

BANCA MEDIOLANUM S.p.A.

**REPORT
ON CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURES**
pursuant to Art. 123-*bis* of the Consolidated Finance Act

YEAR 2018

Version approved by the Board of Directors on 28 February 2019

www.bancamediolanum.it

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GLOSSARY

Code/Corporate Governance Code: the new version of the Corporate Governance Code of listed companies approved by the Corporate Governance Committee in July 2018 and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Italian Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Supervisory Provisions: the supervisory provisions for the banks (particularly Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates).

Issuer/Company: the securities issuer to whom the Report refers.

Year: the year to which the Report refers.

Merger: the merger by incorporation of Mediolanum S.p.A. into Banca Mediolanum S.p.A..

MAR: Market Abuse Regulation - (EU) Regulation no. 596/2014

MTA: the Electronic Equity Market organised and managed by Borsa Italiana S.p.A.

CONSOB Issuers' Regulation: the Regulation CONSOB issued with resolution no. 11971 of 1999 (as later amended) on the question of issuers.

CONSOB Stock Market Regulations: the Regulation CONSOB issued with resolution no. 20249 of 2017 on markets.

CONSOB Related Parties Regulations: the Regulation CONSOB issued with resolution no. 17221 of 12 March 2010 (as later amended) on the question of transactions with related parties.

Report: the report on corporate governance and ownership structures that the companies are required to draw up pursuant to Art. 123-*bis* of the Consolidated Finance Act.

Consolidated Banking Act/TUB: Italian Legislative Decree no. 385 of 1 September 1993.

Consolidated Finance Act/TUF: Italian Legislative Decree no. 58 of 24 February 1998.



Banca Mediolanum S.p.A. drew up this Report in order to explain the characteristics of its corporate governance organisation.

Having adhered to the Corporate Governance Code – available on the website www.borsaitalia.it under the item Regulations/Corporate Governance Committee – issued by the Corporate Governance Committee of Borsa Italiana, the Company also takes into account the state of adaptation of the corporate governance system to the Code’s recommendations according to the “comply or explain” principle in this Report.

The Code was adopted after the Banca Mediolanum S.p.A. shares started to be listed on the MTA (on 30 December 2015), following the inverse merger transaction by way of which Banca Mediolanum SpA took over its parent company - previously listed - Mediolanum S.p.A. For this purpose, the Company has passed the appropriate resolutions in order to adapt the corporate governance system to the recommendations contained in the Corporate Governance Code currently in force.



1.0 ISSUER PROFILE

The purpose of Banca Mediolanum S.p.A. is attracting savings and granting credit in its various forms. With observance of the provisions in force, it may carry out all transactions and banking and financial services, including the exercise of securities intermediation, and all other transactions instrumental and however connected with attaining the corporate purpose.

The Company is organised according to the “traditional” type of administration and control model pursuant to Arts. 2380-*bis* et seq. of the Italian Civil Code, with the Shareholders’ Meeting, the Board of Directors with administrative functions, a Board of Statutory Auditors with administration control functions and the Independent Auditors to whom the auditing task is entrusted.

On the basis of the in-depth assessment, this model was considered the best suited to ensure the efficiency of the management and the effectiveness of the controls, also considering the costs connected with the adoption and functioning of the selected system.

This system ensures the pursuit of the objectives of sound and prudent management as well as the balancing of powers and adequate distinction between the strategic supervision, management and control functions indicated by the supervisory regulations

Starting from 30 December 2015, the Bank took on the qualification of parent company of the Mediolanum Banking Group entered in the Bank Group Registry, at the same time also taking on the qualification of Parent Company of the Mediolanum Financial Conglomerate with banking its prevailing activity.

With reference to the provisions of the Bank of Italy regarding corporate governance (Title IV, Chapter 1, Section I of the Supervisory Provisions), Banca Mediolanum is considered as a large or operationally complex bank, following the listing of its ordinary shares on the organised MTA



managed by Borsa Italiana S.p.A. and is classified, with reference to the provisions of the Bank of Italy relating to remuneration and incentive policies and practices, referred to in Title IV, Chapter 2, Section I of the Supervisory Provisions, as an intermediate-sized bank.

The Issuer, in its capacity of Parent Company of the Mediolanum Banking Group, pursuant to Art. 61, paragraph 4 of the Consolidated Banking Act, issues instructions to the group members to execute instructions given by the Bank of Italy in the interest of the Group's stability as part of its management and coordination activity.

2.0 INFORMATION ON OWNERSHIP STRUCTURES

A) Share capital structure

The company's share capital subscribed and paid in as of 31 December 2018 and as of the date of this Report is Euro 600,185,368.90, divided into 740,255,546 shares without indication of the par value.

There are no shares of a category other than the one mentioned.

B) Restrictions on transfer of securities

There are no restrictions on transfer of securities.

C) Significant interests in the capital

The situation regarding the parties that directly or indirectly have more than 3% interest in the subscribed and paid-in share capital of Banca Mediolanum S.p.A., represented by shares with voting right according to the entries in the shareholders' register, supplemented by the communications received and other information available, is provided hereunder:

(data as of 28 February 2019)	NO. SHARES	%
SILVIO BERLUSCONI INDIRECTLY THROUGH: FININVEST S.p.A. (OWNERSHIP)	222,984,780	30.12
FINPROG ITALIA S.p.A.	149,029,557	20.13
- FINPROG ITALIA S.p.A. - shares in a life estate without voting rights - voting rights pertaining to Ennio Doris	23,130,000	3.12
- FINPROG ITALIA S.p.A. - shares in a life estate without voting rights - voting rights pertaining to Lina Tombolato	23,130,000	3.12
TOTAL	195,289,557	26.37
ENNIO DORIS DIRECTLY IN OWNERSHIP	23,563,070	3.18
LINA TOMBOLATO		



- DIRECTLY IN OWNERSHIP	24,307,595	3.28
- INDIRECTLY THROUGH T-INVEST S.r.l.	26,340,303	3.56
TOTAL	50,647,898	6.84
T. ROWE PRICE ASSOCIATES INC.	26,286,475	3.551

D) Securities that do not give special rights

No securities giving special control rights were given.

The By-laws of the Issuer do not contain provisions regarding the increased vote pursuant to Art. 127-*quinquies* of the Consolidated Finance Act.

E) Employee share ownership: mechanism for exercising voting rights

There is no employee share ownership system.

F) Voting right restrictions

There are no voting right restrictions.

G) Shareholder Agreements

i) Fininvest S.p.A./ Doris Group Agreement

Between the Doris Group (Messrs Ennio Doris, Lina Tombolato, Massimo Antonio Doris, Annalisa Sara Doris and the corporate vehicles relating to them) and Fininvest S.p.A. there is a shareholders' agreement originally entered into between Fininvest S.p.A. and FINPROG, concerning at least 51% of the share capital of Banca Mediolanum S.p.A., the shares of which were assigned on an equal basis.

The Shareholders' Agreement was renewed on 14 September 2016 and will remain in effect for 3 years.

Pursuant to Art. 122 of the Consolidated Finance Act, the Agreement provides for obligations of prior consultation for exercising voting rights (Art. 122, paragraph 5(a); limits on the transfer of shares (Art. 122, paragraph 5(b); stability of the shareholding structure and management policy



units (Art. 122, paragraph 5(d) of Banca Mediolanum S.p.A. based in Basiglio - Milano 3, Palazzo Meucci, Via Francesco Sforza, tax code and Register of Companies of Milan registration number: 02124090164, whose shares are listed on the MTA.

The Decision of the European Central Bank of 25 October 2016, which objects to the acquisition by Fininvest S.p.A. of a qualified equity investment in Banca Mediolanum S.p.A. entails, as also notified to Fininvest S.p.A. by the Bank of Italy with Note Prot. No. 1523247/16 of 21 December 2016, *“the automatic suspension of voting rights pertaining to the equity investment that is the subject matter of the ECB’s decision”*, i.e. the equity investment greater than 9.999%. As announced in advance in its communication pursuant to Art. 120 of Italian Legislative Decree 58/1998 of 31 October 2016, on 23 December 2016 it challenged the European Central Bank’s Decision of 25 October 2016 before the Court of Justice of the European Union.

Refer to the essential information published pursuant to Art. 130 of the TUF on the Bank’s website (“Shareholders” Section).

ii) Doris Family Agreement

On 20 December 2017, Messrs Ennio Doris, Lina Tombolato, Massimo Doris and Annalisa Doris, on the one side, and FINPROG ITALIA S.p.A. (“FINPROG” previously Fin. Prog. Italia S.A.p.A. di Ennio Doris & C.), T-Invest S.r.l. and Snow Peak S.r.l., on the other, signed a shareholders’ agreement containing several significant shareholders provisions pursuant to Art. 122 of the Consolidated Finance Act (the “Shareholders’ Agreement”) aimed at regulating the exercising of the voting right pertaining to the Banca Mediolanum shares held by the parties on the significant matters covered by the Bank’s shareholders’ meeting, and the restrictions to transfer shares of the Bank and of the T-Invest S.r.l. and Snow Peak S.r.l. vehicles, all as better explained in the essential information on the Shareholders’ Agreement published pursuant to Art.



130 of the Consolidated Finance Act on the Bank's website ("Shareholding Structure" Section).

The Shareholders' Agreement leaves the provisions of the above-mentioned provisions under letter *i*) valid and without prejudice.

On 21 November 2018, by means of a press release issued by Banca Mediolanum on behalf of the Doris family, information was given on the fact that the members of the Doris Family - and, in particular, Mr Ennio Doris, Ms Lina Tombolato, Mr Massimo Antonio Doris and Ms Annalisa Sara Doris - initiated the amendment of voting agreements on the shares held by them, respectively in FINPROG and in Banca Mediolanum S.p.A., in fulfilment of the aforementioned shareholders' agreement signed by the aforementioned parties on 20 December 2017.

In particular, voting rights for 9,073,120 FINPROG shares were re-allocated free of charge, which, until now, as a whole, pertained to the usufructuaries Messrs Ennio Doris and Lina Tombolato. Said voting rights now pertain to the FINPROG shares respectively held in life estate by Mr Massimo Antonio Doris (4,536,585 shares) and by Ms Annalisa Sara Doris (4,536,535 shares).

Likewise, the voting rights for 46,260,000 shares in the Bank were re-allocated free of charge to the usufructuaries of the same Messrs Ennio Doris and Lina Tombolato, with the simultaneous reduction of the percentage of voting rights in the Bank for FINPROG, now equal to 20.1357% of the Bank's share capital.

As a result of the re-allocation of voting rights relating to the Bank's shares and the consequent reduction in the voting rights of FINPROG, it was necessary to supplement the number of shares pertaining to the Doris Family to be tied to the aforementioned shareholders' agreement stipulated on 14 September 2016 by Fininvest S.p.A. and FINPROG regarding a stake

representing 50.938% of the Bank's share capital, as of 21 November 2018.

H) Change of control clauses

The Issuer and its subsidiaries have neither stipulated nor are party to significant agreements that take effect, are amended or lapse in the case of change of control of the company.

The By-laws of the Bank does not contemplate provisions with reference to the provisions pursuant to Art. 104, paragraph 1-*ter* of the Consolidated Finance Act in derogation of the regulations of the passivity rule provided for by Art. 104, paragraphs 1 and 1-*bis*, of the Consolidated Finance Act. It is also reported that the Issuer's By-laws do not provided for application of the neutralisation rules contemplated by Art. 104-*bis*, paragraphs 2 and 3 of the Consolidated Finance Act.

I) Mandates to increase the share capital and authorisations to purchase treasury shares

As regards the mandates for share capital increases pursuant to Art. 2443 of the Italian Civil Code, please refer to Art. 6 of the By-laws of the Issuer, which can be found on the Borsa Italiana website and on the www.bancamediolanum.it website in the Corporate Governance Section under the item Corporate Governance Documents. Said mandates service previous stock option plans promoted by the incorporated Mediolanum S.p.A.

On the proposal of the Board, the Shareholders' Meeting of the Issuer of 10 April 2018, resolved to authorise transactions to purchase and to dispose of ordinary treasury shares.

