these annexes add to the information provided in the body of this report, following the sections listed in the Contents page.

1. Profile

1.2 Structure of the Group

Group companies that distribute and design Mediolanum products

The Group's retail banks that provide products and services to Customers are:

Banca Mediolanum S.p.A.
headquartered in *Basiglio-Milano Tre*
(Milan, Italy)

Banco Mediolanum S.A.
headquartered in Barcelona (Spain)

Bankhaus August Lenz & Co. AG
headquartered in Munich (Germany)

The Group companies that design and manage products are:

Mediolanum Gestione Fondi SGR p.A.
headquartered in *Basiglio-Milano Tre*
(Milan, Italy)

Mediolanum Vita S.p.A.
headquartered in *Basiglio-Milano Tre*
(Milan, Italy)

Mediolanum Assicurazioni
headquartered in *Basiglio-Milano Tre*
(Milan, Italy)

Mediolanum International Funds Ltd,
Mediolanum Asset Management Ltd and
Mediolanum International Life Ltd
headquartered in Dublin (Ireland)

Gamax Management AG
headquartered in Luxembourg

Mediolanum Group workforce

Category (No. people)	2015	2014
Employees	2,556	2,510
Italy	2,169	2,137
Abroad	387	373
Family Banker® Network	5,224	5,195
Italy	4,387	4,386
Abroad	837	809
TOTAL	7,780	7,705

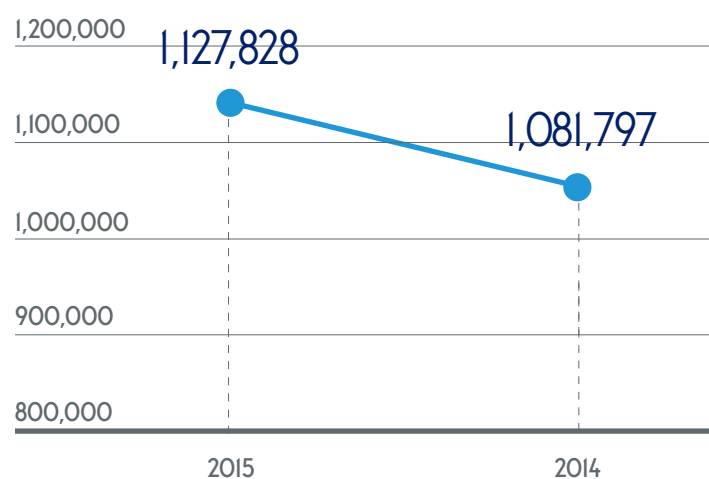
2. Corporate identity and responsible business

2.3 Stakeholder engagement

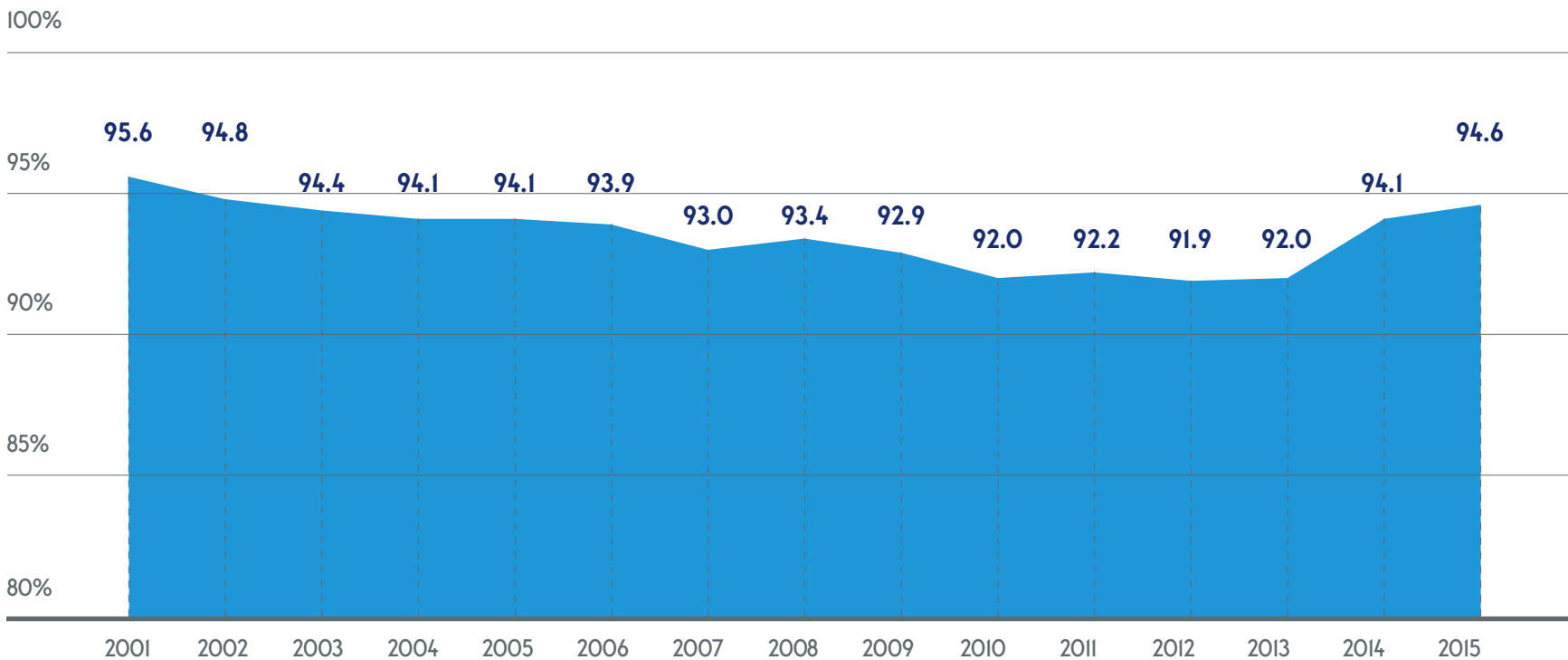
Additional information to that provided in the main body of this report is provided below in relation to engagement initiatives targeting the various stakeholders of Mediolanum Group.

CUSTOMERS

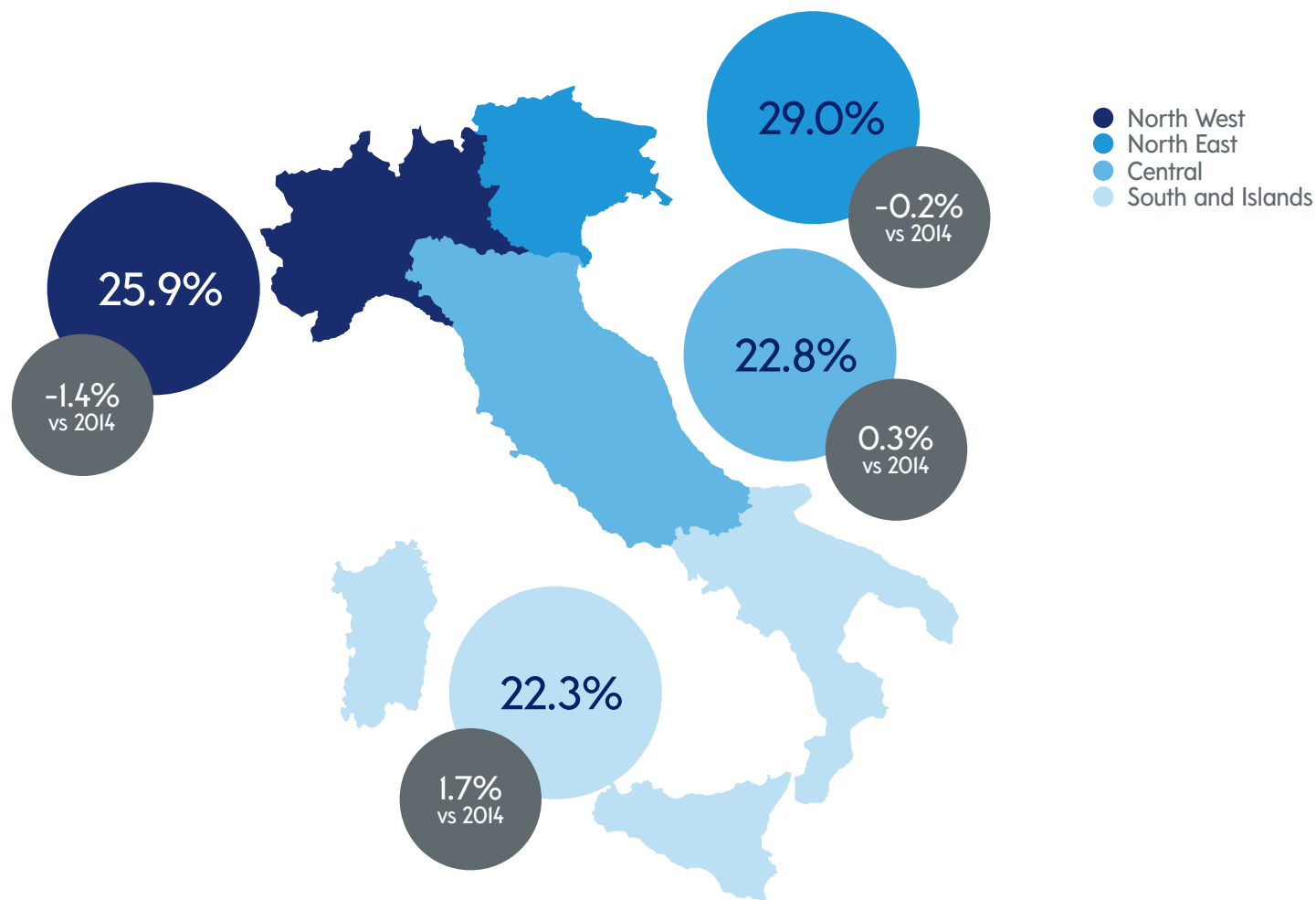
Total number of Customers (natural and legal persons)