In particular, the Shareholders' Meeting resolved:

(A) to revoke the resolution authorising disposal of treasury shares passed by the ordinary Shareholders' Meeting of Banca Mediolanum S.p.A. on 05 April 2017, starting from the date of the resolution;

(B) to authorise transactions to purchase and dispose of treasury shares for the purposes indicated

in the Board of Directors' Report and therefore:

- (i) to authorise, pursuant to Art. 2357 of the Italian Civil Code, the purchase in one or multiple times, for the period of eighteen months starting from the date of the resolution, ordinary Bank shares up to a maximum of 2,500,000 ordinary Banca Mediolanum S.p.A. shares and, in any case, taking into account ordinary Banca Mediolanum S.p.A. shares held from time to time in portfolio by the Bank and by its subsidiaries, within the maximum limit established by the applicable pro tempore regulations, giving mandate to the Board of Directors to identify the amount of shares to purchase prior to starting every single purchase plan at a consideration that is no higher than the price of the last independent transaction or the price of the highest current independent offer in the trading venues where the purchase is made, whichever of the two is highest, it being understood that the unit consideration can however not be lower in the 15% minimum and higher in the 15% maximum compared to the official price recorded by the Banca Mediolanum S.p.A. security on the previous exchange day for every single purchase transaction and that, in any case, the maximum total consideration of the purchases made based on this resolution cannot be higher than Euro 17,500,000.00;
- (ii) to grant the Board of Directors and on its behalf to the Chairman, the Chief Executive Officer and the Vice Chairmen, separately from each other, mandate to go forward with the purchase of shares under the conditions and for the purposes referred to above, given all powers to execute the purchase transactions pursuant to this resolution and all other formalities relating to them, including any granting of assignments to certified intermediaries pursuant to the law and with the right to appoint attorneys-in-fact; the

purchases shall be made with the procedures provided for by the applicable provisions of CONSOB Regulation 11971/1999, as amended, implementing Art. 132 of the Consolidated Finance Act, in observance of the conditions and restrictions regarding trading pursuant to Arts. 3 and 4 of the (EU) Commission Delegated Regulation 1052/2016 and with the gradualness deemed opportune in the interest of Banca Mediolanum S.p.A.;

- (iii) to authorise the Board of Directors, and on its behalf its Chairman, the Chief Executive Officer and the Vice Chairmen, separately from each other, so that pursuant to Art. 2357-*ter* of the Italian Civil Code they may dispose of, at any time, fully or partly, one or multiple times, the treasury shares purchased based on the resolution, or however in Banca Mediolanum S.p.A.'s portfolio, by way of the free assignment of said treasury shares to the recipients of the Performance Share Plans involved from time to time, them meeting the regulatory prerequisites and conditions set out by the Group Remuneration Policies (applicable each time) for the payment of the variable remuneration connected with the incentive system, giving them, again separately from each other, all powers to execute the disposition transactions pursuant to this resolution and all other formalities relating to them, including granting of assignments to certified intermediaries pursuant to the law and with the right to appoint attorneys-in-fact. It is specified that the treasury shares of Banca Mediolanum S.p.A. purchased on the strength of this authorisation, or however in the Banca Mediolanum S.p.A. portfolio, which are a surplus over and above those that will actually be used to service the above-mentioned Share Performance Plans, may be used for (a) their assignment to service any future incentive plans (also within the insurance Group) and/or remuneration agreed upon in view of or on the occasion of the

early termination of the employment or due to the early termination of office and/or (b) their disposal in or out of the stock market, also by transferring property rights and or personal rights, with the terms, procedures and conditions of the act of disposition of the treasury shares deemed most opportune in the interest of Banca Mediolanum S.p.A., in observance of the pro tempore legal and regulatory provisions in force, including the practices allowed under Art. 13 MAR. The authorisation pursuant to this point sub (iii) is granted without time limits;

(C) to order, pursuant to the law, that the purchases pursuant to the authorisation be restricted within the limits of the distributable profits and available reserves shown on the last financial statements (including interim) approved at the time the transaction is made and that the necessary accounting entries be made in observance of the legal provisions and applicable accounting standard at the time of purchase and dispose of the treasury shares.

In follow-up to the authorisation to purchase and dispose of treasury shares resolved by the Shareholders' Meeting of the Bank held on 24 April 2018, the Board of Directors meeting of 10 April 2018 therefore resolved to start up a programmed to purchase treasury shares in order to give the Bank the provision of Banca Mediolanum shares to service Performance Share Plans approved by the same Shareholders' Meeting of the Bank of 10 April 2018. As notified to the market on 28 June 2018 the plan to purchase treasury shares, drawn up based on the authorising Shareholders' Meeting resolution of 10 April 2018, got underway on 26 April 2018 and came to an end in June 2018 and, as part of that plan, the Bank purchased 2,500,000 shares, with an equivalent total value of Euro 15,570,523.85.

As of 31 December 2018 and the date of this Report, the Issuer holds 7,867,896 treasury shares,

equivalent to 1.06286% of the share capital, of which 2,986,066 without restriction on allocation.

Lastly, it is noted that a new proposal to authorise the purchase of treasury shares is not subject to approval by the Shareholders' Meeting called to approve the financial statements as of 31 December 2018.

J) Management and coordination activity

The Issuer is not subject to management and coordination activity.

Note that:

- as regards the information on the appointment and replacement of the Directors (Art. 123-*bis*, paragraph 1(l)), please refer to paragraph 4.1 below.
- as regards the information on any agreements between the Company and the Directors that provide for indemnity in case of resignation or dismissal without just cause or if their employment terminates following a takeover bid (Art. 123-*bis*, paragraph 1(i)), please refer to the Board of Directors' Report on the Group Remuneration Policies drawn up pursuant to Art. 123-*ter* of the Consolidated Finance Act.



3.0 ADOPTION OF CORPORATE GOVERNANCE CODE

On 23 September 2015, effective from the listing on 30 December 2015, the Company resolved to adopt the Corporate Governance Code of listed Companies - available on the website <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm> – and adopted the appropriate resolutions in order to adapt its corporate governance system to the recommendations contained in the Code in effect.

The Company also established that when there are transactions that have a significant strategic, economic, capital or financial impact for it, the subsidiaries submit the transaction to the Board of Directors of the Parent Company Banca Mediolanum S.p.A..

The Issuer falls within the “less significant” category of banks for the purposes of single European supervision.

The Issuer and its subsidiaries are not subject to non-Italian legal provisions that affect the corporate governance structure of the Issuer.

4.0 BOARD OF DIRECTORS

4.1 Appointment and Replacement

The statutory provisions that currently regulate the appointment and replacement of the Directors are contained in Art. 17 of the By-laws that is provided here below:

- Article 17)

1. *The Company is administered by a Board of Directors made up of from seven to fifteen directors who must have the requisites demanded by the current pro tempore primary and secondary regulations, and by the codes of conduct drawn up by regulated market management companies or by trade associations that the Company belongs to (hereinafter also the “Codes of Conduct”) are can be re-elected. Of them a number corresponding to at least the minimum provided for by the current pro temporary primary and secondary regulations must have the independence requisites prescribed herein (hereinafter also the “Independent Directors”).*
2. *Before appointing them, the Shareholders’ Meeting determines the number of members of the Board and the term in office, in observance of the legal time limits.*
3. *The directors of the Company are appointed by the Shareholders’ Meeting on the basis of lists in which the candidates must be indicated in a number no higher than fifteen, each matched to a progressive number.*

A candidate can be on one list only, under penalty of being ineligible for election.

Those shareholders due the voting right that, alone or together with other shareholders, represent at least the percentage of the share capital set by the National Commission for the Companies and the Stock Market are entitled to present the lists.

Ownership of the percentage of share capital is determined regarding the shares that are

registered to the shareholders on the day on which the list is lodged with the Company, with reference to the share capital subscribe on the same date.

The relevant certification can be notified to the Company also after lodging the list provided that it arrives by the deadline set for publication of the lists by the Company.

The Company allows the shareholders planning to present the lists to lodge them via at least one means of remote communication, according to the methods that will make the Shareholders' Meeting convocation notice public and that allow lodging shareholders to be identified.

The equity interest required for presentation of the lists of candidates to elect the Board of Directors is specified in the convocation notice of the Shareholders' Meeting called to resolve the appointment of this body.

- 4. A shareholder can neither present nor vote more than one list, even if through intermediaries or trust companies. The shareholders belonging to the same group - meaning the parent company, the subsidiaries and the companies subject to common control - and the shareholders that have signed a shareholders' agreement pursuant to Art. 122 of Italian Legislative Decree no. 58/1998 concerning the issuers' shares cannot present or vote more than one list, even if through intermediaries or trust companies.*
- 5. In order to observe the minimum number of Independent Directors pursuant to paragraph 1 above of this article, each list must identify a minimum number of candidates on it, calculated based on the total number of candidates specified therein who have the independence requisites provided for by the current pro tempore primary and secondary regulations.*

In order to ensure a balance between genders in conformity with the current pro tempore primary and secondary regulations, each list containing a number of candidates equal to or greater than three must provide for the presence of candidates of both genders so that at least one third belong to the least represented gender, rounded up in case of a fractional number, of the candidates on the list. At the time of first application, the number reserved for the least represented gender is equal to at least one-fifth, rounded up in the case of a fractional number.

- 6. The lists are lodged with the Company by the twenty-fifth day before the date of the Shareholders' Meeting called in first or single convocation to resolve on the appointment of the members of the Board of Directors and made available to the public at the registered office, on the website and with other methods provided for by the National Commissions for the Companies and the Stock Market with regulations at least twenty-one days before the date of the Shareholders' Meeting.*

The lists are completed with:

- a) information on the identity of the shareholders who have presented the lists, with the total percentage of interest held specified;*
- b) a declaration of the shareholders other than those who hold, also jointly, a controlling interest or relevant majority interest, certifying the absence or existence of relations connecting them with the latter, in observance of what is provided for in Art. 147-ter of Italian Legislative Decree no. 58/1998 and Art. 144-quinquies, paragraph one of CONSOB Resolution no. 11971/1999 (hereinafter also "Issuers' Regulation");*
- c) an exhaustive report on the personal and professional characteristics of the candidates, a statement of the same candidates certifying they have the requisites required by law and*

their acceptance of the candidacy and on them having independence requisites, should this be the case, set out in Art. 148, paragraph 3 of Italian Legislative Decree no. 58/1998 and, in necessary, further requisites required by the current pro tempore primary and secondary regulations and by the Codes of Conduct.

The lists presented without observing the forgoing provisions are not submitted to voting.

7. *Before opening the voting, the Chairman of the Shareholders' Meeting reads any statements provided under letter b) above and asks those attending the Shareholders' Meeting who have not lodged or contributed to lodging lists to declare any connection relations as defined above.*

Should a party connected to one or more shareholders of reference have voted for a minority list, the existence of this connection relationship becomes significant only if the vote has been crucial for the election of the director.

8. *At the end of the voting the votes obtained from the lists are divided by progressive whole numbers from one to the number of directors to elect, without taking into account the lists that have not attained a percentage of votes at least equal to have of those required for their presentation.*

The quotients obtained in this way are assigned to the candidates of each list in the order it provides for.

Then the quotients assigned to the candidates of the various lists are arranged in a single decreasing list. Those who have obtained the highest quotients are elected up the meeting the number of directors set by the Shareholders' Meeting, it being understood that the candidate listed in first place of the second list obtaining the greatest number of votes and is not

connected in any way, not even indirectly, with the shareholders who presented or voted the list finishing in first place by number of votes must in any case be appointed.

Therefore, if the aforesaid candidate has not obtained the quotient necessary to be elected, the candidate who obtained the lowest quotient taken from the list that obtained the greatest number of votes will not be elected, and the board will be completed with the appointment of the candidate listed in first place on the second list that obtained the greatest number of votes.

9. *The office of the Chairman of the Board of Directors lies with the candidate listed in first place on the list that obtained the greatest number of votes.*

10. *If in order to complete the entire Board of Directors multiple candidates have obtained the same quotient, the candidate of the list that has not yet elected any director or that has elected the lowest number of directors is elected.*

If none of these lists has elected a director, or all have elected the same number of directors, the candidate who has obtained the greatest number of votes is elected from these lists.

In the case of an equal number of votes on the list, with an equal quotient, the vote is taken again by the Shareholders' Meeting and the candidate who obtains the simple majority of votes is elected.

If by continuing in this way not even the minimum number of Independent Directors required by the current pro temporary primary and secondary regulations is elected within the Board of Directors to be appointed, the following steps are taken: the candidates that should be elected last based on the progressive quotient and taken from the first list that obtained the largest number of votes are replaced by the immediately subsequent candidates who obtained the lower progressive quotients, and identified on the same list as Independent

Directors.

If the composition of the Board of Directors does not comply with the current pro tempore primary and secondary regulations pertaining to balance of genders when the votes are counted and the operations above are completed, the candidate of the most represented gender elected last based on the progressive quotient and taken from the first list that obtained the greatest number of votes is replaced by the first candidate of the least represented gender who obtained the lower progressive quotient and is specified on the same list, provided that the minimum number of independent directors required by the current pro tempore provisions is observed. If this should not be the case, the replaced candidate of the most represented gender would each time be the party elected penultimate, third last and so on, based on the progressive quotient again taken from the first list that obtained the greatest number of votes.

If proceeding in this manner does not ensure the required result, the replacement will be achieved with a resolution passed by the Shareholders' Meeting with relative majority, subject to presentation of candidacies of parties belonging to the least represented gender.

- 11. If only one list is presented, the Shareholders' Meeting votes on it and if it obtains the relative majority of the voters, without taking the shareholders who abstained into account, the candidates listed in progressive order are elected directors up until the number set by the Shareholders' Meeting is set.*

The candidate indicated at first place on the list is elected Chairman of the Board of Directors.

If by proceeding in this way the current pro tempore provisions on the question of

Independent Directors and/or balance of genders are not observed in the presence of a Board of Directors being formed, the steps described above under paragraph 10 will be followed mutatis mutandis.

- 12. Should there be no lists, or if the number of candidates elected is lower than the number set by the Shareholders' Meeting adopting this mechanism, the Board of Directors is appointed or supplemented by the Shareholders' Meeting with the majorities set by law, respectively.*
- 13. In the case of termination of office of one or more directors for any reason, those still in office will replace them by co-option pursuant to Art. 2386 of the Italian Civil Code, without prejudice to the obligation to observe the minimum number of Independent Directors and the provisions of the current pro tempore primary and secondary regulations, and of the Codes of Conduct, also with reference to balance of genders.*

The appointment of directors replacing directors terminated from office by the Shareholders' Meeting, also following their co-option, is freely done with the legal majority, without prejudice to the obligation of observing the minimum number of Independent Directors and the provisions of the current pro tempore primary and secondary regulations on the subject of balance of genders.

- 14. With regard to the directors indicated on the respective list as Independent Directors, the obligation of immediate notification to the Board of Directors of the loss of their requisites and consequent withdrawal pursuant to the law applies.*

Not that in addition to the rules set out by the Consolidated Finance Act, the Issuer is subject to the regulations of the banking sector (the Supervisory Provisions) on the subject of forming the Board of Directors, with particular reference to the representation of the minority shareholders or to the number and characteristics of the directors.

Succession Plans

On 20 December 2016 the Board of the Company, after receiving the favourable opinion of the Appointments Committee, approved the Succession Plan Policy.

This policy, prepared in keeping with best practices and in compliance with the Supervisory Provisions, is aimed at formalising the plans with which the orderly succession – *inter alia* – is ensured in the top management positions of the executive, i.e. those of Chief Executive Officer and General Manager, in the case of termination due to expiration of the mandate or for any other cause, in order to guarantee continuity consistent with the company's strategic plans and to prevent economic or reputation repercussions on the Bank.

This process is also aimed at protecting the company from any specific roles in the organisation being left vacant, guaranteeing the prompt replacement for those resources that hold top positions and/or roles considered key for the group in the company.

With reference to the top executive positions, a process that is promptly set in motion when any event bringing about its non-continuity in the action, and hence the need to appoint a successor, takes place.

In these cases, the policy states that the Appointments Committee starts up the process and defines the requirements of the profile of the resource to be identified. With the support of the responsible company functions, the next step is "internal" scouting of the personnel (directors, employees, collaborators, etc.) with the purpose of searching for and identifying the possible immediate replacements for the position considered within the Group perimeter. At the same time, "external" scouting must be started in order to identify possible candidates having the requirements set by the Appointments Committee on the market. The results of the internal and

external analyses will then be placed at the disposal of the Appointments Committee that, in turn, will submit the potential candidates to the Board of Directors.

4.2 Composition and maximum plurality of offices held at other companies

The members of the Board of Directors in office until the Shareholders' Meeting of 10 April 2018 were:

1. Ennio Doris – Chairman (without mandates) – Non-executive;
2. Edoardo Lombardi – Vice Chairman – Non-executive;
3. Giovanni Pirovano – Vice Chairman – Non-executive;
4. Massimo Antonio Doris – Chief Executive Officer – Executive;
5. Luigi Berlusconi – Director – Non-executive;
6. Bruno Bianchi – Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
7. Luigi Del Fabbro – Director – Non-executive;
8. Annalisa Sara Doris – Director – Non-executive;
9. Paolo Gualtieri – Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
10. Angelo Renoldi – Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
11. Carlos Javier Tusquets Trias de Bes – Non-executive;

The Board of Directors currently in office, consisting of 13 members, was appointed by the Shareholders' Meeting on 10 April 2018 for the 2018-2020 three-year period and its term will end on the date of the Shareholders' Meeting called to approve the financial statements as of 31 December 2020.



The Board of Directors was appointed on the basis of the lists of candidates presented: (i) on 15 March 2018 by the Shareholders Messrs Ennio Doris, Lina Tombolato (both on her own behalf and on behalf of the fully owned company, T-Invest S.r.l.), Massimo Antonio Doris (on behalf of the fully owned company, Snow Peak S.r.l.) and Annalisa Sara Doris, together with FINPROG ITALIA S.p.A., representing 40.1964% of the share capital of Banca Mediolanum S.p.A. (Doris Family), voted by about 78.14% of the shares with the right to vote; b) on 14 March 2018, by institutional investors representing a total of 1.66% of the share capital of Banca Mediolanum S.p.A., voted by about 21.79% of the shares with the right to vote. Number 1) was assigned to the list referred to in point (i) and number 2) was assigned to the list referred to in point (ii).

In presenting the lists of candidates, the shareholders took into account the suggestions from the outgoing Board of Directors contained in the document “*Corporate Governance - Identification and communication to shareholders on the optimal quali-quantitative composition of the Board of Directors of Banca Mediolanum S.p.A.*” dated 27 February 2018.

The Board currently has the following composition:

1. Ennio Doris - Chairman – Non-Executive;
2. Giovanni Pirovano – Vice Chairman – Non-Executive;
3. Massimo Antonio Doris – Chief Executive Officer – Executive;
4. Bruno Bianchi – Director – Non-Executive;
5. Annalisa Sara Doris – Director – Non-Executive;
6. Paola Durante – Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;

7. Francesco Maria Frasca - Director - Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
8. Alessandro Gavazza - Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
9. Mario Notari – Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
10. Anna Eugenia Omarini - Director - Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
11. Roberta Pierantoni - Director - Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
12. Giacinto Gaetano Sarubbi - Director – Independent pursuant to the Corporate Governance Code and pursuant to Art. 148, paragraph 3, of the Consolidated Finance Act;
13. Carlos Tusquets Trias des Bes - Director - Non-Executive.

The Directors Giacinto Gaetano Sarubbi, Paola Durante and Alessandro Gavazza are from the minority list presented by institutional investors representing 1.66% of the share capital while all the other Directors are from the majority list presented by the parties to the so-called Doris Family Agreement.

The informational documentation concerning, among other things, the personal and professional characteristics of the candidates for the election of the Board of Directors was made available to the public at the registered office, through the storage device of Spafid Connect S.p.A. at www.emarketstorage.com, and on the website www.bancamediolanum.it, in the Corporate Governance section, Shareholders' Meeting.

The composition of the corporate bodies is of core importance due to the effective fulfilment of

the tasks entrusted to them by the law, the Supervisory provisions and the By-Laws; the subdivision of duties and responsibilities within the Corporate Bodies must be consistent with the role assigned to them as part of the chosen management and control system.

The number of members of the corporate bodies must be suitable for the size and complexity of the Bank's organisational structure in order to oversee effectively the entire company's operations, with regard to management and controls.

The make-up of the bodies must not be too bloated: an excessively large team can reduce the motivation for each member to take action to carry out his or her duties and may hinder the functionality of the body itself.

Profile of the Directors

- Professionalism requirements

The members of the Board of Directors have the knowledge, skills and experience necessary for the fulfilment of their duties. The term, "experience", refers to both previous professional experience and technical knowledge acquired through education and training. For the purposes of assessing technical knowledge in banking, particular attention is paid to the education level and profile, which should apply to banking and financial services or other relevant areas such as, primarily, banking, financial, economic, legal and administrative sectors, financial regulation, information technology, financial analysis and quantitative methods. Experience is assessed on the basis of the positions previously held taking into account the duration of the appointment, the size of the institution, the roles held, the number of subordinate collaborators, the nature of the activities carried out and, among other things, the actual relevance of the experience gained.

In the document, "*Corporate Governance - Identification and communication to shareholders on*

the optimal quali-quantitative composition of the Board of Directors of Banca Mediolanum S.p.A., the Bank's Board of Directors on 27 February 2018 considered that, for a proper functioning of the body itself and for the purpose of selecting its own members - taking into account the size-related characteristics of the Bank and the Mediolanum Banking Group and the specific complexity of the sector in which it operates - the areas of expertise that must necessarily be held by the Board are:

- knowledge of the banking sector, financial markets and risk management and control methodologies related to banking activities, gained through experience over various years in administration, management and oversight in the financial sector
- knowledge of the dynamics of the economic and financial system, gained through experience over various years in administration and oversight in companies in the financial sector or in professional activities or university teaching
- experience in business management and business organisation, gained through work in administration, management or oversight in companies or groups of significant size in financial terms;
- ability to understand and interpret the financial statement a financial institution, gained through experience over various years in administration and oversight in companies in the financial sector or in professional activities or university teaching;
- (auditing, legal, business, etc.) corporate expertise, gained through experience over various years in auditing or management oversight within large companies or in professional activities or university teaching;
- knowledge of the regulation of financial activities, gained through specific experience over various years within companies in the field of asset management or in professional activities

or university teaching;

- international experience and knowledge of foreign markets, gained through entrepreneurial or professional activities lasting various years at foreign institutions or entities, companies or groups with an international vocation;
- knowledge of social and political facts and market mechanisms in countries in which the Banking Group has a strategic presence, gained through work over various years carried out in public or private institutions or companies or through studies or investigations carried out at research institutions;
- knowledge of issues related to organisation and information systems, gained through entrepreneurial or professional activities carried out over various years at institutions, entities, companies or groups of significant size or advisory work in the field of organisation, Information & Communication Technology, outsourcing policies and business continuity;
- knowledge regarding strategic planning, awareness of corporate strategic guidelines or the business plan of a credit institution and respective implementation, gained through administration, management or oversight work over various years at companies or groups of significant size in financial terms;
- knowledge of the effectiveness of a credit institution's governance mechanisms, aimed at ensuring an effective supervision, management and oversight system, gained through administration, management or oversight work over various years in companies or groups of significant size in financial terms or in professional activities or university teaching;
- experience regarding accounting and auditing, gained through administration, management or oversight work over various years in companies or groups of significant size in financial terms

or in professional activities or university teaching;

- experience in the training, management and coordination of networks of Financial Advisers.

The Board of Directors has also recommended that all the aforementioned areas of expertise should be featured as possible within the administrative body, since the combination of different expertise and experience ensures that professionals complement each other and leads to discussion within and efficient functioning of the Board itself.

If it is not possible to achieve adequate coverage of all the subjects, in relation to the peculiarities of the Bank's operational and regulatory context, it is essential to increase the dissemination of knowledge within the Board regarding:

- banking sector and risk management and control methodologies related to banking activities. Such expertise is also necessary in light of the Supervisory Provisions, qualifying it as “essential knowledge for the effective performance of tasks” required of the members of the strategic supervisory body;
- national and international regulation regarding financial assets. Such expertise must allow the correct management in light of the dynamics of the markets in which the Bank operates.

- *Integrity requirements*

Considering the importance of integrity requirements in reputational terms, the Board of Directors has recommended that candidates for appointment as Bank Director, in addition to satisfying legal requirements concerning integrity, must not have engaged in conduct, although not constituting a crime, appearing not to be compatible with the role of Director of a Bank or that may result in serious reputational consequences for the Bank.

- *Independence requirements*

The Board of Directors has an adequate number of independent Directors with clearly defined

roles and duties. In this regard, Independent Directors:

- oversee corporate management, with independent judgement, by helping to ensure that it is in the interests of the Bank and in a manner consistent with the objectives of sound and prudent management;
- must act professionally and be well respected such as to ensure a high level of internal discussion within the Board of Directors and to have a significant contribution in decision-making.

In the Board of Directors, seven members satisfy the following independence requirements (art. 17 of the By-Laws) in compliance with Circular no. 285/2013 of the Bank of Italy and in art. 147-ter TUF, that is:

- not being a spouse, relative or similar up to the fourth degree of the Directors of the Bank, Director, spouse, relative or similar within the fourth degree of the Directors of the companies controlled by it, of the companies that control it and of those under common control;
- not be linked to the Bank, to the companies controlled by it, to the companies that control it, to those subject to common control or to the Directors of the Company and to the parties referred to in the previous point, by freelance or employment contracts or by other relationships of a financial or professional nature compromising respective independence.