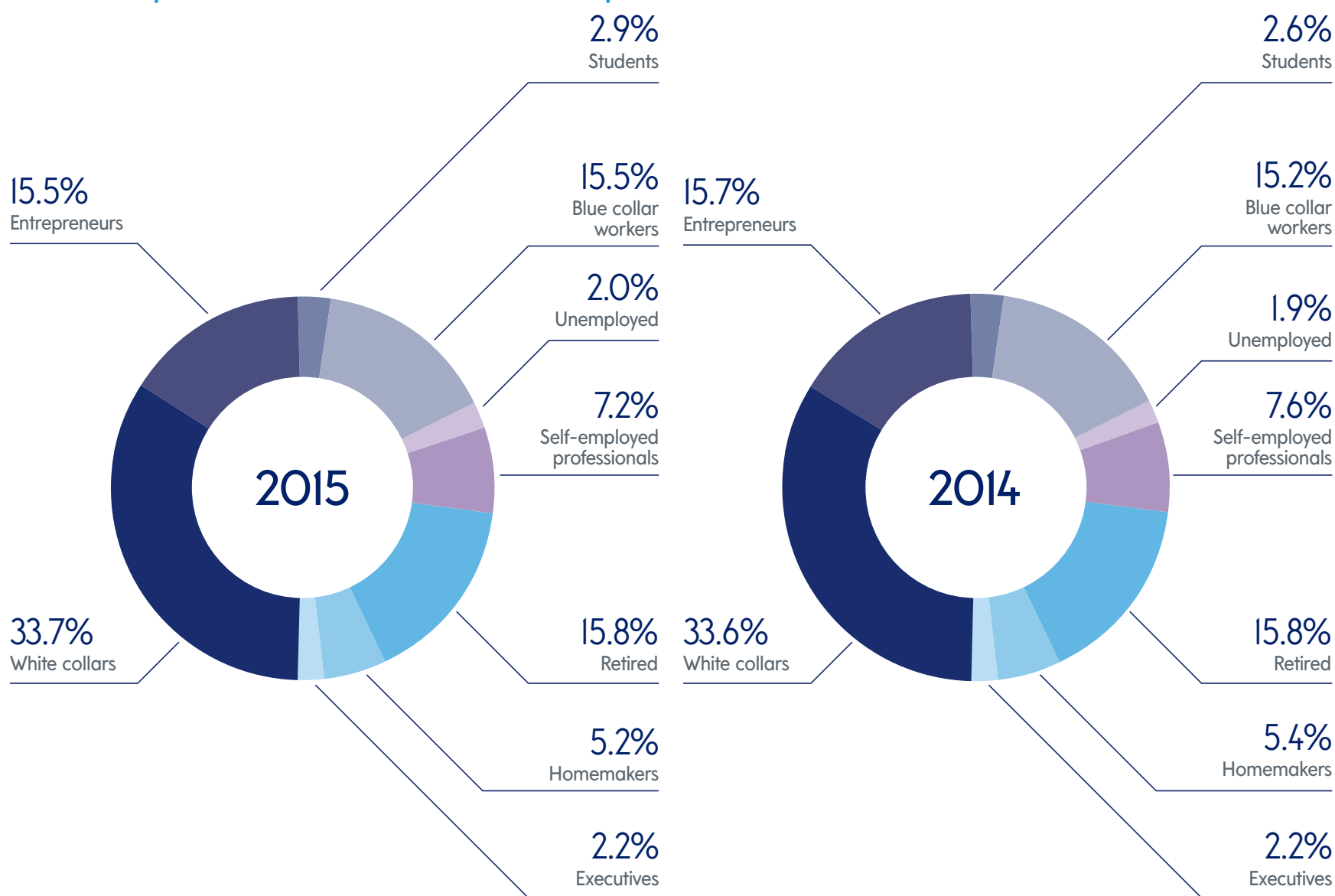
Group Customer retention (natural and legal persons)



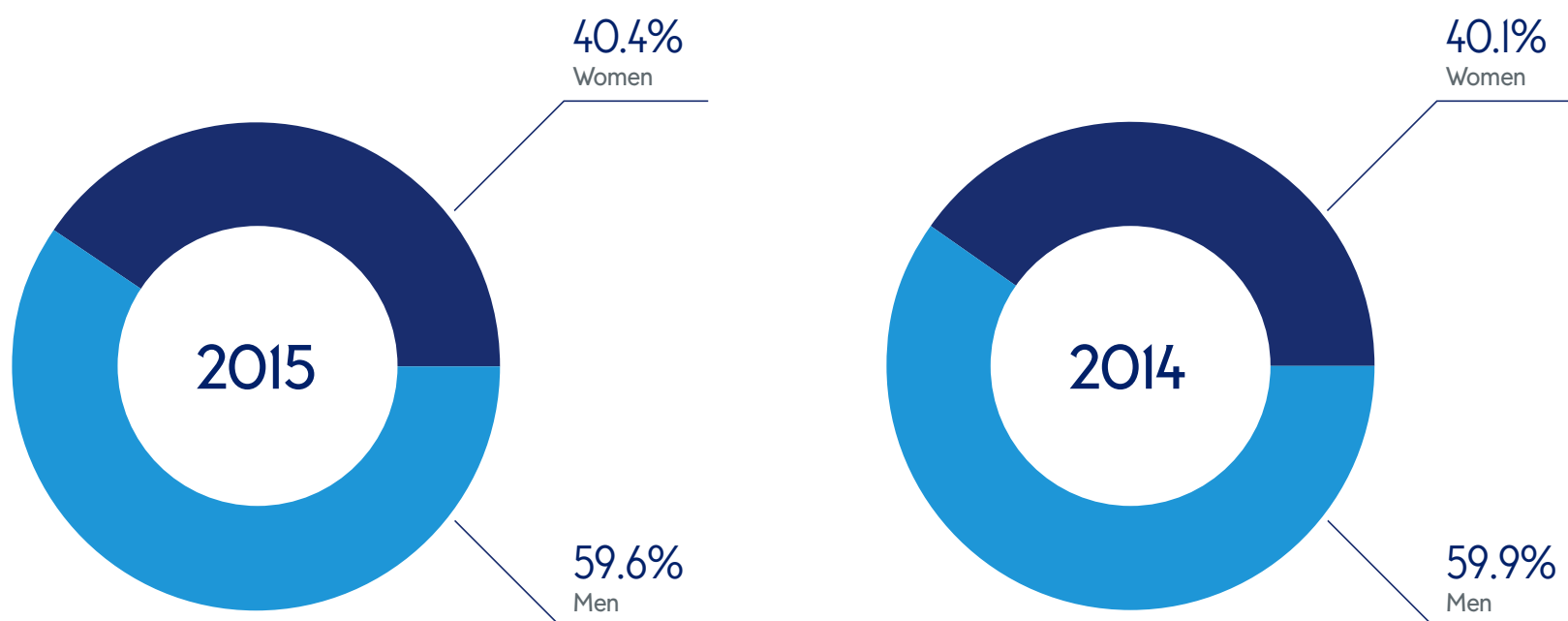
Breakdown of primary account holders by geographic area - 2015 (natural and legal persons, Mediolanum Group Customers)



Breakdown of primary account holders by employee category (natural persons, Mediolanum Group Customers)



Breakdown by gender (natural persons, Mediolanum Group Customers)



Breakdown by age group

(natural persons, Mediolanum Group Customers)

	2015	2014
Under 25 years	3.9%	3.5%
26-30	5.1%	5.3%
31-35	7.9%	8.3%
36-45	24.9%	26.0%
46-55	26.1%	25.9%
56-65	16.4%	16.1%
over 65	15.6%	14.9%
Average age (years)	50.2	49.9

Group's average length

(natural and legal persons, primary account holders)

Years	2015	2014
Average length	10.7	10.7

MARKET RESEARCH

a) Activity: Periodic Customer experience survey

Frequency: Quarterly, as of 2015

Survey sample: 400 Customers for each target group (Customers accessing the banking centre in the reference period; Customers accessing the home banking website in the reference period; Customers participating in a company event in the reference period; new Customers; Customers signing up for the first time for an investment product or, alternatively, a banking service in the reference period) for each quarterly period. In total, over 9,000 Customers per year.

Survey type: Computer-assisted web interviewing (CAWI). For “new Customers” only, computer-assisted telephone interviewing (CATI) is used.

Type of research: “Proprietary” research conducted by an external research institute.

Use of results: Survey findings are used to study Customer characteristics and behaviour in relation to the topics surveyed, representing one of the sources used to identify possible areas for improvement in Customer experience. Thus the findings are used for analyses and presentations to management and the departments involved.

b) Activity: Issue-specific Customer experience surveys

Target: Specifically in 2015, surveys targeted Customers using the home banking website following the release of the new version in order to measure experience levels and monitor learning curves. These spot surveys are conducted on a monthly basis, with the findings interpreted in the light of results from systematic quarterly surveys.

Frequency: Monthly from April to September 2015 (except August).

Survey sample: 12,000.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “*In-house*” research.

Use of results: The department in charge of the website used the survey findings to identify any action areas that could improve user experience and satisfaction levels.

c) Activity: Periodic brand reputation survey

Frequency: Yearly, conducted since 2013.

Survey sample: 900 people per year.

Survey type: Computer-assisted telephone interviewing (CATI).

Type of research: “*Proprietary*” research conducted by an external research institute.

Use of results: To understand company reputation through the identification of the elements on which reputation is built, so as to identify the areas in which to invest to generate long-term improvement in reputation among all stakeholders. Findings are presented to the Chairman, the *Chief Executive Officer* and the *General Manager*.

d) Activity: Spot surveys on specific issues (pre-tests of new technology releases, such as new apps and new features, or updates; surveys measuring sentiment towards new offers and new services; rating of commercial campaigns)

Family Banker®

MARKET RESEARCH

a) Activity: Periodic Customer experience survey

Frequency: Yearly.

Survey sample: 300 people every year.

Survey type: Computer-assisted telephone interviewing (CATI).

Type of research: “*Multiclient*” research conducted by an external research institute.

Use of results: Findings are presented to the Chairman, the *Chief Executive Officer* and the *General Manager* and direct reports as a means of gauging relationship levels and identifying possible areas for improvement, as well as measuring the impact of actions on aspects of the relationship. Findings also enable competitiveness to be gauged and strengths and weaknesses to be identified for the purposes of recruiting from other networks.

b) Activity: Periodic brand reputation survey

Frequency: Yearly, conducted since 2013.

Survey sample: 300 people per year.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “*Proprietary*” research conducted by an external research institute.

Use of results: To understand company reputation through the identification of the elements on which reputation is built, so as to identify the areas in which to invest to generate long-term improvement in reputation among all stakeholders. Findings are presented to the Chairman, the *Chief Executive Officer* and the *General Manager*.

c) Activity: Periodic experience survey of hotline callers

Frequency: Every four months.

Survey sample: 450 people per survey.

Survey type: Computer-assisted web interviewing (CAWI) since December 2015. Previously, surveys were conducted by telephone by *Banking Operations*.

Type of research: “In-house” research.

Use of results: To monitor hotline experience and service levels and identify possible areas for improvement. Findings are presented to the head of the department.

d) Activity: Experience/rating surveys of company events (conventions, incentive trips, all-star events, etc.)

Frequency: In connection with the event (e.g., yearly rating survey in relation to the *national convention*).

Survey sample: Representative sample of Family Bankers® involved.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “In-house” research.

Use of results: To identify areas for improvement in experience; to check the level of understanding of issues addressed.

e) Activity: Spot surveys on specific issues (pre-tests of new tool releases, processes and instruments; surveys measuring sentiment towards new offers and new services; etc.)

Community

MARKET RESEARCH

a) Activity: Periodic Customer satisfaction survey

Frequency: Regularly conducted since 2013. In 2013 and 2014, two surveys were conducted, one every six months; in 2015 survey frequency became once a year.

Survey sample: In 2013 and 2014, 2,000 Prospective Customers per year, divided between two half-yearly surveys. In 2015, 1,000 Prospective Customers were surveyed.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “Proprietary” research conducted by an external research institute.

Use of results: Findings were used as a benchmark to compare Customer satisfaction levels. Interviewees were selected to include Customers of “traditional banks” and “online banks” so as to measure satisfaction levels with major competitors.

b) Activity: Periodic brand reputation survey

Frequency: Yearly, conducted since 2013.

Survey sample: 600 Prospective Customers + 100 opinion makers (media, blogs and consumer associations) per year.

Survey type: Computer-assisted telephone interviewing (CATI).

Type of research: “Proprietary” research conducted by an external research institute.

Use of results: To understand company reputation through the identification of the elements on which reputation is built, so as to identify the areas in which to invest to generate long-term improvement in reputation among all stakeholders. Findings are presented to the Chairman, the *Chief Executive Officer* and the *General Manager*.

c) Activity: Periodic brand equity survey

Frequency: Conducted every six months since 2013.

Survey sample: 4,000 Prospective Customers every six months.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “*Proprietary*” research conducted by an external research institute.

Use of results: Findings are presented to the Director of Marketing and Advertising. The objective is to monitor the strength and value of the brand and measure the impact of advertising on notoriety, consideration (propensity to buy) and brand health. The survey also enables the elements generating brand consideration to be identified and to understand how the brand is associated to them to assess the weight of advertising themes. It therefore represents a tool supporting the work of the head of advertising.

d) Activity: Television advertising effectiveness survey

Frequency: When changes in advertising messages are made (content/format). In 2015, three surveys were conducted.

Survey sample: 700 *Prospective Customers per survey*.

Survey type: Computer-assisted web interviewing (CAWI).

Type of research: “*Proprietary*” research conducted by an external research institute.

Use of results: Findings are presented to the Marketing Director and Head of Advertising. The objective is to assess how Italian banking consumers respond to a new campaign and how it affects perceptions of Mediolanum.

Employees

NON-WORK RELATED ACTIVITIES

The leading service provided to employees is the “*BabyMed*” day care centre for children aged 0-3 years. First opened in 2004 and since expanded on various occasions, today the centre can accommodate 127 children.

In 2015, a number of initiatives proving widely popular were rerun, such as the Carnival party for the children of employees, featuring entertainment for the kids, refreshments and costume parade of the kids. The year also saw

a repeat of the *Summer Campus* for children of employees aged 4-10 during the summer holiday period when schools and day care centres are closed.

Once a month at headquarters, a service is provided for employees offering assistance and advice with administrative paperwork, such as renewing and replacing driving licenses and passports, and car registration and transfer of car ownership. Then there is a weekly shoe repair, dressmaker and laundry service and the opportunity to purchase high-quality organic food.

Cancer prevention and blood donation initiatives attracted strong interest in 2015.

In partnership with the LILT (an *Italian cancer prevention organisation*), skin cancer prevention check-ups were organised, attended by 400 employees, and breast cancer prevention checks were arranged at company headquarters during breast cancer awareness month, attended by 230 employees.

A blood donation point was set up at company headquarters in partnership with AVIS on two days, one in January and one in May 2015, with over 100 employees choosing to give blood.

For two years now, the company bakery has been up and running, baking bread, focaccia and biscuits made from organic flour, which employees can purchase at discounted prices. For events and receptions in the company, employees can pre-order premium quality pizza, appetizers, cakes and sweets at competitive prices with respect to market bakeries. All baked goods are made by a social co-operative that employs disabled workers.

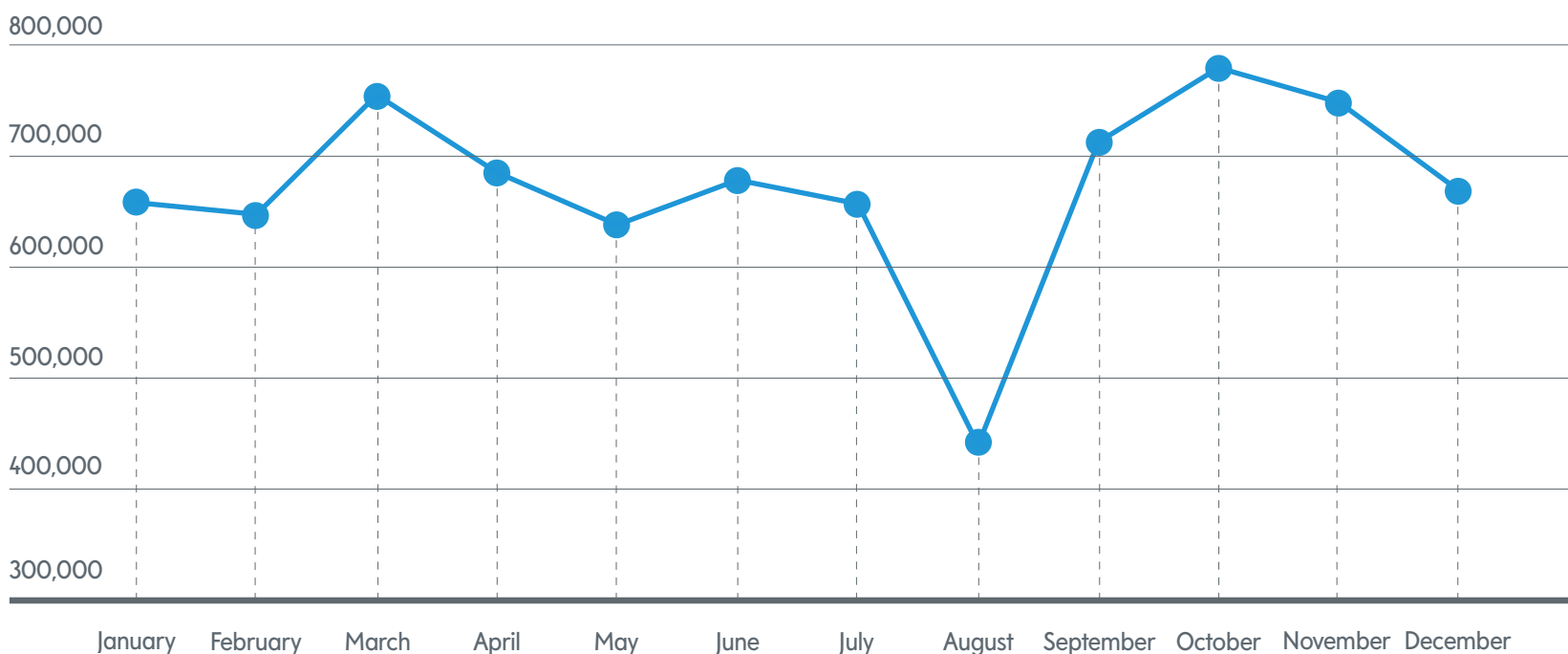
Numerous agreements and conventions were made with various commercial establishments and businesses, including: mechanics and tyre dealers for service and maintenance on employees' cars; agreements with medical centres for preventive check-ups and specialist appointments, with a dedicated booking service and subsidised costs; cultural entities for cut-price tickets to theatre shows, exhibitions and conferences; agreements enabling the purchase of books and gym memberships at particularly advantageous prices.

In October 2014 a new fitness centre was set up for employees to work out and keep fit, offering late afternoon exercise classes every day in activities such as yoga, Pilates and power walking. An osteopathic service is also offered at headquarters three days a week, provided by a qualified professional osteopath. In the spring and summer, bicycles are available for employees to use during breaks or at the end of the working day. In 2015 a number of sporting events and company tournaments were organised, including a 7-a-side soccer tournament in which 15 teams participated, for a total of 189 players. Through the tournament, the best players were identified to create the Banca Mediolanum's Selection team to play in an intercompany 7-a-side soccer tournament.

Finally, Temporary Shops are hosted every week at headquarters, where employees can purchase goods at heavily discounted prices. Goods available range from clothing to home ware, precious and costume jewellery and gourmet food products.

Number of accesses to the Innova portal in 2015

NUMBER OF PAGE VIEWS



2.4 Governance, risk management and Compliance

CORPORATE GOVERNANCE

At 31 December 2015, the *Board of Directors* of Banca Mediolanum consisted of 11 members (10 men and 1 woman) appointed by shareholders at the General Meeting held on 19 March 2015.

Members of the Board of Directors of Banca Mediolanum at 31 December 2015

No.	Name	Position	Executive	Non-executive	Independent
1	Ennio Doris	Chairman		x	
2	Edoardo Lombardi	Executive Deputy Chairman		x	
3	Giovanni Pirovano	Executive Deputy Chairman	x		
4	Massimo Antonio Doris	Chief Executive Officer	x		
5	Annalisa Sara Doris	Director		x	
6	Bruno Bianchi	Director		x	x
7	Luigi Del Fabbro	Director	x		
8	Paolo Gualtieri	Director		x	x
9	Angelo Renoldi	Director		x	x
10	Antonio Maria Penna	Director		x	
11	Carlos Javier Tusquets Trias de Bes	Director		x	

COMPLIANCE

1 January 2015-31 December 2015

Total number of lawsuits filed during the reporting year or pending (filed in previous years)	135 and 704 respectively
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Number of lawsuits closed during the reporting year	248
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Lawsuits brought against the company and closed during 2015: 248 suits

Further information on the lawsuits is provided below; outcomes relating to Mediolanum Assicurazioni S.p.A. are not reported.

a) Cases regarding Agent offences: 119 cases for a total of approximately €28 million in claims made by Customers, resulting in approximately €8.2 million in payouts, of which:

- > won: 43 cases for approximately €4.2 million awarded;
- > settled: 47 cases for approximately €7 million in claims and approximately €3.2 million paid out;
- > lost: 29 cases for approximately €16.5 million in claims and approximately €5 million paid out.

b) Cases regarding agency relationships: 32 cases for approximately €3 million in claims and approximately €240,000 in payouts;

c) Insurance cases (excluding Mediolanum Assicurazioni): 14 cases for approximately €600,000 in claims, of which:

- > won: 10 cases for approximately €470,000 awarded;
- > settled: 2 cases for approximately €16,000 in claims and approximately €1,150 paid out;
- > lost: 2 cases for approximately €116,000 in claims and approximately €59,500 paid out.