The independence of the directors is also assessed in accordance with the Corporate Governance Code for listed companies, which requires the Board of Directors to assess the independence of its members with more regard to substance than to form, bearing in mind that a director does not appear, as a rule, independent in the following cases, not to be considered as an exhaustive list:

- if, directly or indirectly, also through subsidiaries, trust companies or third parties, he or she

controls the issuer or is able to exercise significant influence over it, or is a party to a shareholders' agreement through which one or more parties may exercise significant control or influence over the issuer;

- if he or she is, or has been in the previous three years, an important representative of the issuer, of one of its subsidiaries with strategic relevance or of a company subject to common control with the issuer, or of a company or an entity which, even together with others through a shareholders' agreement, controls the issuer or is able to exercise significant influence over it;
- if, directly or indirectly (for example through subsidiaries or companies of which he or she is an important representative, or as a partner in a professional or consultancy firm), he or she has, or has had in the previous year, a significant commercial, financial or professional relationship: - with the issuer, one of its subsidiaries, or with any of its important representatives; - with a party who, also together with others through a shareholders' agreement, controls the issuer, or - in the case of a company or entity - with the relevant important representatives; or is, or has been in the previous three financial years, an employee of one of the aforementioned parties;
- if he or she receives or has received, in the previous three financial years, from the issuer or from a subsidiary or parent company a significant additional remuneration (with respect to the "fixed" remuneration of the non-executive director of the issuer and to the remuneration for participation in committees recommended by the Corporate Governance Code) also in the form of participation in incentive plans linked to company performance, including share-based plans;
- if he or she has been a director of the issuer for more than nine years out of the last twelve

years;

- if he or she holds the position of executive director at another company at which an executive director of the issuer is a director;
- if he or she is a shareholder or director of a company or entity belonging to the network of the company appointed to perform the statutory audit on the issuer;
- if he or she is a close family member of a person who is in one of the situations referred to in the preceding points.

It is also noted that, in order to verify the degree of independence of Directors, since the meeting on 23 September 2015, the Board of Directors has adopted the following objective criteria aimed at identifying the extent of significant financial relations and the scope of close links with the Company, its major shareholders, its Executive Directors and other parties taken into consideration by Art. 3 of the Corporate Governance Code:

- Euro 200,000 (two hundred thousand) per year: threshold beyond which financial relations are defined as significant;
- second degree: level of kinship of relevance for the definition of close family members.

As mentioned, based on the information provided by the Directors, Paola Durante, Francesco Maria Frasca, Alessandro Gavazza, Mario Notari, Anna Eugenia Omarini, Roberta Pierantoni and Giacinto Gaetano Sarubbi, on 10 April 2018 the Board assessed said independent directors pursuant to Art. 148, paragraph 3, of the TUF, as referenced by Art. 147-ter, paragraph 4, of the TUF. Pursuant to Art. 3 of the Corporate Governance Code, the results of this assessment were communicated to the market in a press release issued on the same date.

Lastly, the Board found that there is an adequate number of Independent Directors amongst its

members.

The independence of said members was subsequently verified on 29 January 2019.

On the same date, the Board of Statutory Auditors verified correct application of the criteria and verification procedures adopted by the Board to assess - pursuant to the Corporate Governance Code - the independence of its members.

- *Limit on the accumulation of positions*

The availability of time necessary for fulfilling the appointment is referenced by the Supervisory Provisions and, pending the issuing of the legislative provisions implementing Italian Legislative Decree no. 385/1993 on the subject, by the current internal regulation regarding the accumulation of positions according to which each member of the Board of Directors may not accept, unless otherwise advised by the Board of Directors, to be evaluated in the specific case, an overall number of positions at banks or at other commercial companies exceeding one of the following alternative combinations:

- a) 1 executive position and 2 non-executive positions;
- b) 4 non-executive positions.

For the purpose of calculating the limits in points a) and b), the position held at the Bank is included.

The whole of offices held within the same group or at the companies not part of the group in which the bank has a qualified equity interest as defined by (EU) regulation no. 575/2013, Art. 4(1), point 36 is considered a single office.

The assignment of specific offices to the single directors or their involvement in board Committees is subordinate to the availability of time and adequate resources.

All the Directors currently in office have declared that they comply with the aforementioned

limit.

- *Incompatibility*

With reference to the Directors in office, it is noted that there are no reasons for incompatibility as established by current legislation, also taking into account and considering the prohibition on “holders of positions in management, supervisory and control bodies and senior officers of companies or groups of companies operating in the credit, insurance and financial markets accepting or holding similar positions in competing companies or groups” (so-called interlocking directorships).

Diversity policies

The Board of Directors of the Bank is called upon, in compliance with the provisions of the current regulations of the sector, to assess and identify its optimum quali-quantitative composition while embracing the objectives of the legislative and regulatory provisions, the best practices and the guidelines issued by the Bank of Italy and the international bodies.

Among other things, said quali-quantitative composition contains instructions regarding the hopeful level of diversity in the skills, professionalism, origin and gender for forming the board.

The document on quali-quantitative composition was made available to the Shareholders in view of the Shareholders’ Meeting on 10 April 2018 to provide the appropriate information on the re-election of the board.

The Board also makes an assessment on its size, composition and functioning each year.

The assessment with reference to the Board as a whole regards its composition, and conveys guidelines with reference to the quali-quantitative sizing to the degree of diversification in terms of age, gender, type and functional professional skills, and to the experience demanded of the

Directors, also in terms of international projection based on the strategies set by the Bank.

Note that at the statutory level (Art. 17), at least one third must be reserved for the least represented gender, without prejudice to legal provisions. Should this ratio not be a whole number, it is rounded up to the upper unit.

Upon the re-election of the corporate bodies, the members of the out-going board of directors expressed their favour to the advisability to ensure the fullest diversity of gender in identifying candidacies provided there is adequate professionalism and diversification between the age brackets of the Directors.

With regard to the diversity of composition of the current Board of Directors, it is noted that: *(i)* the Board is characterised by the varying ages of its members, bearing in mind that the age of the Directors is between 44 and 80 years old with a median of 54 and an average of 59; *(ii)* 4 Directors are women and 9 are men; *(iii)* the training and professional background of the Directors currently in office ensures a balanced range of profiles and experience within the administrative body capable of ensuring the proper fulfilment of the duties pertaining to it; *(iv)* the Board of Directors currently has members of different geographical origins, as well as with international experience.

Induction Programme

The major legislative and regulatory changes are brought to the knowledge of and explained to the Board by the Compliance Function and by the Corporate Affairs Division, which work with the Chairman in order to contribute to providing the Board members with increasingly adequate knowledge of the business sector in which the Issuer operates.

The Chairmanship of the Board of Directors, aided by the responsible structures, organised various Board Induction sessions for the Directors and Statutory Auditors, with the participation

of speakers of primary importance on several governance topics.

In 2018, four induction sessions were held, characterised by the high participation of the Directors, on the following topics:

Date	Topic
31 May 2018	Meeting, held by the Chief Executive Officer and the General Manager, with the attendance of certain functions involved, focused on the business and organisational model of Banca Mediolanum with the aim of explaining it to the newly-appointed Directors and Auditors
18 October 2018	Presentation of the credit operation model by the Head of the Credit Department with the assistance of the Risk Management and Legal functions for the aspects under their respective responsibility
22 October 2018	Session on anti-money laundering and anti-terrorism financing. The external trainer, Mr Sergio Ferrero, was the speaker at the meeting
28 November 2018	Session dedicated to the new Italian rules for compliance with the so-called MAR Regulation (EU Reg. No. 596/2014) and a further session dedicated to insurance distribution legislation that came into force on 1 October 2018 (so-called IDD Directive), overseen by Prof. Andrea Perrone

In addition to the induction sessions listed above, further non-formalised induction sessions were conducted for the representatives of the corporate functions on organisation, anti-money laundering and credit, with the aim of increasing understanding among the Directors of the business model and the strategic guidelines of the Bank.

4.3 Role of the Board of Directors

The Board is the body responsible for corporate management. In this area the Company's Board plays the role of body with strategic supervision function and it is assigned the company's management policy functions, with the task of defining the policy guidelines of the Internal Controls System, checking that it is consistent with the strategic policies and the risk appetite established and that it is able to manage the evolution of corporate risks and their interaction.

In the collective exercise of the strategic supervision function, the Corporate Governance Project

explicitly requires that, in addition to the responsibilities assigned to it by Art. 23 of the By-laws (see below), the Board of Directors:

- defines and approves:
 - the business model, being knowledgeable of the risks to which this model exposes the Bank and understanding of the procedures through which the risks are recorded and assessed;
 - the strategic policies and periodically reviews them in connection with the evolution of the company's activity and the external context, in order to ensure its effectiveness over time;
 - the risk objectives, the tolerance threshold (where identified) and the risk governance policies;
 - the criteria for coordinating and managing Companies of the Banking Group, and for determining criteria for executing instructions of the Bank of Italy;
 - the guidelines applied to the internal control system, ensuring that they are consistent with the strategic policies and risk appetite set forth and that they have the ability to identify any change occurring in corporate risks and interactions among the same;
 - the criteria for identifying the most important transactions to submit to the prior scrutiny of the risk control function.
- it approves:
 - the establishment of the corporate control functions, their tasks and responsibilities, the coordination and cooperation methods to be adopted, the information flows among these Functions and between the functions and other corporate bodies;

- approves the risk management process and assesses its compatibility with the strategic guidelines and risk governance policies;
- the policies and assessment processes of the company's activities, and in particular of the financial instruments, checking their constant adequacy; it also establishes the maximum limits to the Bank's exposure to financial instruments or products of uncertain or difficult assessment, including verification that the price and the conditions of the transactions with the customers are consistent with the business model and the risk strategies;
- the process for developing and ratifying internal risk measurement systems not used for regulatory purposes and periodically assesses their correct functioning;
- approves a document, disseminated to all the involved structures, that defines the tasks and responsibilities of the various control bodies and functions, the information flows among the different functions/bodies and between these and the corporate bodies and, if the control areas show some potential overlaps or allow for the development of synergies, the coordination and collaboration methods that can ensure a correct interaction among all the functions and bodies with control responsibilities, avoiding overlaps or gaps;
- the process for the approval of new products and services, the launch of new activities and the entry into new markets;
- the corporate policy on outsourcing corporate functions and approves the annual report on the controls performed on the important operational or outsourced control departments, on any shortcomings possibly found and on the consequent corrective actions adopted, prepared by the internal audit function with the support of the control body;

- a code of ethics that the members of the corporate bodies and employees are required to comply with in order to alleviate the operational and reputation risk of the Bank and to promote the spread of an internal controls culture;
- the internal system for reporting infringements;
- the corporate governance project, with the favourable opinion of the control body;
- the AMD (Maximum Amount Available), after consulting the control function body, if the Company should not observe the joint capital reserve requirement;
- amendment of the main internal regulations.
- decides on the taking on and disposal of strategic equity investments;
- appoints and revokes the general manager;
- appoints and revokes the managers of the control functions, after consulting with the Board of Statutory Auditors;
- after consulting with the board of statutory auditors, appoints the executive responsible for financial reporting;
- decides on the formation of the committees within the corporate bodies;
- with a specific resolution, establishes the classification, assessment and management criteria for the impaired exposures;
- works out, submits to the shareholders' meeting and re-examines the remuneration and incentive policy at least once a year, and is responsible for its proper implementation. It also ensures that the remuneration policy is adequately documented and accessible within the corporate structure;
- defines the remuneration and incentive systems at least for the following parties: the executive directors; the general managers; the general co-managers; the vice general

managers and similar figures; the managers of the major lines of business, corporate functions or geographical areas; those who report directly to the bodies with strategic, management and control supervision function; the managers and personnel of a higher level of the corporate control functions. It particularly ensures that said systems are consistent with the Bank's overall decisions in terms of taking on risks, strategies, long-term objectives, corporate governance and internal controls structure;

- ensures that:
 - the Bank's structure is consistent with the activity carried out and with the business model adopted while avoiding the creation of complex structures not justified by operational purposes;
 - the internal control system and the corporate organisation are always consistent with one another and that the corporate control functions meet the requirements and comply with all provisions of the law. If some gaps or anomalies emerge, it promptly promotes the adoption of the appropriate corrective measures and assesses their efficacy;
 - implementation of the RAF is consistent with the approved risk objectives and tolerance threshold (where identified); periodically assesses the adequacy and effectiveness of the RAF and the compatibility between the actual risk and the risk objectives;
 - the strategic plan, the RAF, the ICAAP/ILAAP, the budgets and the internal control system are consistent, also bearing in mind the evolution of the internal and external conditions in which the Bank operates;
 - the quantity and allocation of the capital and liquidity held are consistent with the risk appetite, the risk governance policies and the risk management process;

- at least on an annual basis, approves the planning of the activities carried out by the control functions level II as well as the audit plan prepared by the internal audit function, and reviews the annual reports prepared by the corporate control functions. It also approves the multi-annual audit report;
- with reference to the ICAAP/ILAAP process, it defines and approves the general guidelines of the process, ensures it is consistent with the RAF and promptly adapts them to significant changes in the strategic lines, organisational structure and the operational context of reference; it promotes full use of the results of the ICAAP/ILAAP for the company's strategic purposes and decisions taken;
- regarding credit and counterparty risks, it approves the general lines of the risk mitigation techniques of the management system that monitors the entire acquisition, assessment, control and realisation of the risk implementation instruments used;
- periodically checks that the choices made retain their validity over time, approves the substantial changes to the system and sees to the overall supervision of its proper operation;
- establishes the frequency, in any case no more than quarterly, with which the delegated bodies must report to the board on the activity carried out for the mandates given to them during the year;
- assesses the general performance of operations, particularly taking into consideration the information received from the delegated bodies and periodically comparing the results attained with those scheduled;
- resolves on the transactions of the issuer and of its Subsidiaries when these transactions have considerable strategic, economic, equity or financial importance for the same issuer; for this reason it establishes general criteria to identify the transactions of considerable importance;

- assesses, at least on an annual basis, the suitability of the internal control and risk management system based on the characteristics of the Company and the Company's risk profile, as well as their efficacy;
- after consulting with the board of statutory auditors, assesses the results shown by the independent auditors in the letter of suggestions and in the report on the basic questions that emerged during the audit;
- with the support of the Risk Committee, carries out supervisory functions regarding the adequacy of powers and resources assigned to the executive responsible and actual observance of the administrative-accounting procedures.