- d) Cases regarding *Cirio/Argentina bonds*:** 14 cases for approximately €1.9 million in claims and approximately €770,000 in payouts;
- e) Miscellaneous cases:** 9 cases for approximately €660,000 in claims and approximately €60,000 in payouts;
- f) Remaining cases (banking disputes over cheques, bank guarantees, reports to the *Interbank Register of Bad Cheques and Payment Cards (CAI)*, transparency, etc.):** 14 cases for approximately €3.5 million in claims and approximately €300,000 in payouts.

Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations

1 January 2015-31 December 2015	
Monetary value of significant fines (€)	31.2 million
Number of non-monetary sanctions (No. of cases)	0
Legal action taken through dispute resolution mechanisms (No. of cases)	1

No significant fines and/or non-monetary sanctions were imposed under laws and regulations governing accounting fraud, workplace discrimination, corruption, etc.

TAX LITIGATION

With reference to tax litigation over transfer prices involving both Banca Mediolanum S.p.A. and Mediolanum Vita, we report that the dispute was settled out of court through two settlement agreements with the *Italian Revenue Agency* dated 1 December 2015. Specifically, for the fiscal years

2005-2009 in dispute plus the years following through to 2014, the Bank agreed to pay under the settlement agreement additional taxes totalling €120.2 million plus interest, with a net impact on the income statement accruing to 2015 of €31.2 million. Given that the dispute concerned purely valuation matters and considering the diligent and transparent conduct of the companies involved in meeting documentary obligations, the *Italian Revenue Agency* decided not to apply sanctions. Mediolanum's decision to settle the dispute pending with the *Italian Revenue Agency* was motivated by the desire to avoid the risk of prolonged litigation, thereby eliminating the uncertainty surrounding the outcome of the dispute. For further information see the *Report on Operations accompanying the 2015 Consolidated Financial Statements of Mediolanum Group*.

Total number of non-compliance cases connected with breaches of voluntary codes regarding marketing communications, including advertising, promotion and sponsorship, reported by outcome

1 January 2015-31 December 2015	
Non-compliance with regulations, resulting in fines or penalties (No. of cases)	2, including the AGCM and CNMV
Non-compliance with regulations, resulting in a warning (No. of cases)	2
Non-compliance with voluntary codes (No. of cases)	0

Note: "Non-compliance" means court rulings in connection with breaches of laws or regulations, classed by the nature of the law or regulation breached.

"Marketing communications" means the combination of strategies, systems, methods and activities pursued by the organisation to promote its reputation, brand, products and services with a target audience. Marketing communications may include advertising, personal selling, promotion, public relations and sponsorships.

ADMINISTRATIVE INVESTIGATION INITIATED BY THE ITALIAN COMPETITION AUTHORITY (AGCM)

In December 2014, the *Italian Competition Authority* initiated an investigation of Banca Mediolanum, later extended to the associated company Mediolanum Assicurazioni, over commercial practices adopted by Banca Mediolanum alleged to infringe the Consumer Code.

The investigation was concluded by AGCM Decision 25601, dated 5 August 2015, which found that the commercial practices adopted by Banca Mediolanum constituted infringement. The AGCM imposed an administrative fine of €450,000 on Banca Mediolanum and prohibited the bank from adopting or continuing the commercial practice investigated. No measures were taken against the associated company Mediolanum Assicurazioni.

ADMINISTRATIVE INVESTIGATION BY THE SPANISH SECURITIES COMMISSION (CNMV)

On 28 April 2015, Banco Mediolanum was served notice by the *Spanish Securities Commission* (CNMV) informing it that an investigation initiated at the end of 2013 had found that the bank had failed to notify the CNMV of transactions suspected to constitute market manipulation; the findings of the investigation were detailed in a subsequent letter served on 28 May 2015. In December 2015 the CNMV imposed an administrative fine of €50,000 on Banco Mediolanum for the alleged infringement. The case is still pending as in January 2016 Banco Mediolanum lodged an appeal challenging the decision and requesting the fine be reduced.

TRAINING ON ANTI-CORRUPTION

In 2015 all members of the *Board of Directors* and all employees received information and training on anti-corruption policy and procedures (specifically through training addressing Law 231 compliance and the *Code of Ethics*).

OTHER SIGNIFICANT EVENTS, DISPUTES AND INVESTIGATIONS

Alongside the ordinary institutional activities pursued by Investor Relations, in 2015 significant efforts were dedicated to addressing issues that, although not strictly related to business, attracted great attention from institutional investors and financial analysts.

Investors were particularly concerned in 2015, even more than in other years, about regulatory developments in both the banking industry and the mutual investment fund market. Although completely unverified and later denied, the importance of the rumours was in more than one case greatly exaggerated by specialist media and rather biased industry observers. The Investor Relations team did its best to focus investors' attention on the real, tangible facts, stressing how the Group - whose compliance with laws and regulations has never been brought into question - has repeatedly shown great flexibility in response to regulatory reforms, adapting to new scenarios much faster than its competitors and capturing new market share as a result.

3. Sustainability at Banca Mediolanum

Materiality analysis - Identification of material aspects

Material aspect	Area	Pillar of responsible business	Key stakeholders affected	Boundary of material aspects	
				Internal	External
Financial solidity	Economic responsibility	Financial solidity and stability	All	Group	Customers Investors & the financial community Institutions and regulatory authorities
Corporate identity and responsible business	Governance and compliance	Responsibility towards the community	All	Group	Customers Investors & the financial community
Customer's centrality	Responsibility towards Customers	Personalisation, security and innovation in financial solutions Multichannel banking, digitalisation and the Family Banker® Network	Customers	Group	Customers
Business innovation	Responsibility towards Customers	Personalisation, security and innovation in financial solutions Multichannel banking, digitalisation and the Family Banker® Network®	All	Group	Customers
Customer's protection	Responsibility towards Customers	Personalisation, security and innovation in financial solutions Multichannel banking, digitalisation and the Family Banker® Network	Customers	Group	Customers
Economic-financial performance	Economic responsibility	Financial solidity and stability	All	Group	Investors & the financial community Institutions and regulatory authorities
Development of human capital	Responsibility towards human resources	Development of skills and knowledge Multichannel banking, digitalisation and the Family Banker® Network	Employees Family Bankers®	Group	

Material aspect	Area	Pillar of responsible business	Key stakeholders affected	Boundary of material aspects	
				Internal	External
Compliance and dialogue with regulators	Governance and compliance	Financial solidity and stability	All	Group	Customers Investors & the financial community Institutions and regulatory authorities
Transparent marketing and communications	Responsibility towards Customers	Personalisation, security and innovation in financial solutions	Customers	Group	Customers
Risk management	Governance and compliance	Financial solidity and stability	All	Group	Customers Investors & the financial community Institutions and regulatory authorities
Corporate governance	Governance and compliance	Financial solidity and stability	All	Group	Customers Investors and the financial community Employees Family Bankers®
Protection of human capital	Responsibility towards human resources	Development of skills and knowledge	Employees Family Bankers®	Group	
Community support	Responsibility towards human resources	Responsibility towards the community	Community	Group	Community
Procurement policies and supplier assessment	Social responsibility	Responsibility towards the community	Suppliers	Group	Suppliers
Responsible finance and SRI	Economic responsibility	Personalisation, security and innovation in financial solutions	Customers	Group	Customers Investors & the financial community Institutions and regulatory authorities
Purchase and consumption of sustainable products	Environmental responsibility	Responsibility towards the community	Suppliers	Group	Suppliers
Financial inclusion	Social responsibility	Responsibility towards the community	Community	Group	Customers Community
Transport and logistics	Environmental responsibility	Responsibility towards the community	Employees	Group	Suppliers
Energy and climate change	Environmental responsibility	Responsibility towards the community	All	Group	Customers Community

3.1 Financial solidity and stability

DISTRIBUTION OF TOTAL GROSS VALUE ADDED

The table below reports *Total Gross Value Added* and its distribution to key stakeholder groups of Banca Mediolanum.

Total value added at 31 December 2015 amounted to €1,301,711,000, up 18% with respect to 2014.

	2015	2014
DISTRIBUTION OF TOTAL GROSS VALUE ADDED (€'000)		
Shareholders	221,581	199,004
Employees	158,082	146,544
Sales network	461,563	414,829
Government, public bodies and institutions	185,747	184,406
Community	5,728	5,898
Company	269,009	151,003
Total Gross Value Added	1,301,711	1,101,684

3.2 Personalisation, security and innovation in financial solutions

PRODUCTS AND SERVICES

The table below reports the average number of products held by each Banca Mediolanum Customer, along with the percentage of products held out of total Customers.

Cross selling (natural persons, primary account holders)

	2015	2014
Average number of products held	2.913	2.916
% of total Customers		
At least 6 products	12.1	12.1
2-5 products	56.0	54.4
One product	31.9	35.5

Number of complaints received

The overview of complaints received in 2015 provided below takes into account all the written complaints regarding banking, investment and insurance services provided by the Group that were sent by fax, mail, email, certified electronic mail (CEM) or telegram by Customers or Prospective Customers.

In 2015, the Group received 5,461 complaints (approximately 13% less than in 2014), of which 5,369 could be handled and 92 could not, as they failed to

contain the necessary information.

For example, complaints that fail to provide information about the person filing the complaint or the product that is the subject of the complaint fall within the latter category.

In the interests of completeness, complaints that were “reopened” are also shown (where Customers were not satisfied with the response received in the first instance), and amounted to 601 in 2015, of which 600 “could be handled” and 1 “could not be handled”.

Complaints 2015: Mediolanum Group

Out of the 5,461 total complaints received, 5,159 (approximately 95%) were addressed to Banca Mediolanum S.p.A., Banco Mediolanum S.A. and Bankhaus August Lenz & Co AG., all of which sell Group products via their advisory network.

The most frequently-used channel by Italian Customers to file complaints was email: approximately 78% of complaints were received through this medium.

	No. COMPLAINTS		No. REOPENED	
	That could be handled	That could not be handled	That could be handled	That could not be handled
Banca Mediolanum Gestione S.p.A.	4,700	29	529	1
Banco Mediolanum S.A.	232	29	0	0
Bankhaus August Lenz & Co. AG	169	0	0	0
Gamax Management AG	2	0	0	0
Mediolanum Asset Management Limited	0	0	0	0
Mediolanum Assicurazioni S.p.A.	8	3	3	0
Mediolanum Fiduciaria S.p.A.	0	0	0	0
Mediolanum Gestione Fondi SGR p.A.	14	2	6	0
Mediolanum International Funds Ltd	0	0	0	0
Mediolanum International Life Ltd	6	0	2	0
Mediolanum S.p.A.*	0	19	0	0
Mediolanum Vita S.p.A.	238	10	60	0
TOTAL	5,369	92	600	1
OVERALL TOTAL	5,461		601	

* With reference to Mediolanum S.p.A. (merged into Banca Mediolanum S.p.A. as of 30 December 2015), in 2015 all 19 complaints received were classified as "could not be handled" and forwarded to the competent Mediolanum Group companies for handling and replies to Customers.