The body is also responsible:

- for keeping up a liquidity level consistent with the risk exposure tolerance threshold;
- for defining strategic guidelines, governance policies and management processes pertaining to the specific risk profile. For this purpose:
 - it defines the liquidity risk tolerance threshold, considered the maximum risk exposure allowed;
 - it approves:
 - the methodologies the Bank uses to assess the liquidity risk exposure;
 - the main assumptions underlying the stress scenarios;
 - the attention indicators used to activate emergency plans;
 - the emergency plan to activate in case of market crises or specific situations of the Bank (Contingency Funding Plan – CFP);

- and the principles regarding definition of the pricing system for internal transfer of the funds, in observance of the regulatory criteria, ensuring that the function assigned to drawing up the aforesaid system is independent from the operational functions;
- the policies for classifying indirect investments in equity for supervisory purposes;
- the internal policies on equity investments in non-financial companies.

With reference to the Bank's information system:

- approves the information system development strategies in consideration of the evolution of the sector of reference and consistent with the current structure and to prepare for the operations sectors, processes and company organisation; in this context, approves the model of reference for the architecture of the information system;
- approve the IT security policy;
- approves the guidelines concerning selection of the personnel with technical functions and acquisition of systems, software and services, including utilisation of external suppliers;
- promotes the development, sharing and updating of knowledge of ICT inside the company;
- is informed at least once a year on the adequacy of the services provided and the support of these services for the evolution of company operations in relation to the costs incurred;
- is promptly informed in the case of serious problems for the company's activity arising from incidents and malfunctioning of the information system;
- approves the organisational and methodological framework of reference for IT risk analysis, and promotes the appropriate utilisation of information on technological risk within the ICT function and integration with the risk measurement and management systems (in particular operational, reputation and strategic risks).

Furthermore, with reference to the Shareholders' Meeting:

- ensures that a manager appointed to management of relations with the shareholders is identified and periodically assesses the advisability of going forward with the establishment of a company structure assigned said function;
- proposes to the shareholders' meeting for its approval a regulation specifying the procedures to follow in order to allow orderly and functional carrying out of the shareholders' meetings while at the same time guaranteeing the right of each shareholder to speak on the items on the agenda;
- in the case of significant changes in the market capitalisation of the issuer's shares or in the composition of its corporate structure, assesses the advisability of proposing to the shareholders' meeting amendments to the By-laws regarding the percentages of shares set for the year and prerogatives set to protect the minority interest.

During the Financial Year, 16 meetings of the Board of Directors were held - 4 with the previous make-up and 12 meetings with the current make-up - with an average duration of: 185 minutes (3 hours and 5 minutes).

During 2019, 12 meetings of the Board of Directors are currently scheduled, of which 3 have already been held on 29 January and on 11 and 28 February 2019.

Extensive discussion of every item on the agenda is ensuring during the board meeting, usually supported by the presence of the Managers of the Corporate Control Functions, the managers of the functions responsible for providing opportune detailed information on the items on the agenda and by the prior sending of suitable documentation to Directors and Statutory Auditors.

On this point, the Issuer deemed sending documentation that may be available to support the meetings in advance with advance notice usually given at least 48 hours before the board meeting

instrumental for proper board examination and discussion, where no problems with confidentiality exist. The Issuer's Independent Directors have acknowledged compliance with this provision for the Financial Year and in many cases the aforementioned deadline has been brought forward by 4 or 5 days.

The distribution of duties is in actual fact aimed at allowing the Board of Directors to concentrate on the goal of creating value for the shareholders.

In observance of the regulations of the sector and in a perspective of creating value, the Board has taken upon itself the following tasks (Art. 23 of the By-laws).

- 1. The Board of Directors shall be entitled to all powers for the ordinary and extraordinary management of the Company, and shall be empowered to carry out all acts deemed appropriate for the achievement and implementation of the company purpose, to the exclusion only of those specifically reserved by law to the General Meeting.*
- 2. It is the sole responsibility of the Board of Directors, in addition to the provisions of primary and secondary regulations in force at the time:*
 - to define the overall governance structure and to approve the guidelines of the bank's organisational structure;*
 - to approve the accounting and reporting systems;*
 - to supervise the bank's public information and communication process;*
 - to ensure effective dialectic communication with the management function and with the key company functions and to check the choices and decisions they have made over time;*
 - to determine general management policies, including the decisions pertaining to the guidelines and strategic transactions and industrial and financial plans;*
 - to approve and amend the main internal regulations.*

- *to appoint and revoke the General Manager;*
- *to appoint and revoke the Managers of the Internal Audit, Conformity and Risk Control functions;*
- *to take on an dispose of equity investments that alter the group's composition;*
- *to set up committees or commissions with advisory or coordination functions, including the Risk Committee, the Appointments Committee and the Remuneration Committee, whose functioning must be regulated by special board regulations;*
- *to determine criteria for coordinating and managing companies of the banking group, and for determining criteria for executing instructions of the Bank of Italy.*

3. *Without prejudice to the provisions of Art. 15.2 of these by-laws, the Board of Directors is responsible for adopting resolutions concerning:*

- *merger in the cases provided for by Art. 2505 of the Italian Civil Code, within the legal limits;*
- *the setting up or closing of company branches, and the setting up, transfer and closing of branches and agencies;*
- *indication of which directors represent the Company;*
- *the reduction of capital if the shareholder withdraws;*
- *adaptations of the by-laws to regulatory provisions;*
- *the issue of non-convertible bonds within the limits set by the current pro temporary primary and secondary regulations.*

Report to the Board

The was periodically informed on the activity delegated according to statutory provisions (Art. 20 of the By-laws).

The directors and the Board of Statutory Auditors are informed by the delegated bodies and also regarding the subsidiaries on the overall performance of operations and outlook, in addition to the transactions of greater economic, financial and equity significance and on those in which the directors themselves have an interest, on their own behalf or a on the behalf of a third party, or that are influence by the party, if one exists, that carries out the management and coordination activity and on execution of the transactions with related parties at the Board of Directors meetings held at least once every quarter. Should reasons of urgency or expediency so require, communication can be made to the interested parties also in writing.

In its meeting of 29 January 2019 held to approve the updated Corporate Governance Project, the Board assessed the adequacy of the organisational, administrative and accounting structure of the Company and of the Banking Group entities. The Board also periodically assesses the general performance of operations, particularly taking into consideration the information received from the delegated bodies and periodically comparing the results attained with those scheduled.

Self-Assessment Process

In compliance with current legislation, the Issuer has planned a structured self-assessment process for the bodies with strategic and management functions once a year on the size, composition and functioning of the Board itself and of any internal committees established as part of it.

This assessment, carried out with the support of the Appointments Committee, is aimed at:

- ensuring a verification of the correct and effective functioning of the body and its adequate composition;
- ensuring substantial compliance with the Supervisory provisions on corporate governance and achievement of the intended purposes;
- encouraging the updating of internal regulations on the functioning of the body, so as to ensure their suitability also in light of the changes due to the evolution of the business and operating context;
- identifying any major weaknesses and promoting discussion within the body, as well as specifying corrective actions to be taken;
- strengthening collaborative relationships and trust among individual members and between the strategic supervision function and the management function;
- encouraging the active participation of individual members, thereby ensuring full awareness of the specific role held by each of them and the related responsibilities;
- stimulating the improvement of the self-assessment process and the performance of the Board over time.

In particular, the self-assessment process regards the following aspects:

- with reference to the Board of Directors as a whole and to the Board Committees:
 - composition: in this regard, of relevance are the quali-quantitative composition, the size, the degree of diversity - in terms, *inter alia*, of age, gender balance, length of the term in office, geographical origin, type, expertise, professional knowledge and experience existing in the Board, international experiences - the degree of professional training (taking into account the operational and size-related characteristics of the Bank), the balancing ensuring by the non-

executive and independent members, the adequacy of the appointment processes and selection criteria, further training - including board inductions for the preparation and training of Board members for increasing their respective skills, as specifically identified according to the specific needs and defined every year, also on the basis of the results of the follow-up checks carried out on the training previously taken by individuals and by the Board as a whole;

- functioning: in this regard, of relevance are the adequacy of the role, responsibilities and powers of the body, in relation to the complexity of the external context and the strategic activities and objectives of the Bank and the Group, the consistency of the operating rules of the Board of Directors and the conduct of the Directors with respect to the supervisory rules and to the recommendations of the Corporate Governance Code, the role of strategic supervision and monitoring of management by the Board as a whole, the circulation of information, the adequacy of information flows to the administrative body and, as applicable, internal committees thereof, the holding, frequency and duration of board and committee meetings, the degree and methods of participation by members, the time dedicated to the appointment, the trust, collaborative relationship and interaction between among, awareness of the role held, the quality of the board discussion, the work of the Chairman, the Chief Executive Officer and the General Manager in relation to the Board, the assessment of the accuracy of the minutes and, more generally, the quality of the assistance provided by the Secretary's Office;

- with reference to individual Directors:

- independence requirements: these requirements are assessed by the Board of Directors in accordance with the size-related and composition standards required by the applicable laws and regulations applicable pursuant to the provisions of Art. 17 of the By-Laws. In this regard,

of relevance is the information provided by the Director concerned, or in any case at the Bank's disposal, regarding the satisfaction of the independence requirements established by the current primary and secondary legislation in force and by the Corporate Governance Code (as defined below), as well as the relationships that compromise or are likely to compromise the independent judgement of the Director concerned;

- the requirements regarding good standing, professionalism, correctness, knowledge and expertise, as well as honesty, integrity and independence of judgement: these requirements are assessed by the Board of Directors in accordance with the size-related and composition standards established by the applicable laws and regulations in force. In this regard, of relevance is the information provided by the Director concerned, or in any case available to the Bank, as well as situations that may cause suspension from director duties and conduct which, although not constituting a crime, does not appear to be compatible with the position of Director of the Bank or which may have as a result consequences harmful to the reputation, the theoretical knowledge and practical experience gained by the members of the administrative body, as well as the reputation, honesty and integrity thereof;
- availability of time and the limit on the accumulation of positions: pending the issuance of the legislative provisions implementing the TUB on the subject, these aspects are verified by the Board of Directors taking into account the provisions established by the Board itself regarding the accumulation of positions. In this regard, of relevance are the assessment of the degree of participation in board decisions by the Director, his or her involvement and time dedicated to carrying out respective duties, which must be such as to ensure the diligent and effective

fulfilment of the appointment, as well as the total number of positions held at banks and other commercial companies.

This process is governed by the “*Banca Mediolanum Board of Directors Self-Assessment Process Regulation*”, updated by way of the resolution dated 7 November 2018, featuring the following “macro” phases:

- 1) preliminary phase, gathering information and data (also based on questionnaires and interviews) on the basis of which the assessment is carried out;
- 2) processing phase;
- 3) phase of preparing the outcomes of the process, with the identification of the strengths and weaknesses found.

The parties in charge of self-assessment formalise the results of the self-assessment process in the document, “*Outcomes of the Self-Assessment of the Board of Directors*”, which explains: *(i)* the methods and the individual phases of which the process is comprised; *(ii)* the parties involved, including any external professional; *(iii)* the results obtained, highlighting the strengths and weaknesses brought to light; *(iv)* corrective and improvement actions that may be necessary or possible. Their implementation or progress must be accounted for in the subsequent self-assessment;

- 4) phase of board discussion of the outcomes and preparation of any appropriate corrective measures;
- 5) definition of any corrective measures;
- 6) verification that the corrective measures are implemented.

The self-assessment process usually begins in the month of November/December each year, with the activities of preparing the self-assessment questionnaire, and is usually completed with the

first board meeting of the following year. During this meeting, the Board of Directors expresses itself on the question of adequacy of the process, and after analysing any weaknesses that have emerged, defines the corrective measures for which adoption by the Bank is requested.

The assessment for the 2018 financial year was carried out with the assistance of an external professional who, in compliance with the current legislation on the subject (Supervisory Provisions, Title IV, Chapter, Section VI), must participate every three years in the self-assessment process in order to ensure independent judgement.

In this regard, following the results of the self-assessment relating to the financial year contained in the specially-prepared document, the Board of Directors unanimously agreed at the meeting on 29 January 2019 about expressing also for the 2018 financial year a reasonable level of satisfaction with regard to the size, composition and functioning of the Board and approved the self-assessment document in the version explained and filed in the records.