As concerns the companies Mediolanum Comunicazione S.p.A. and Fermi & Galeno Real Estate S.r.l., complaints have not been reported as neither company deals with retail Customers.

Settling of complaints

A complaint can be closed by one of the following means:

- › the complaint is rejected, as it is deemed to be “*groundless*”;
- › the complaint is accepted, meaning the poor service experienced by the Customer is acknowledged and the Customer’s claims are accepted;
- › the complaint is resolved amicably through an out-of-court settlement.

An analysis of preliminary investigation findings reveals that out of 5,369 complaints that could be handled, 4,911 were resolved in 2015, and of these, 866 were deemed to be well-grounded (almost 18%).

Number of complaints	2015	2014	% change
Complaints received	5,369	6,191	-13
Complaints resolved	4,911	5,786	-15
upheld	866	1,212	-29
groundless	4,045	4,574	-12
Complaints under investigation - not expired at year end	426	360	18
Complaints under investigation - expired at year end	32	45	-29

Claims, conciliation, mediation, settlement negotiations

Disputes with Customers are also resolved through mediation, settlement negotiations or claims filed with neutral and impartial dispute resolution organisations.

In 2015 the number of claims filed with the *Banking and Financial Arbitrator* rose while claims filed with the *Ombudsman* fell, as did, slightly, the number of mediation cases.

In addition to claims handled through these mechanisms, in 2015 19 claims were handled through settlement negotiations involving legal counsel (a recently introduced option for dispute resolution).

Number of claims	2015	2014
Banking and Financial Arbitrator	26	18
Ombudsman	5	9
Mediation	106	109
Settlement negotiations	19	N.A.
TOTAL CLAIMS FILED	156	136

Mediation which took place over 2014 and 2015 is shown in the table below, along with the related outcomes of each of the individual claims made by Group Customers.

	2015	2014
Outcome/Status	No. of claims	No. of claims
Failure to participate in the mediation meeting	63	80
Settled in mediation meeting	3	3
Settled after the mediation meeting	2	1
Settled by mediation	2	1
Not settled by mediation	29	20
Under investigation	7	4
TOTAL	106	109

Settlement negotiations

Legislative Decree 132 of 2014 (converted into Law 162/2014) introduced settlement negotiation as an alternative dispute resolution option (resulting in a settlement agreement). In settlement negotiations the parties to the dispute agree to “*cooperate in good faith*” to reach an amicable solution to the dispute, assisted by legal counsel registered with the bar association or practising as a government lawyer. Under the new law, settlement negotiations are mandatory for payment claims of up to €50,000 made on any basis, providing they do not concern matters which by law must be referred to “*mandatory mediation*”. Article 3 of Legislative Decree 132/2014 states that “*an attempt at settlement negotiation is a condition for any petition to a court to be accepted*”.

The table below reports the outcomes of requests for settlement negotiations received by Italian companies of the Group in 2015.

	2015	2014
Outcome/Status	No. of claims	No. of claims
Declined	17	N.A.
Under investigation	2	N.A.
TOTAL	19	N.A.

The **Banking and Financial Arbitrator** is an independent and impartial dispute resolution mechanism that was set up by the Bank of Italy to resolve disputes between Customers and banks in connection with banking and financial transactions and services. This system is referred to as an out-of-court or alternative dispute resolution method, in that it provides an easier, quicker and cheaper alternative to litigation, which often entails complex and lengthy procedures. Customers can seek the assistance of the Arbitrator by filing a complaint once they have attempted to resolve the problem directly with the Bank. If they are not satisfied with the decision taken by the Arbitrator, they can then take legal action.

An overview of the arbitration awards given by the Arbitrator with respect to complaints filed by Banca Mediolanum Customers is provided in the table below, for the years 2014 and 2015.

	2015	2014
Arbitration awards	No. of claims	No. of claims
Discontinuance of the matter in dispute	4	-
Dismissed claims	-	-
Upheld Customer claims	-	3
Not upheld Customer claims	3	7
Partially upheld Customer claims	-	-
Unacceptable claims	4	7
Time-barred claims	1	-
TOTAL CLAIMS RESOLVED	12	17
Arbitration awards pending	7	1
Claims under investigation	7	-
TOTAL CLAIMS FILED	26	18

Customers of participating banks can refer their cases to the *Ombudsman* in connection with disputes relating to investment services and activities as well as other types of transactions that are excluded from the out-of-court dispute resolution mechanism, managed via the Banking and Financial Arbitrator, provided that the requirements set out in the regulations are met.

An overview of the decisions made by the *Ombudsman* with respect to complaints filed by Banca Mediolanum Customers is provided in the table below, for the years 2014 and 2015.

	2015	2014
Arbitration awards	No. of claims	No. of claims
Discontinuance of the matter in dispute	1	1
Dismissed claims	-	1
Upheld Customer claims	-	-
Not upheld Customer claims	-	1
Partially upheld Customer claims	-	-
Unacceptable claims	3	5
Time-barred claims	-	-
TOTAL CLAIMS RESOLVED	4	8
Decisions pending	-	1
Claims under investigation	1	-
TOTAL CLAIMS FILED	5	9

Number of complaints	2015	2014
Claims concerning "personal data protection"	24	28

3.3 Multichannel banking, digitalisation and the Family Banker® Network

BREAKDOWN OF THE FAMILY BANKER® NETWORK

Breakdown of the Family Banker® Network by gender, age and category

At 31 December 2015			
Number of people	Men	Women	Total
Supervisors and managers	872	74	946
of which FB Supervisors	264	38	302
of which FB Asset Managers	97	5	102
of which Managers	511	31	542
Family Bankers®	1,241	403	1,644
Global Bankers	1,459	338	1,797
TOTAL	3,572	815	4,387
of which Private Bankers	393	53	446
At 31 December 2014			
Number of people	Men	Women	Total
Supervisors and managers	984	98	1,082
of which FB Supervisors	312	58	370
of which FB Asset Managers	108	7	115
of which Managers	564	33	597
Family Bankers®	1,359	467	1,826
Global Bankers	1,228	250	1,478
TOTAL	3,571	815	4,386
of which Private Bankers	364	45	409

Breakdown of the Family Banker® network by age group and employee category

At 31 December 2015				
Number of people	< 30	30-50	> 50	Total
Supervisors and managers	1	510	435	946
of which FB Supervisors	1	192	109	302
of which FB Asset Managers	-	42	60	102
of which Managers	-	276	266	542
Family Bankers®	75	1,101	468	1,644
Global Bankers	7	1,253	537	1,797
TOTAL	83	2,864	1,440	4,387
of which Private Bankers	-	215	231	446

At 31 December 2014				
Number of people	< 30	30-50	> 50	Total
Supervisors and managers	2	637	443	1,082
of which FB Supervisors	2	264	104	370
of which FB Asset Managers	-	55	60	115
of which Managers	-	318	279	597
Family Bankers®	83	1,293	450	1,826
Global Bankers	11	1,055	412	1,478
TOTAL	96	2,985	1,305	4,386
of which Private Bankers	-	212	197	409

Turnover of the Family Banker® network by gender and age group

2015				
Turnover by gender				
	Men	Women	Total	
Number of people (entering)	138	35	173	
Turnover rate	3.86%	4.29%	3.94%	
Number of people (leaving)	138	34	172	
Turnover rate	3.86%	4.17%	3.92%	
Turnover by age group				
	<30	30-50	>50	Total
Number of people (entering)	30	112	31	173
Turnover rate	36.14%	3.91%	2.15%	3.94%
Number of people (leaving)	8	110	54	172
Turnover rate	9.64%	3.84%	3.75%	3.92%
2014				
Turnover by gender				
	Men	Women	Total	
Number of people (entering)	147	48	195	
Turnover rate	4.12%	5.89%	4.45%	
Number of people (leaving)	167	53	220	
Turnover rate	4.68%	6.50%	5.02%	
Turnover by age group				
	<30	30-50	>50	Total
Number of people (entering)	19	126	50	195
Turnover rate	19.79%	4.22%	3.83%	4.45%
Number of people (leaving)	15	139	66	220
Turnover rate	15.63%	4.66%	5.06%	5.02%

Number of Customers per Family Banker®

The table below reports average Customers and assets per Family Banker® and Private Banker.

	2015	2014
Average Customers per Family Banker® (No.)	211	202
Average assets per Family Banker® (€'000)	12,756	11,695
Average Customers per Private Banker (No.)	186	184
Average assets per Private Banker (€'000)	30,394	29,386

3.4 Development of skills and knowledge

EMPLOYEES

Breakdown of employees by category and gender

No. people	At 31 December 2015			
Employee category	Men	Women	Total	% of total
Executives	74	13	87	4.0
Middle managers	202	120	322	14.8
White collars	765	995	1,760	81.1
TOTAL	1,041	1,128	2,169	
Men/Women (%)	48.0	52.0		

No. people	At 31 December 2014			
Employee category	Men	Women	Total	% of total
Executives	69	13	82	3.8
Middle managers	192	117	309	14.5
White collars	753	993	1,746	81.7
TOTAL	1,014	1,123	2,137	
Men/Women (%)	47.4	52.6		

Breakdown of employees by category and age group

	At 31 December 2015				At 31 December 2014			
No. people	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	-	43	44	87	-	45	37	82
Middle managers	1	255	66	322	-	255	54	309
White collars	300	1,373	87	1,760	349	1,326	71	1,746
TOTAL	301	1,671	197	2,169	349	1,626	162	2,137

Breakdown of employees by employment contract

Type of contract (No. people)	At 31 December 2015	At 31 December 2014	% change	% of total 2015
Permanent contract	2,132	2,081	2.5	93.8
of which apprenticeships	197	210	-6.2	8.7
Total fixed-term contracts	37	56	-33.9	1.6
Total standard contracts	2,169	2,137	1.5	95.4
Total flexible contracts and other forms of employment	105	150	-30.0	4.6
TOTAL	2,274	2,287	-0.6	100.0

Employment contracts for new hires	% of total 2015
Permanent contract	31.1
Apprenticeship	41.1
Fixed-term contracts	27.8
TOTAL	100.0

Breakdown of employees by employment type (full-time/part-time) and employment contract

Employment contract (No. people)	At 31 December 2015	
	full-time	part-time
Permanent contract	2,088	44
of which apprenticeships	197	
Total fixed-term contracts	37	
Total standard contracts	2,125	44
Total flexible contracts and other forms of employment	105	
TOTAL	2,230	44

A look at the employment contracts in place with employees shows that 98.3% of the workforce in 2015 was employed on a traditional permanent contract. Of those contracts, 9.1% were apprenticeships and 2% were part-time arrangements.

As in 2014, all Group employees in 2015 were covered by current collective bargaining agreements.

In the event of organisational changes that may potentially have a significant impact on workers and their representatives, the relative notice period is specified in the *collective bargaining agreement* (CCNL) of reference, all of which are listed below:

- > CCNL for employees of credit institutions;
- > CCNL for the tertiary, distribution and service industries;
- > CCNL for employees, excluding executives, of insurance companies;
- > CCNL for executives of companies in the tertiary, distribution and service industries;
- > CCNL for executives of insurance companies;
- > CCNL for private radio and television broadcasters.

Employee turnover by gender and age group

2015				
Turnover by gender				
	Men	Women	Total	
Number of people (entering)	59	31	90	
Turnover rate	5.67%	2.75%	4.15%	
Number of people (leaving)	32	26	58	
Turnover rate	3.07%	2.30%	2.67%	
Turnover by age group				
	<30	30-50	>50	Total
Number of people (entering)	49	39	2	90
Turnover rate	16.28%	2.33%	1.02%	4.15%
Number of people (leaving)	20	33	5	58
Turnover rate	6.64%	1.97%	2.54%	2.67%
2014				
Turnover by gender				
	Men	Women	Total	
Number of people (entering)	121	111	232	
Turnover rate	11.93%	9.88%	10.86%	
Number of people (leaving)	35	20	55	
Turnover rate	3.45%	1.78%	2.57%	
Turnover by age group				
	<30	30-50	>50	Total
Number of people (entering)	131	101	-	232
Turnover rate	37.54%	6.21%	0%	10.86%
Number of people (leaving)	14	35	6	55
Turnover rate	4.01%	2.15%	3.70%	2.57%

Average age of employees

	2015			2014		
Employee category (years)	Men	Women	Total	Men	Women	Total
Executives	50.5	53.3	50.9	50.3	52.5	50.6
Middle managers	44.7	45.6	45.1	44.0	44.7	44.2
White collars	36.6	37.8	37.3	35.9	37.0	36.5
TOTAL	39.1	38.8	39.0	38.4	38.0	38.2

Breakdown of employees by education level, employee category and gender

		At 31 December 2015			At 31 December 2014		
Employee category (%)	Gender	University Degree	High School Diploma	Vocational schooling	University Degree	High School Diploma	Vocational schooling
Executives	Men	84	16	0	86	14	0
	Women	62	38	0	62	38	0
	Total	80	20	0	82	18	0
Middle managers	Men	63	36	1	61	37	2
	Women	54	43	3	53	44	3
	Total	60	39	2	58	40	2
White collars	Men	46	50	4	47	49	4
	Women	41	56	3	41	56	3
	Total	44	53	3	44	53	3
TOTAL		47	50	3	47	50	3

Breakdown of new hires by education level

	At 31 December 2015		At 31 December 2014	
Education level	No. people	% of total	No. people	% of total
Postgraduate	1	1	14	6
University Degree	56	62	151	65
High School Diploma	33	37	67	29
Other	0	0	0	0
TOTAL	90	100	232	100

TRAINING - EMPLOYEES

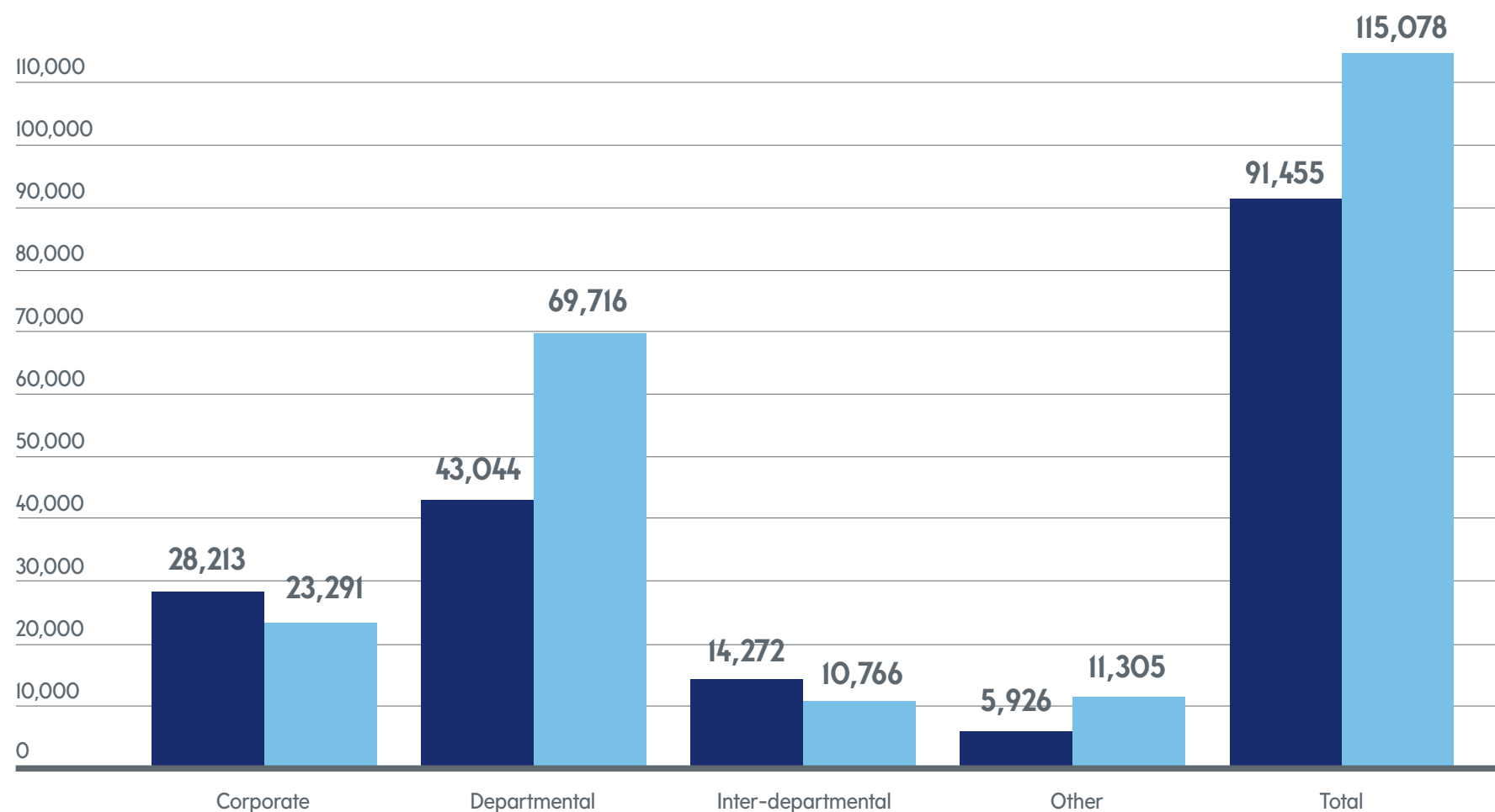
Average hours of training per year per employee by gender, employee category and training type

2015						
Employee category	Men	Average hours/men	Women	Average hours/women	Total	Average hours/category
Executives	2,920	39	451	35	3,371	39
Middle managers	7,701	38	5,335	44	13,036	40
White collars	36,124	47	38,924	39	75,049	43
TOTAL	46,745	45	44,710	40	91,455	42
2014						
Employee category	Men	Average hours/men	Women	Average hours/women	Total	Average hours/category
Executives	1,495	22	74	6	1,569	19
Middle managers	8,482	44	6,112	52	14,593	47
White collars	47,467	63	51,448	52	98,915	57
TOTAL	57,443	57	57,634	51	115,078	54

Hours of training for all employees and per capita by employee category and type of training

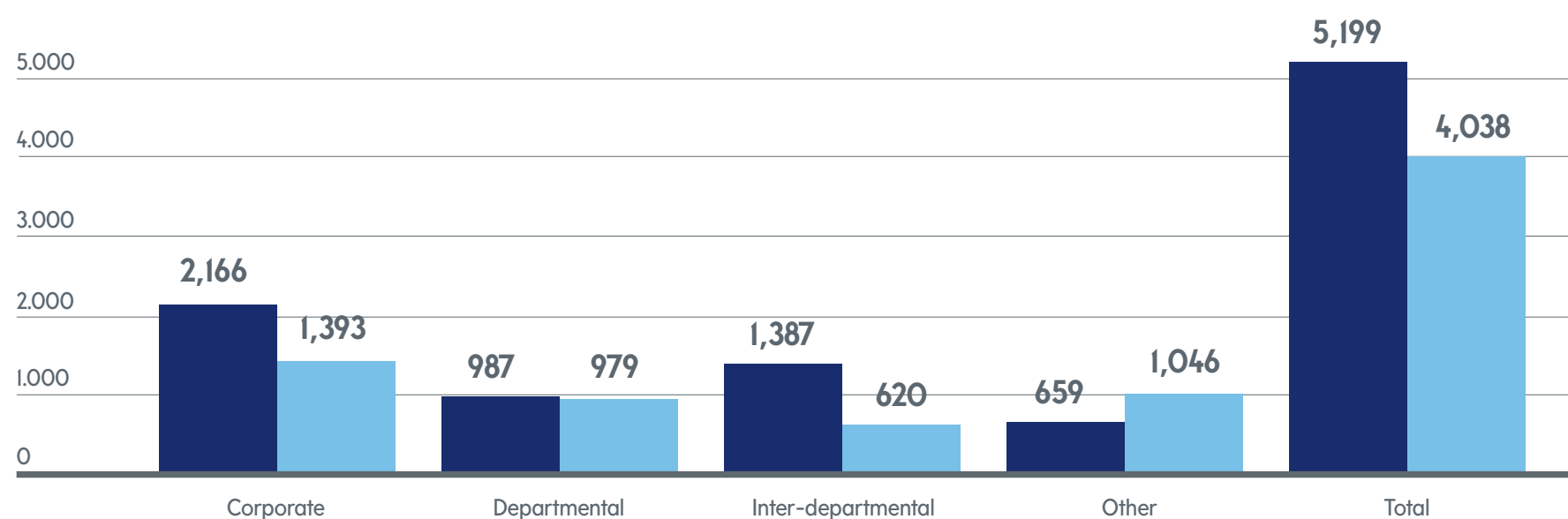
Total hours

● 2015 ● 2014



No. people

● 2015 ● 2014



Number of injuries

2015			
No. cases	Men	Women	Total
On-site injuries	1	2	3
Travel-to-work injuries	10	10	20
2014			
No. cases	Men	Women	Total
On-site injuries	-	3	3
Travel-to-work injuries	3	19	22

Injury, absentee and occupational diseases rates and Lost Day Rate

2015			
No. cases	Men	Women	Total
Lost Day Rate	14	13	13
Occupational diseases rate	-	-	-
Absentee rate	3.16	5.71	4.50
Injury rate	1.35	1.49	1.42
2014			
No. cases	Men	Women	Total
Severity index	8	47	28
Occupational diseases rate	-	-	-
Absentee rate	2.93	5.24	4.14
Injury rate	0.37	2.78	1.56