The Appointments Committee also examined - for the aspects under its responsibility - the letter from the Chairman of the Corporate Governance Committee, for which reference is made to section 19.

4.4 Delegated Bodies

Chief Executive Officer

On 10 April 2018, in the exercise of its current powers under law and in the by-laws, the Board of Directors confirmed Mr Massimo Antonio Doris for the position of Chief Executive Officer and assigned to him the supervision and responsibility for operations, production activities and services offered by the Bank, as well as the following powers:

- preside over the ordinary management of the company within the scope of the directives set by

the Board of Directors, guaranteeing that its functioning takes place in observance of the laws and current regulations;

- execute the resolutions of the Board of Directors;
- ensure application of the directives issued to implement supervisory provisions and codes of conduct adopted by the company following the guidelines given by the Board of Directors;
- work out and propose the strategic guidelines and operational plans regarding the periodic budgets and business development projects to submit to the Board of Directors;
- ensure execution of the approved operational plans;
- propose and implement, following the guidelines established by the Board of Directors, the criteria and forms of the company’s organisational structure;
- ensure application of the rules that the various Bank areas must follow when coordinating and controlling the corresponding functions of the subsidiaries;
- represent the Bank at all shareholders’ meetings, both ordinary and extraordinary, of any company, consortium, association in which it is shareholders, exercising the voting right and all other company rights due in these venues, issuing proxies to employees or third parties pursuant to Art. 2372 of the Italian Civil Code and all other legal or statutory rules on the question;
- propose the setting up of advisory or coordination committees in order to provide information for the initiatives affecting the Bank or the banking group and/or to study issues of particular importance, without prejudice to the latest decision of the Board of Directors;
- grant credit lines within the limits of the powers established by the Board, with the exclusion of parties falling within the provisions of Art. 136 of Italian Legislative Decree 385/1993 (“TUB”), except in cases expressly delegated thereto by the Board of Directors;

- work out and define the contractual and economic conditions, receivable and payable, of the various services and products offered by the Bank and the Group, reporting to the Board of Directors;
- recruit, promote, transfer to new duties, suspend, dismiss Bank employees, including the senior managers, establishing all their pertinent conditions, also economic, except for the appointment and termination of the managers of the control functions;
- stipulate, with all the opportune clauses, amend and terminate property leases, collaboration agreements, contracts of purchase and sale and asset exchange transactions, contracts concerning supplies of goods and services, trade agreements, financial leasing agreements for vehicles and other means of transport up to the amount or value per single contract of Euro 5,000,000.00 (five million) and for the maximum term of 6 years; without prejudice to the regulations regarding transactions with related parties and the sole responsibility of the Board in the cases provided for under Art. 136 of Italian Legislative Decree 385/96 (“TUB [Consolidated Banking Act]”);
- authorise transactions on financial instruments with the Bank of Italy and with Italian and foreign institutional counterparties, within the limits established by the Board of Directors;
- participate in placement consortia while taking on the maximum guarantee of Euro 5,000,000.00 (five million) for each placement;
- represent the Bank in all bankruptcy procedures;
- make claims and appeals administratively before any public authority in all fields and subjects, including tax, with right to accept and/or define taxable incomes;
- file suits before any judicial and administrative authority in both the cognisance and the

execution stage; challenge lawsuits as the defendant; appoint and revoke lawyers and grant all consequent powers, including that of settlement;

- issue statements as garnishee;
- allow reductions, cancellations and waivers of voluntary and court’s mortgages registered in the name of the Bank with exemption of the competent Registrars of the Real Estate Registries from all responsibility to this regard, with right to carry out all the paperwork and duties required;
- waive executive acts, cancel privileges and transcriptions in general, and subrogations in favour of third parties for loans fully extinguished or to be extinguished;
- act, challenge and waive judicial acts before any judicial and administrative authority, in any phase and instance and in any venue, and therefore both in the cognisance and interim or urgent and execution stage;
- register court’s mortgages and transcribe attachments and executions; acquire voluntary mortgages and collateral security and personal guarantees and waive them; exercise the right to vote in the capacity of secured creditor;
- act and challenge before the court for the challenges and revocations of receivables and the opposition and revocation proceedings in the bankruptcy procedures;
- reach amicable settlements, and agree on moratoriums and extensions of payment for both the main debtors and the co-obligators for any reason;
- ascertain loses and made agreements and transactions that in any case debit the income statement, directly or indirectly, up to Euro 1,000,000.00 (one million).

In case of urgency, the Chief Executive Officer may submit proposals exceeding the limits of his mandates to the Chairman - or in the event of his or her absence or impediment to the Vice

Chairman; the Chairman - or in the event of his or her absence or impediment, the Vice Chairman - availing himself of the power granted him, will assess taking relevant measures of urgency.

Within the limits of the powers granted to him, the Chief Executive Officer can also assign special powers of attorney for single documents and categories of documents to the Bank's personnel or to third parties while supervising the documents made by the single agents.

The Chief Executive Officer is qualifiable as the person most responsible for the company's management.

Chairman of the Board of Directors

The Ordinary Shareholders' Meeting of the Issuer held on 10 April 2018 confirmed Mr Ennio Doris as Chairman - on a non-executive basis inasmuch as the powers granted to him do not entail managerial functions, even on a de facto basis - to whom the following duties and powers were given:

- general representation of the Bank before third parties;
- promote the actual functioning of the Bank's governance system:
 - by checking that the resolutions of the Shareholders' Meeting and Board of Directors, and the provisions and policies of the Chief Executive Officer are executed;
 - by coordinating the activities of the corporate bodies, also in order to guarantee the balance of powers in relation with the assignments of the Chief Executive Officer and the other Executive Directors;
 - by supervising the performance of corporate affairs and their compliance with the corporate strategic policies for the Bank's development;
- by serving as interlocutor of the internal control bodies and internal committees; to this

regard, he has the right to call - autonomously or upon the request of other directors - special meetings of independent Directors only to discuss topics judged to be of interest for the functioning of the Board of Directors or corporate management;

- by taking steps to ensure that the significant information and documents for the Board of Directors to take decisions are made available to its members with adequate methods and timing;
- by supervising relations with the public and private institutional bodies, and relations outside the Bank;
- by promoting and coordinating the Bank's communication strategies and looking after its image to the public and relations with the press and other information media;
- by taking, on the proposal of the Chief Executive Officer, any urgent measure in the Bank's interest and for which it is unnecessary to call within the necessary time frame the Board of Directors, to which he must in any case report at the first meeting held.

The assignments of the Chairman comply with the Supervisory Provisions (Part I, Tit. IV, Ch. I, Section V, paragraph 2).

Vice Chairman of the Board of Directors

On 10 April 2018, the Board of Directors confirmed Mr Giovanni Pirovano as Vice Chairman - on a non-executive basis since the powers granted to him did not entail managerial functions, even on a de facto basis - to whom, in addition to the general representation of the Bank, the following tasks and powers were granted

- represent the bank in relations with the Supervisory Authorities and the other institutional bodies and administrative entities;
- implement the decisions of the Board of Directors concerning the duties with the aforesaid

institutions;

- represent the Bank at all shareholders' meetings, both ordinary and extraordinary, of any company, consortium, association in which it is shareholders, exercising the voting right and all other company rights due in these venues, issuing proxies and pertinent instructions to employees or third parties pursuant to Art. 2372 of the Italian Civil Code and all other legal or statutory rules on the question.
- in case of absence or impediment of the Chairman, on the proposal of the Chief Executive Officer, take any urgent measure in the Bank's interest and for which it is unnecessary to call within the necessary time frame the Board of Directors, to which he or she must in any case report at the first meeting held.

General Manager

The Board appointed Mr Gianluca Bosisio General Manager in 2014 and gave him the following powers:

- preside over the ordinary management of the company within the scope of the directives set by the Chief Executive Officer, guaranteeing that its functioning takes place in observance of the laws and current regulations;
- execute the resolutions of the Board of Directors;
- sign claims, statements and communications addressed to the Chamber of Commerce, Bank of Italy, CONSOB, Borsa Italiana, Italian Ministries and all other public authorities, and all other public or private office regarding the Bank's obligations pursuant to rules of law, regulations, circulars and supervisory instructions;
- represent the Bank at all shareholders' meetings, both ordinary and extraordinary, of any

company, consortium, association in which it is shareholders, exercising the voting right and all other company rights due in these venues, issuing proxies to employees or third parties pursuant to Art. 2372 of the Italian Civil Code and all other legal or statutory rules on the question;

- grant credit lines within the limits of the rights established by the Board, excluding parties described in the provision of Art. 136 of the Consolidated Banking Act; grant special receivable or payable conditions to single customers within the guidelines established by the responsible bodies;
- define the contractual and economic conditions, receivable and payable, of the various services and products offered by the Bank and the Group;
- stipulate, with all the opportune clauses, amend and terminate property leases, collaboration agreements, contracts of purchase and sale and asset exchange transactions, contracts concerning supplies of goods and services, trade agreements, financial leasing agreements for vehicles and other means of transport up to the amount or value per single contract of Euro 2,000,000.00 (two million) and for the maximum term of 6 years; without prejudice to the regulations regarding transactions with related parties and the sole responsibility of the Board in the cases provided for under Art. 136 of the Consolidated Banking Act;
- order all actions necessary for the maintenance, adaptation and renovation of owned property and other property leased from third parties for functional purposes, up to the amount per single contract of Euro 1,500,000.00 (one million five hundred thousand);
- authorise uses of expenditure without amount limits within the scope of the allocations already resolved by the responsible bodies, without prejudice to the limits under the

previous points:

- authorise transfer from one expenditure chapter to another of amounts no higher than 10% of each allocation;
- authorise transactions on financial instruments with the Bank of Italy and with Italian and foreign institutional counterparties, within the limits established by the Board of Directors;
- participate in placement consortia while taking on the maximum guarantee of Euro 3,000,000.00 (three million) for each placement;
- stipulate, amend and resolve, with all the appropriate clauses, insurance contracts of any type and postal and banking current account contracts, including the accessory and connected services;
- collect sums and securities due to the Bank, and issue receipt by way of settlement and release;
- pick up documents and parcels containing securities, postal and telegraphic money orders and anything addressed to the Bank from all public and private offices, and especially from the Postal Administration, issuing releases and receipts with exemption of the offices from all liability;
- carry out all transactions with the Public Debts, the Italian Inland Revenue and any other entity, obtaining the securities, sums and securities and issuing a receipt with exemption of the offices from all liability;
- issue bank and postal cheques within the limit of the sums available with the drawees or within the limits of the credit lines, endorse and quittance cheques, money orders and

notes; make endorsements and receipts of discharge relating to release, registrations and settlement of securities;

- represent the Bank in all bankruptcy procedures;
- make claims and appeals administratively before any public authority in all fields and subjects, including tax, with right to accept and/or define taxable incomes;
- file suits before any judicial and administrative Authority in both the cognisance and the execution stage; challenge lawsuits as the defendant; appoint and revoke lawyers and grant all consequent powers, including that of settlement;
- issue statements as garnishee;
- allow reductions, cancellations and waivers of voluntary and court's mortgages registered in the name of the Bank with exemption of the competent Registrars of the Real Estate Registries from all responsibility to this regard, with right to carry out all the paperwork and duties required;
- waive executive acts, cancel privileges and transcriptions in general, and subrogations in favour of third parties for loans fully extinguished or to be extinguished;
- act, challenge and waive judicial acts before any judicial and administrative authority, in any phase and instance and in any venue, and therefore both in the cognisance and interim or urgent and execution stage;
- register court's mortgages and transcribe attachments and executions; acquire voluntary mortgages and collateral security and personal guarantees and waive them; exercise the right to vote in the capacity of secured creditor;
- act and challenge before the court for the challenges and revocations of receivables and the opposition and revocation proceedings in the bankruptcy procedures;

- reach amicable settlements, and agree on moratoriums and extensions of payment for both the main debtors and the co-obligators for any reason;
- ascertain losses and made agreements and transactions that in any case debit the income statement, directly or indirectly, up to Euro 500,000.00 (five hundred thousand).

Within the limits of the powers granted to him, the General Manager can also assign special powers of attorney for single documents and categories of documents to the Bank's personnel or to third parties while supervising the documents made by the single agents.

4.5 Independent Directors

Considering what is explained in paragraph 4.2 of this Report above, the Board on 10 April 2018 identified the following as Independent Directors according to both the Corporate Governance Code and the provisions of the Consolidated Finance Act:

- Paola Durante;
- Francesco Maria Frasca;
- Alessandro Gavazza;
- Mario Notari;
- Anna Eugenia Omarini;
- Roberta Pierantoni;
- Giacinto Gaetano Sarubbi.

Please refer to what is explained under paragraph 4.2 above on the subject of composition of the Board of Directors for the pertinent assessments on qualification of Independent Directors.

The Independent Directors meet jointly in meetings of independent directors only in order to assess and monitor the Company's governance, and submit any changes or supplements to the

Corporate Governance system deemed expedient to the Board and help the Board to draw up the annual “Report on Corporate Governance” so it can be disclosed to the shareholders and market.

During the Financial Year, all the Independent Directors, in the previous make-up of the board, met once for 55 minutes to evaluate the Report on Corporate Governance concerning the 2017 financial year and once again some of the current independent directors - identified by the aforementioned resolution dated 10 April 2018 - met for the evaluation of the “*Group Regulations for managing transactions with related parties of Banca Mediolanum and with subjects related to the Mediolanum Banking Group*” for 65 minutes (1 hour and 5 minutes).

The Independent Directors met once in 2019 to examine the draft of this Report on Corporate Governance and the Ownership Structures relating to the 2018 financial year.

Ever since their meeting held 21 January 2016, the Independent Directors have decided to not appoint a Lead Independent Director, and they reported this decision at the first available board meeting.

At the aforementioned meeting on 10 April 2018, Giacinto Gaetano Sarubbi, Paola Durante and Francesco Maria Frasca were assigned the task of expressing an opinion pursuant to Art. 4, paragraph 3 of the Related Parties Regulation and to the Bank of Italy Circular no. 263 dated 27 December 2006, 9th update dated 12 December 2011, Title V, Chapter 5, that is, a prior opinion regarding the need to modify the “Regulations for the management of transactions with Banca Mediolanum Related Parties and Affiliated Parties of the Mediolanum Banking Group” adopted by the Bank

These Directors were also assigned the tasks referred to in the resolution dated 23 September 2015 - regarding assistance for the Board for any changes to Governance and the preparation of the Report on Corporate Governance - as well as any other opinions required of them by the



applicable primary and secondary legislation.

Subsequently, by way of the board resolution dated 19 December 2018, effective from 1 January 2019, a new board committee was set up named the “Independent Directors Committee”, joining the three Board Committees already set up concerning “Appointments”, “Risks” and “Remuneration”.

In this regard, the three independent Directors - Giacinto Gaetano Sarubbi, Paola Durante and Francesco Maria Frasca - were identified as members of the committee being established with specific responsibilities regarding i) assessment and proposal relating to the management of transactions with Banca Mediolanum related parties and affiliated parties of the Mediolanum Banking Group (without prejudice to the responsibilities of the Risk Committee, see paragraph 10 of this Report), ii) acceptance and management of equity investments in the context of the Policy on Equity Investments that May Be Held, iii) support for the Board of Directors on other topics deemed by the Board to be relevant for corporate management. Pursuant to the *“Regulations for the management of transactions with Banca Mediolanum Related Parties and Affiliated Parties of the Mediolanum Banking Group”*, as amended on 19 December 2018, the Independent Directors Committee also gives its prior opinion on the changes to be made to said regulation.

The powers and operating rules of the new Committee have been formalised with the updating of Banca Mediolanum’s “Committee Regulation” as better specified under point 11).

5.0 PROCESSING OF COMPANY INFORMATION

Internal Dealing

On 25 September 2017 the Issuer's Board approved the update of the document called **"Procedure for meeting Internal Dealing obligations"** adopted with resolution on 21 June 2016 implementing the European Community regulation contained in Art. 19 of (EU) Regulation no. 596/2014 of the European Parliament and Council of the European Union of 16 April 2014 regarding market abuse (Market Abuse Regulation - MAR), supplemented by Arts. 7 et seq. of (EU) European Commission Delegated Regulation 2016/522 of 17 December 2015 and by (EU) European Commission Implementing Regulation 2016/523 of 10 March 2016.

The update became necessary following the new interpretation developments provided by ESMA (European Securities and Markets Authority) in the area of Questions and Answers on the Market Abuse Regulation and of the regulatory amendments to the Issuers' Regulation introduced by CONSOB Resolution no. 19925 of 22 March 2017.

The procedure is available on the Company's website www.bancamediolanum.it in the Corporate Governance Section under the item Internal Dealing; any subsequent amendments and/or supplements come into effect on the day the procedure is published on the Company's website, or on the day otherwise scheduled by rules of law or regulations or by resolution of the Board of Directors.

Circulation of the Confidential and Privileged Information

(EU) Regulation no. 596/2014 of the European Parliament and Council of the European Union of 16 April 2014 (Market Abuse Regulation - MAR), supplemented by the "regulatory technical standards" and by the "implementing technical standards" of ESMA (European Securities and

Markets Authority) approved by the European Commission came into effect at the European Community regulatory level on 3 July 2016. It establishes a standardised regulatory framework on the subject of market abuse directly applicable within the European Union. To this regard, on 21 June 2016 the Board adopted a new manual for circulating and monitoring confidential and privileged information that went into effect starting from 3 July 2016 in order to give the Company adequate internal procedures compliant with the obligations set out in the aforesaid regulations on the subject of disclosing privileged information and of drawing up, keeping and updating the insider register.

The manual currently in effect adopted the broadest and most unique definition of privileged information introduced by the new regulatory framework and thus adapted the assessment process within the Company that leads to the identification of privileged information and also provides for the Company's possibility to delay disclosing privileged information in the presence of the conditions established by the MAR.

The further interventions on the Privileged Information Procedure mainly regarded:

- the introduction of a special "delay regulation" that implements pursuant to MAR, i.e. the possibility for the issuers to delay, under their responsibility, disclosure of privileged information to the public provided that all conditions set out by the EU regulations are met (under Art. 17 MAR);
- the provision that the register be divided into distinct sections, one for each privileged information (so-called single section). Every time a new Privileged Information is identified, a new and specific single section is added to the register that contains only the data of the people having access to the privileged information contemplated in the same section. The Company

can decide to add a supplementary section to the register in which, if set up, the data of the people who always have access to all the privileged information will be entered (so-called permanent section).

6.0 BOARD COMMITTEES

The Issuer, in line with the provisions of the regulatory and statutory provisions, on 23 September 2015 - with effect starting from the listing, hence from 30 December 2015 - established within the body with strategic supervision function (position held by the Board of Directors) the three specialized committees regarding “Appointments”, “Remuneration” and “Risk”.

The establishment of said Committees does not involve any limitation of the decision-making powers and responsibilities of the Board of Directors.

Furthermore, as indicated above under point 4.5), the Board of Directors on 19 December 2018 established the “Independent Directors Committee” effective from 1 January 2019 and updated the Committee Regulations, with which the Company governed the term, powers and operating procedures for each Committee.

The rules of operation with reference to “Convocation and agenda” and “Validity and minutes”, described hereunder, are the same for all internal Board Committees.

For the fulfilment of its duties, the internal Board Committees have their own budget previously approved by the Board of Directors.

The members of the internal Board Committees usually report on the activities carried out by the same Committees with reference to the single assigned tasks at the board meetings.

Their members attend the Committee meetings upon the invitation of the same Committees and on single items on the agenda.

Convocation and agenda

The meetings are normally convened by the Chair or by delegation of the latter by the Secretary, unless requested by at least two other members.

Meetings may also be convened in a place other than the registered office.

The convocation notice contains information on the date, time and place of the meeting and the list of matters to be discussed in order to allow reasonable and informed participation (unless contrary to particular confidentiality reasons).

The convocation may alternatively be:

- ordinary, at least five days before the date set for the meeting, by means of delivery to each member and participant of the Committee of registered letter or telegram, fax or e-mail message. In this case, participants are also provided, usually 48 hours before the meeting, with the main supporting documentation and information necessary to enable them to express an informed opinion on the matters to be resolved;
- in case of urgency, at least one day before the date set for the meeting, by means of delivery to each member and participant of the Committee of telegram, fax or e-mail message. In this case, members and participants are also provided, simultaneously with the sending of the convocation notice and where possible, with the appropriate proposed supporting documentation and the information necessary to enable them to express an informed opinion on the matters to be resolved.

Committee meetings may be held by audio or videoconference, provided that each member and participant may be identified by all the others and that each of the members/participants is able to intervene in real time during the discussion of topics. If these requirements are met, the

Committee shall be considered held in the place attended by the Chair and the Secretary, so that the minutes can be drawn up and signed.

The notice is sent to the addresses or contact information previously communicated by the recipients. For the same convocation, even more than one of the means listed above can be used.

The Secretariat is usually identified in the Corporate Affairs Division.

Validity and minutes

For the validity of the constitution of the Committee, the presence of a majority of its members is required and, in the absence of convocation, the presence of all its members.

Decisions are taken by the affirmative vote of the majority of members present and recorded in minutes, signed by the Chair of the meeting and the Secretary. In case of a tie, the vote of the Chair shall prevail.

The meetings of the Committees held during the year and the year 2019 in progress were coordinated by the Chairman of the same Committee and were duly minuted; moreover, each Committee reported to the Board on the items discussed and on the observations, recommendations and opinions formulated therein at the first meeting called after their meetings.

7.0 APPOINTMENTS COMMITTEE

The Appointments Committee has the power to provide proposals, consultancy and instructions, expressed in the formulation of proposals, recommendations and opinions with the aim of allowing the Board of Directors to adopt its own decisions with greater knowledge of facts.

The Appointments Committee consists of three non-executive Directors, of which two independent.

The Appointments Committee internally identifies a Chair, chosen from among its independent directors.

The Committee in office until the Shareholders' Meeting on 10 April 2018 was comprised of:

- Angelo Renoldi, Independent Chairman pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Bruno Bianchi, Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Annalisa Sara Doris - non-executive.

The Committee in office as of the date of this Report is comprised as follows:

- Mario Notari – Chairman, Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Roberta Pierantoni - Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Annalisa Sara Doris - non-executive.

The following usually attend the meetings of the Appointments Committee in addition to its members, at the invitation of the Chair and in an advisory and support capacity:

- The Human Resources Manager;

- The Compliance Manager;
- The Chairman of the Board of Statutory Auditors or the Auditors designated by him

Other company managers by subject took part in single items on the agenda and on the invitation of the Appointments Committee during the Financial Year.

For the effective functioning of the Committee, there is the option of delegation by the participants to their employees for specific topics that may require timely discussion, only in the case of justified absence or impediment.

In carrying out its duties, the Committee takes into account the objective to avoid that the decision-making processes of the Board of Directors are dominated by a single entity or group of entities that may be detrimental to the Bank.

The Committee particularly:

- supports the appointment or co-option of directors according to the Supervisory Provisions;
- submits opinions to the Board of Directors regarding the size and composition of the same and makes recommendations on the professional figures whose presence on the Board is deemed appropriate and on the topics set out in articles 1.C.3 (maximum number of offices in listed companies for directors and auditors) and 1.C.4 (exceptions to the prohibition of competition set out in art. 2390 Civil Code approved by the General Meeting) of the Corporate Governance Code of listed companies;
- proposes to the Board of Directors candidates for the office of Director in cases of co-option, if necessary to replace Independent Directors;
- with reference to the need to ensure an appropriate degree of diversification in the collective composition of the Board of Directors, the Appointments Committee – without prejudice to

the obligations under the discipline of listed Banks – sets an objective in terms of the less represented gender quota and prepares a plan to increase this quota up to the target set;

- supports the Board of Directors in the self-assessment process of the bodies, according to the Supervisory Provisions, as well as in the verification of the conditions pursuant to art. 26 CBA (Consolidated Banking Act) and in the definition of succession plans in executive leadership positions established by the Supervisory Provisions.

The Committee supports the development of the proposal, by the Risk Committee, of the appointment of the managers of the internal control corporate functions, the appointment of which is the responsibility of the Board of Directors.

The Appointments Committee has access to corporate information relevant for this purpose and has the financial resources to ensure its operational independence.

The Committee may also resort to the company functions necessary to carry out its tasks, as well as external experts, if necessary.

During the Financial Year, 4 meetings of the Appointments Committee were held - 2 with the previous make-up and 2 meetings with the current make-up - with an average duration of: 1 hour and 16 minutes.

With reference to the functions assigned to it, in particular, the Committee supported the Board in the annual self-assessment of the bodies process (in particular, it met for the assessments undertaken pursuant to application criterion no. 1.C.1.(g) of the Corporate Governance Code) and gave its favourable opinion on identification and communication to the shareholders of the optimum quali-quantitative composition of the Board of Directors of Banca Mediolanum S.p.A.

For the current 2019 financial year, 2 meetings of the Appointments Committee are currently scheduled, of which 1 has already been held on 23 January.



During the meeting on 5 November 2018, the Appointments Committee presented a budget of Euro 75,000 for the 2019 financial year to the administrative body, which was approved by the Board during its 7 November 2018 meeting.

8.0 REMUNERATION COMMITTEE

The Remuneration Committee provides support to the Board of Directors regarding remuneration, ensuring that the criteria underlying the remuneration and incentive system of the Bank and the Group are consistent with the management of risk profiles, capital and liquidity.

The Remuneration Committee consists of three non-executive Directors, of which two independent.

The Remuneration Committee internally identifies a Chair, chosen from among its independent directors.

The Committee in office until the Shareholders' Meeting on 10 April 2018 was comprised of:

- Angelo Renoldi, Independent Chairman pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Paolo Gualtieri, Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Luigi Del Fabbro - non-executive.