NOTES:

- The Lost Day Rate for injuries is measured as the ratio of total lost days due to injury to total hours that could have been worked over the same period, multiplied by 200,000
- The occupational diseases rate is measured as the ratio of the number of cases of occupational disease to total hours worked over the same period, multiplied by 200,000
- The absentee rate is measured as the ratio of total leave days to total days that could have been worked over the same period, multiplied by 100
- The injury rate is measured as the ratio of the total number of injuries to total hours worked over the same period, multiplied by 200,000

TRAINING - FAMILY BANKER® NETWORK

Average hours of training per year per employee by employee category and training type

	2015		2014	
	Individual users - Classroom (No. people)	Hours delivered	Individual users - Classroom (No. people)	Hours delivered
Supervisors	302	43,160	369	37,631
Managers	640	86,504	705	63,671
Family Bankers®	1,644	223,522	1,832	185,705
Global Bankers	1,796	239,830	1,497	130,122
Not active at 31 December	145	9,916	228	13,183
TOTAL	4,527	602,932	4,631	430,312
of which Private Bankers	446	58,373	409	37,090

	2015			2014		
Type of training	Participation (No. people)	Individual users (No. people)	Total hours	Participation (No. people)	Individual users (No. people)	Total hours
Technical, professional and product training	58,516	4,268	262,186	71,225	4,542	243,314
Managerial and behavioural training	1,824	701	27,879	5,829	878	35,945
Regulatory compliance	40,127	4,376	294,361	30,646	4,269	133,107
ICT media	25,923	1,004	18,506	9,270	3,957	17,946
TOTAL	126,390	10,349	602,932	116,970	13,646	430,312

3.5 Responsibility towards the community

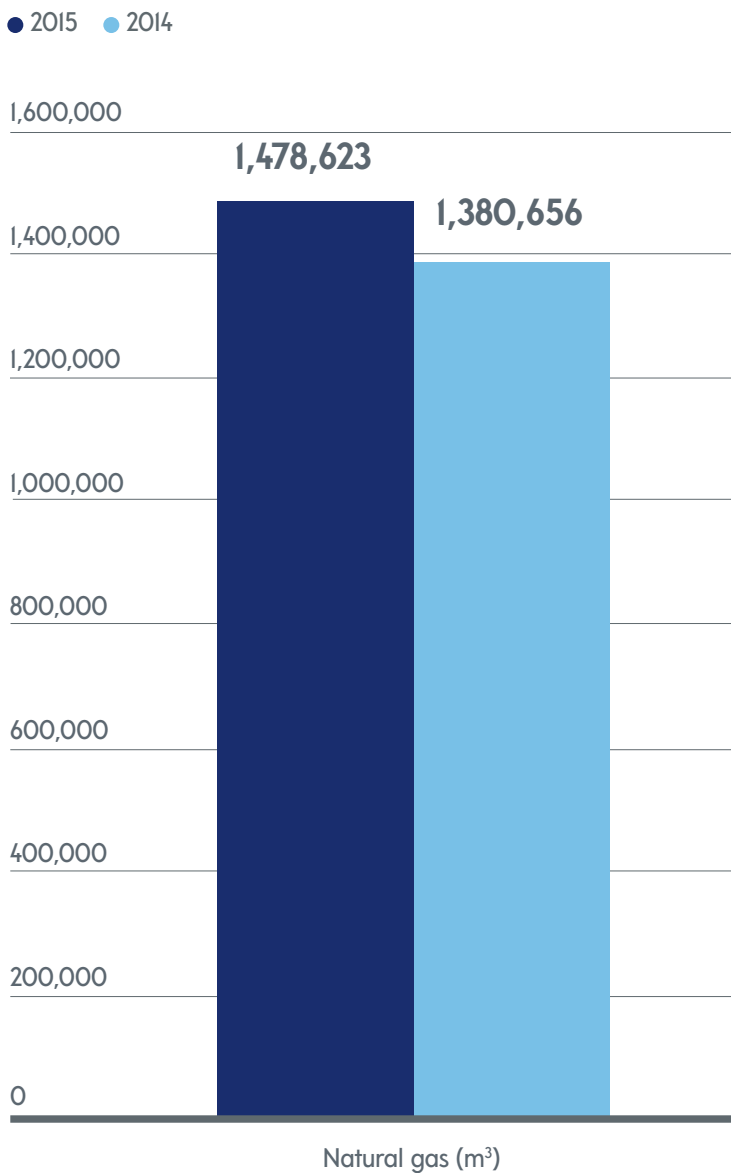
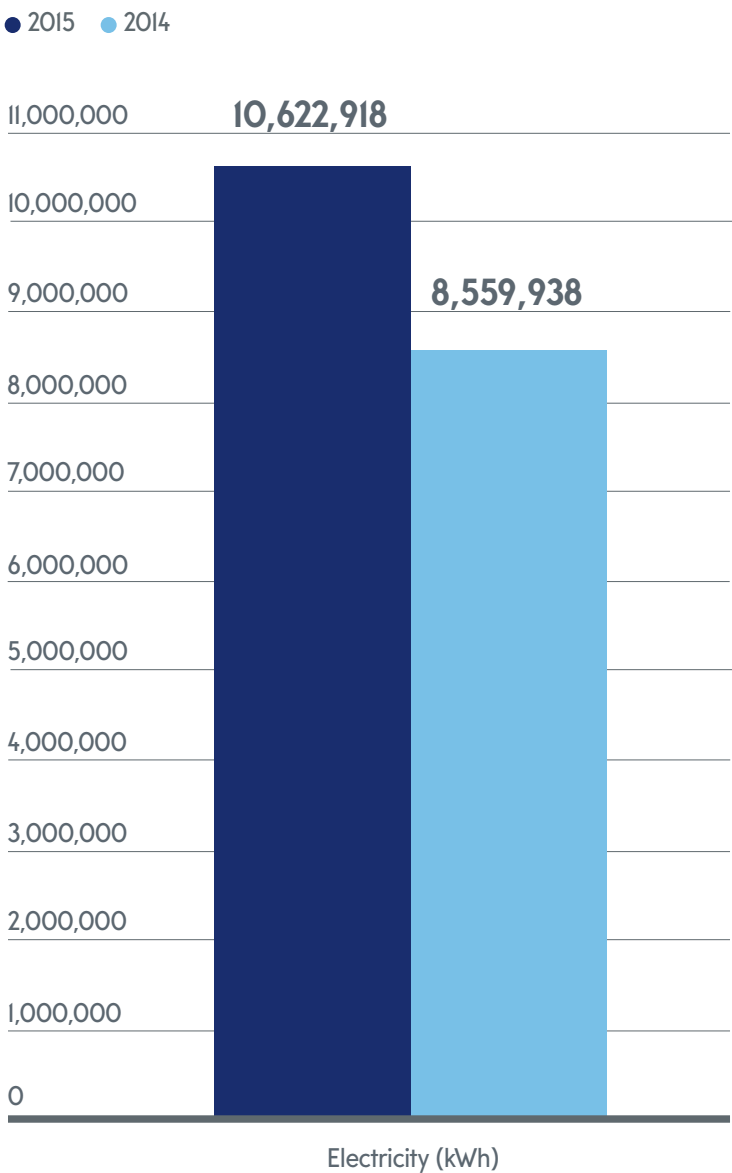
Mediolanum Foundation NPO - Breakdown of funding provided by action area and beneficiary 2015

FUNDING OVERVIEW TABLE					
INITIATIVE	COUNTRY	ORGANISATION	ACTION AREA	DESCRIPTION	AMOUNT OF FUNDING (€)
FEEDING THE FUTURE PROGRAMME (2 ND FUNDING ROUND)	ERITREA	MISSION BAMBINI, ALEIMAR, GMA ONLUS	Aid	The aim of the project is to save 428 children from malnutrition in Eritrea through the distribution of dietary supplements to children and the distribution of goats and ecological ovens to their mothers.	150,000
	ZAMBIA	POPE JOHN XXIII COMMUNITY ASSOCIATION	Healthcare	Measures and actions aimed at fighting child malnutrition in the Ndola district.	70,000
	ETHIOPIA	CIAI ONLUS	Aid	Promotion of the right to health care and decent nutrition for 1500 children through the involvement and active participation of families and the community.	30,000
FUND-RAISING	ITALY	SOS CHILDREN’S VILLAGES	Aid	Support for refugees for children removed from their families due to abuse and/or violence.	60,000
		POPE JOHN XXIII COMMUNITY ASSOCIATION	Aid		39,506
		SISTERS OF CHARITY OF ST VINCENT DE PAUL	Aid	39,506	
		MAGICA CLEME ONLUS	Aid	Recreational activities and wish fulfilment for seriously ill children to help give courage and hope in coping with therapy.	76,000
		MAKE A WISH ONLUS	Aid		76,000
FREEDOM REWARDING	ERITREA/ BENIN/ MALAWI	ALEIMAR	Aid	Meals, powdered milk and paediatric care for African children.	8,460
	CAMBODIA	CIAI ONLUS	Healthcare	Rehabilitation and medical care for Cambodian children in need.	6,060
	ITALY	MISSION BAMBINI	Aid	Changing tables, nappies and a canteen for the children of poor families.	1,130
SMS SOLIDARITY 2014	ITALY	SOS CHILDREN’S VILLAGES	Aid	Support for refugees for children removed from their families due to abuse and/or violence.	27,943
DISCRETIONARY DONATIONS	IRAQ	EMERGENZA SORRISI - DOCTORS FOR SMILING CHILDREN	Healthcare	Mission to provide free surgery for 80 children with burns or with facial malformations and local doctor training.	20,000
	MOZAMBIQUE	FRATELLI SENZA FRONTIERE	Healthcare	Opening of a paediatric clinic to provide care for paediatric illnesses that are not serious but if ignored can degenerate.	9,000
	SOMALIA	MARCO BERRY ONLUS	Healthcare	Opening of a Surgery Centre to treat operable paediatric illnesses in a complete way.	10,000
	CAMBODIA	MISSION BAMBINI	Healthcare	Mission to provide free surgery for Cambodian children with cardiovascular diseases and local doctor training.	20,000
	THAILAND	PIME	Schooling	Support for children of the Fang tribe to allow them to regularly attend school.	15,000
	ERITREA	UN CUORE UN MONDO PADOVA	Healthcare	Prevention, diagnosis and treatment of congenital and acquired cardiovascular diseases in Eritrean children and the creation of a Cardiology and Heart Surgery Centre managed by local personnel.	15,000
	NEPAL	UNHCR	Aid	Emergency aid for the population affected by the Nepal earthquake, with focus on children.	72,345
	ITALY	AMRI	Healthcare	Lease of apartments to house the families of child patients at the Gaslini Paediatric Hospital of Genoa.	10,000
		ANACONDA	Aid	Extensions to the centre for children with pathologies and handicaps. Training and rehabilitation programme.	20,000
		CHILDREN’S HOSPITAL ASSOCIATION	Research	Research projects for the early diagnosis and treatment of spina bifida.	30,000
		ATIPICA	Research	School initiatives to help prevent cyberbullying.	10,000
		SAN PATRIGNANO	Schooling	Support for the growth and development of children living in the rehabilitation community with parents undergoing drug rehabilitation.	15,000
TOTAL					830,950 €

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

Energy consumption, Basiglio-Milano Tre (Italy) headquarters

	2015	2014
Electricity (kWh)	10,622,918	8,559,938
Natural gas (m³)	1,478,623	1,380,656



Energy saving initiatives, Basiglio-Milano Tre (Milan, Italy) headquarters

Initiative	Measurement unit	Consumption 2015	Consumption 2014 (baseline)	Savings achieved	% Savings achieved	NOTE
Decommissioning of air conditioning condenser units serving the EDP rooms on the basement level of the Meucci building	kWh	345,600	613,200	267,600	43.6	ESTIMATE
Restyling of fan coils across the complex (started in October 2015)	kWh	10,950	21,900	10,950	50.0	ESTIMATE
Micro-climate improvement for the Galvani building and 4th floor of the Meucci building	kWh	91,519	231,400	139,881	60.4	RECORDED
Installation of inverters on the recirculation pumps of the air-conditioning system for the Meucci-Galvani building	kWh	138,169	324,120	185,951	57.4	RECORDED
LED lighting installed in the Pitagora Building (started in November 2015)	kWh	12,940	63,840	50,900	79.7	RECORDED
Installation of a new water condensing refrigeration machine in the Archimede-Pitagora building	kWh	490,000	690,000	200,000	29.0	ESTIMATE
Independent production and sale of surplus electricity for the Archimede and Galilei buildings	kWh	450,000	758,600	308,600	40.7	ESTIMATE-no data from the network
Reduced consumption of diesel fuel by the introduction of more fuel efficient cars in the rental car fleet	L	195,457	207,373	11,916	5.7	ESTIMATE

GHG EMISSIONS - 2015

Basiglio-Milano Tre (Italy) headquarters

As of 2015, energy consumption data now covers a larger surface area. The table below reports scope 1 and scope 2 greenhouse gas emissions for Banca Mediolanum.

SCOPE 1		SCOPE 2	
Direct GHG emissions (tons CO ₂ eq.)		Energy indirect GHG emissions (tons CO ₂ eq.)	
2015		2015	
Natural gas	2,905	Electricity	1,862
Diesel fuel (long-term car rentals)	522		
TOTAL	3,427		

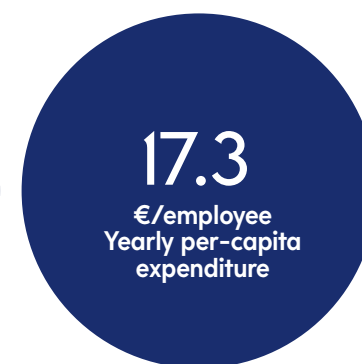
Source of emission factors: ABI Lab 2016

Source of emission factors: ABI Lab 2016

Paper consumption and expenditure by type

	2015	2014	% change
Letterhead and blank paper (tons)	4.4	3.68	19.24
Recycled paper (tons)	37.5	39.3	-4.6
Yearly per-capita consumption (kg/employee)	13.5	13.9	-2.88

	2015
Letterhead and blank paper (€)	13,492
Recycled paper (€)	40,260
Yearly per-capita expenditure (€/employee)	17.3



Breakdown of suppliers by business category

AMOUNT INVOICED			
Business Category (%)	2015	2014	% change
EDP and databases	42.21	42.23	-0.05
General expenses	21.68	20.38	6.38
Promotion, advertising and marketing	13.11	13.87	-5.48
Professional services	9.56	9.58	-0.21
Other	2.68	3.82	-29.84
Property management	3.84	3.52	9.09
Utilities	2.36	2.37	-0.42
Transportation and shipment	3.48	3.16	10.13
Insurance	1.08	1.07	0.93

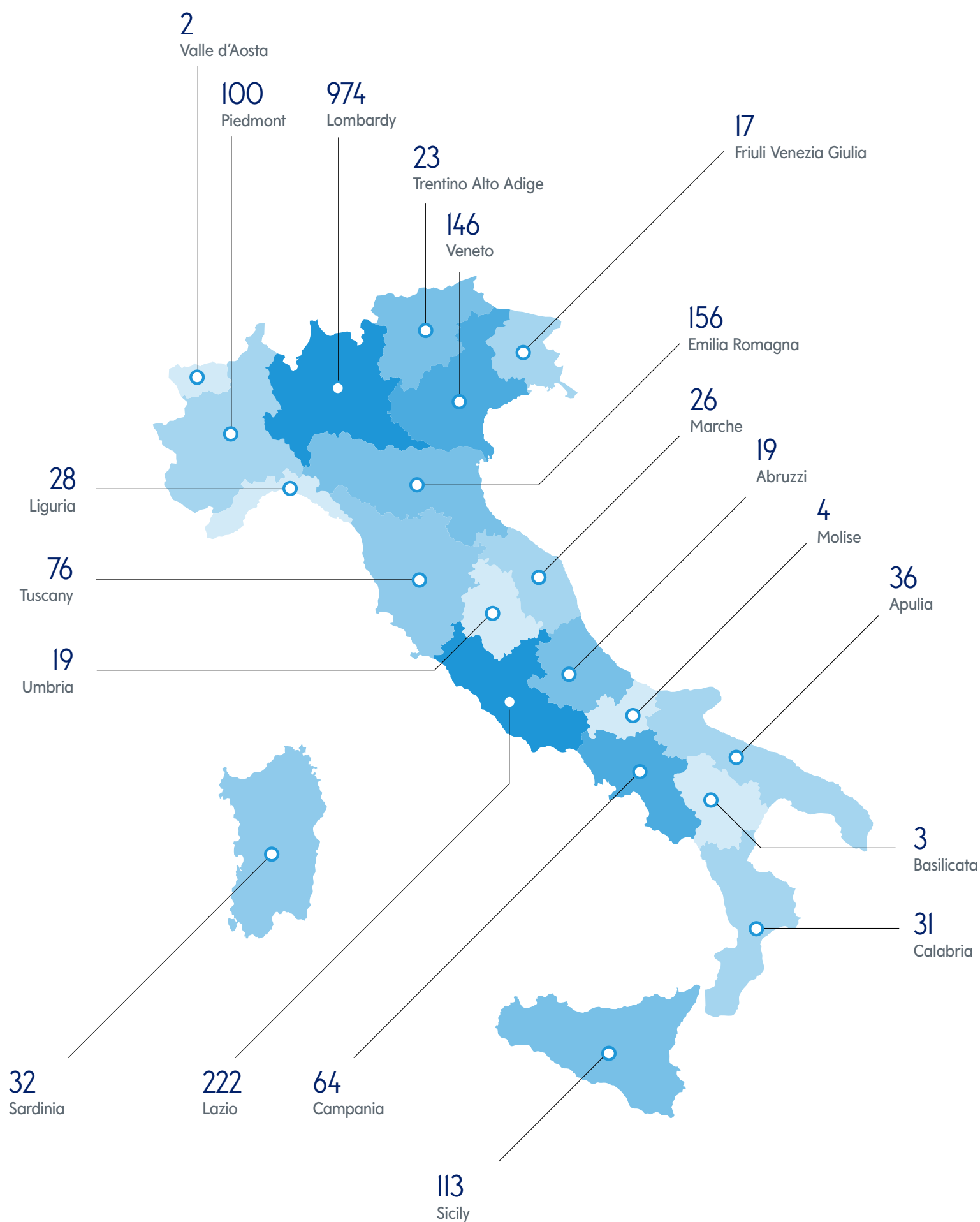
Breakdown of suppliers by amounts invoiced - 2015

Total annual amount invoiced (€)	% suppliers	% purchases
0 - 10,000	59.78	1.07
10,001 - 100,000	25.47	6.18
> 100,001	14.75	92.75

Breakdown of suppliers by geographic area

GEOGRAPHIC AREA	No. SUPPLIERS		
	2015	2014	% change
Abruzzi	19	25	-24.00
Basilicata	3	2	50.00
Calabria	31	41	-24.39
Campania	64	52	23.08
Emilia Romagna	156	138	13.04
Friuli Venezia Giulia	17	16	6.25
Lazio	222	222	0.00
Liguria	28	25	12.00
Lombardy	974	1,019	-4.42
Marche	26	40	-35.00
Molise	4	6	-33.33
Piedmont	100	118	-15.25
Apulia	36	45	-20.00
Sardinia	32	28	14.29
Sicily	113	131	-13.74
Tuscany	76	73	4.11
Trentino Alto Adige	23	26	-11.54
Umbria	19	26	-26.92
Valle d'Aosta	2	4	-50.00
Veneto	146	179	-18.44
Abroad	92	111	-17.12
TOTAL	2,183	2,327	-6.19

Breakdown of suppliers by geographic area - 2015



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INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

**To the Board of Directors of
BANCA MEDIOLANUM S.p.A.**

We have performed a limited assurance engagement on the Sustainability Report of the Mediolanum Group (the "Group") as of December 31, 2015.

Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines" and the "Financial Services Sector Disclosures", both issued in 2013 by GRI - *Global Reporting Initiative*, as stated in the paragraph "Note on methodology" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Mediolanum Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement. These procedures included inquiries, primary with the Company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the Sustainability Report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the Sustainability Report with those reported in the Mediolanum Group Consolidated Financial Statements as of December 31, 2015, on which we issued the auditors' report (pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January, 2010), dated March 7, 2016;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
 - interviews and discussions with the management of Banca Mediolanum S.p.A. to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report” of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the legal representative of Banca Mediolanum S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report” of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Mediolanum Group as of December 31, 2015 is not prepared, in all material respects, in accordance with the “*G4 Sustainability Reporting Guidelines*” and the “*Financial Services Sector Disclosures*”, both issued in 2013 by GRI - *Global Reporting Initiative*, as stated in the paragraph “Note on methodology” of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

Paolo Gibello Ribatto
Partner

Milan, June 22, 2016

This report has been translated into the English language solely for the convenience of international readers.

Parent company
of the Mediolanum Banking Group
listed in the Register of Banking Groups

Share capital:
€73,743,699.80
Tax identification No. - VAT registration No. -
Milan Business Register No. II667420159
R.E.A. I484838
No. 29138 general list section, article II3 of Leg. Decree 385/93

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Website: www.mediolanum.com