The Committee in office as of the date of this Report is comprised as follows:

- Mario Notari – Chairman, Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Anna Eugenia Omarini - Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Giovanni Pirovano – non-executive.

all having adequate knowledge and experience in financial and accounting matter and/or remuneration policies.

Committee meetings are attended by the Chair of the Board of Statutory Auditors or another auditor appointed by the latter, and the Human Resources Manager.

The following may attend the meetings of the Remuneration Committee in addition to its members, at the invitation of the Chair and in an advisory and support capacity:

- Compliance Manager;
- Risk Management Manager;
- Internal Audit Manager;
- Commercial, Career and Network Tools Planning Manager in consideration of the management of the remuneration policies of the Sales Network.

For the effective functioning of the Committee, there is the option of delegation by the participants to their employees for specific topics that may require timely discussion, only in the case of justified absence or impediment.

The Remuneration Committee has the power to provide proposals, consultancy and instructions, expressed in the formulation of proposals, recommendations and opinions with the aim of allowing the Board of Directors to adopt its own decisions with greater knowledge of facts; in particular:

- has the task of proposing remuneration for personnel whose remuneration and incentive systems are determined by the Board of Directors, including directors and key management as well as establishing the performance objectives related to the variable component of said remuneration;
- also availing of the information received from the responsible corporate functions, expresses an opinion on the outcomes of the most significant personnel identification process, including

any exclusions;

- has advisory tasks regarding determination of the criteria for the remuneration of all key personnel;
- submits proposals to the Board of Directors regarding remuneration, and more generally for the remuneration and incentive system of the members of bodies with strategic supervision and management function of the foreign banking companies of the Group also in relation to the economic results achieved and the achievement of specific objectives, also monitoring the application thereof;
- with reference to the above points, provides consulting on:
 - the process adopted for the development of remuneration policies; in this regard, the Committee ensures the involvement of all relevant corporate functions, such as Human Resources, Career Compensation & Quality Control, Compliance Function, Risk Management Function, Internal Audit Function;
 - the self-evaluation process of significant personnel and of the significance criteria used;
 - the structure of the remuneration and incentive systems with particular reference:
 - to the balance between fixed and variable component;
 - to performance indicators and correction mechanisms for risk both ex ante and ex post against which to parameter and adjust the variable component in the final balance, if required;
 - the division between remuneration based on financial instruments and monetary bonuses as well as the related options and deferral mechanisms;
 - in relation to the previous point, the eventual use of plans based on financial instruments to be approved by the General Meeting. In this regard, manages all relevant

technical aspects related to their formulation and application;

- the overall consistency of policies with the level of risk and the effectiveness and stability of the results, conditions imposed for the payment of remuneration;
- the nature and impact of any changes compared to the already approved policies;
- the process adopted for the ex post information to be provided to the General Meeting on the implementation of policies;
- provides appropriate feedback on the activities carried out to the corporate bodies, including the General Meeting of shareholders;
- proposes, in respect of the implementation of the self-assessment process of “significant personnel”, the list of corporate individuals to be considered “significant”; in this regard, evaluates the inclusion in the list of certain corporate individuals considered “potentially significant”;
- supports the Board of Directors in the verification of the overall consistency, adequacy and actual application of the Group remuneration policies approved by the General Meeting with respect to sound and prudent management and long-term strategies of the Group; in this regard:
 - submits proposals to the Board of Directors on the matter;
 - monitors the evolution and application over time of the plans based on financial instruments possibly approved by the General Meeting in relation to the change in the reference scenario;
 - monitors the application of the decisions adopted by the Board of Directors on the remuneration of the Chairman, Vice Chairman, the CEO, the Directors holding special

offices, the General Manager and, more generally of the “key personnel”; to that end, receives the appropriate information from the control functions;

- directly supervises the correct application of the rules on the remuneration of the internal control function managers, in close collaboration with the Board of Auditors;
- drafts the documentation to be submitted to the Board of Directors for its decisions;
- collaborates with other Committees within the Board of Directors and in particular with the Risk Committee;
- provides an opinion, making use of the information received by the competent company functions, on the achievement of performance objectives which are linked to the incentive plans and on the ascertainment of other conditions for the payment of remuneration.

Lastly, with reference to subsidiary, Mediolanum Gestione Fondi SGR, it carries out functions concerning the remuneration policies and the incentive systems of the subsidiary, in particular:

- formally re-examines a number of possibilities for checking how the remuneration system will react to future external and internal events, also through retrospective testing;
- checks the alignment of the remuneration and incentive system with the strategy, risks and interests of the operator and of the UCITSs and IIFs managed;
- ensures the involvement of the relevant governance bodies/company functions, in line with what has been established by the sector legislation in effect at the time.

During the Financial Year, 7 meetings of the Remuneration Committee were held - 3 with the previous make-up and 4 meetings with the current make-up - average duration: 128 minutes (2 hours and 8 minutes), during which the Committee dealt with all the inherent activities, preliminary and consequent to the shareholders’ meeting decisions regarding remuneration policies.

For the current 2019 financial year, 5 meetings of the Remuneration Committee are currently scheduled, of which 2 have already been held on 24 January and 26 February. The Remuneration Committee has access to corporate information relevant for this purpose and has the financial resources to ensure its operational independence.

During the meeting of 15 October 2018, the Remuneration Committee presented a budget of Euro 50,000 for the 2019 financial year to the administrative body, which was approved by the Board during its meeting on the same date.

9.0 REMUNERATION OF DIRECTORS

The Shareholders' Meeting of the Issuer of 10 April 2018 - in observance of the Supervisory Provisions on the subject of policies and remuneration and incentive practices (7th update of 18 November 2014) and in compliance with the provisions of the CONSOB Issuers' Regulation and the Consolidated Finance Act - approved the document on Group remuneration policies referring to the Financial Year. For more information on the Group remuneration policies referring to the 2018 Financial Year, refer to Section I of the Report of the Board of Directors on Group remuneration Policies drawn up pursuant to Art. 123-ter of the Consolidated Finance Act and published on the Company's website (www.bancamediolanum.it in the Corporate Governance section under the item, Shareholders' Meeting).

For information on the existing incentive plans, please refer to the relevant information documents published on the Company's website (www.bancamediolanum.it in the Corporate Governance section under the item Other corporate documents), and in Section II of the above-mentioned Report of the Board of Directors on Group remuneration Policies.

For information on (i) remuneration of the executive Directors, key management and non-



executive Directors, (ii) on the incentive mechanisms of the Internal Audit Function Manager and of the executive responsible for financial reporting, and (iii) on the indemnities of the Directors and employees in case of early termination of employment, please refer to the Report of the Board of Directors on Group remuneration Policies, published on the Company's website (www.bancamediolanum.it in the Corporate Governance section under the item Shareholders' Meeting).

10.0 RISK COMMITTEE

The Risk Committee provides support to the Board of Directors regarding risks and internal controls system. In this context, the Committee shall pay particular attention to all the instrumental activities necessary for the Board to reach a fair and efficient determination of the RAF (Risk Appetite Framework) and risk management policies.

The Risk Committee consists of three non-executive Directors, of which two independent.

The Risk Committee internally identifies a Chair, chosen from among its independent directors.

The Committee in office until the Shareholders' Meeting on 10 April 2018 was comprised of:

- Bruno Bianchi, Independent Chairman pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Paolo Gualtieri, Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;

Luigi Del Fabbro - non-executive.

The Committee in office as of the date of this Report is comprised as follows:

- Francesco Maria Frasca, Chairman - Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Anna Eugenia Omarini, - Independent pursuant to the Corporate Governance Code and pursuant to Art. 147-ter of the Consolidated Finance Act;
- Bruno Bianchi, Non-Executive;

all accounting and financial experts.

Committee members must have the knowledge, skills and experience to be able to fully understand and monitor the Bank's risk strategies and guidelines and at least one member has adequate experience in accounting and finance.

Committee meetings are attended by at least one member of the Board of Statutory Auditors and the Risk Management Manager.

The following may also attend the meetings of the Risk Committee in addition to its members, at the invitation of the Chair and in a support capacity:

- Director Responsible for the internal control and risk management system
- Compliance Manager
- Internal Audit Manager
- Anti-Money Laundering Manager
- Managers of the Departments/Divisions, based on the specific topics discussed.

For the effective functioning of the Committee, there is the option of delegation by the participants to their employees for specific topics that may require timely discussion, only in the case of justified absence or impediment.

The Risk Committee has the power to provide proposals, consultancy and instructions, expressed in the formulation of proposals, recommendations and opinions with the aim of allowing the Board of Directors to adopt its own decisions with greater knowledge of facts.

The Committee:

- as part of the RAF, performs the assessments and proposals necessary so that the Board of Directors, as required by the Supervisory Provisions (Part I, Tit. IV, Ch. 3), can define and approve the risk objectives (risk appetite) and the tolerance threshold (risk tolerance); it also provides opinions on specific aspects pertaining to the identification of the main corporate

risks;

- it helps the Board of Directors to work out rule-making and managerial arrangements for evaluating the risks to which the Bank and its Group are exposed;
- assists, expressing an opinion, the Board of Directors in the evaluation, at least annually, of the compliance, adequacy and effective functioning of the Internal Control System, the company organization and the requirements that must be respected by the corporate control functions and verifies that the internal control functions properly comply with the indications and guidelines of the Board of Directors; assists the latter in the preparation of the coordination document required by Supervisory Provisions (Part I, Tit. IV, Ch. 3). Furthermore, it brings any weaknesses to the attention of the Board of Directors, recommending appropriate remedial measures and ensuring that the principal risks faced by the company are identified and measured correctly and managed and monitored adequately. In particular, it expresses an opinion regarding:
 - effective compliance and application by the Compliance Function, Anti-Money Laundering Function, Risk Management Function, and Internal Audit Function of the guidelines defined in terms of conduct of control activities;
 - quali-quantitative adequacy of the Compliance Function, Anti-Money Laundering Function, Risk Management Function, and Internal Audit Function, as well as the possession by the same of appropriate judgement autonomy;
 - consistency with the principle of proportionality and with the strategic guidelines of the more general control model of the Bank and the Group; for the purpose of the preceding points, evaluates the proposals of the body with management function;

- the definition of the corporate outsourcing policy, also of corporate control functions;
- assists the Board of Directors in determining corporate “guidelines” and “policies” regarding risks and internal controls system, also consistent with the chosen risk appetite. In particular, it formulates proposals regarding:
 - the methods of exercise of strategic control, management and technical-operational activities with respect to individual companies and the Group;
 - the control structure of the Group, with particular reference to the centralization choices of specific control functions in accordance with Supervisory regulations;
 - the organizational model to support control functions, the guidelines on respective activities necessary for the determination of the relevant regulations, the coordination of the various functions;
- supports the Board of Directors in the definition of policies and processes for the assessment of company activities, including verification that the price and conditions of transactions with customers are consistent with the business model and strategies concerning risks;
- assists the Board of Directors in the verification of the correct implementation of the strategies, risk management policies and RAF. In particular, it ensures that the incentives underlying the Bank’s remuneration and incentive system are consistent with the RAF and expresses opinions on specific aspects regarding the identification of the main business risks; in this context, collaborates with the Remuneration Committee;
- examines in advance the programs, plan of activities and annual reports of company control functions addressed to the Board of Directors (prepared respectively by the Managers of the Compliance, Risk Management, Anti-Money Laundering and Internal Audit Functions), and periodic reports relating to the evaluation of the internal control and risk management system

and those of particular importance prepared by the Internal Audit Function, or by the Board of Statutory Auditors, or from third-party investigations and/or examinations. Can request that the Internal Audit Function, if it deems necessary, carry out checks on specific operational areas, giving immediate notice to the Board of Directors and the Board of Statutory Auditors;

- assists the Board of Directors in determining the general guidelines of the ICAAP/ILAAP and expresses an opinion on the implementation of the same, as well as the respective results concerning capital adequacy of the Bank and the Group, as well as the self-assessment results of the Parent Company regarding the process;
- specifically examines the IT risk analysis process and the annual summary report on the situation of said risk;
- examines the results of the controls on the achievement of IT security and business continuity objectives defined for the entire Group and individual components;
- is recipient of information and proposals formulated by the Management Managerial Committee of Directors within the areas covered by the “Recovery Plan”, for evaluations of competence to be submitted to the Board of Directors;
- monitors compliance by recipients, of the ethical values and rules of conduct set out in the Code of Ethics; coordinates, through the competent functions, initiatives for the dissemination, training and communication of the values and rules of conduct promoted by Banca Mediolanum and its subsidiaries;
- supports, with adequate investigations, evaluations and decisions of the Board of Directors relating to the management of risks arising out of prejudicial acts and any violations of the

principles of conduct and control;

- supports the decisions of the Board of Directors regarding sustainability issues related to the exercise of the company's activities and its dynamics of interaction with all stakeholders, assessing the Sustainability Report prior to the Board of Directors;
- identifies and proposes, with the contribution of the Appointments Committee, the managers of the corporate control functions to be appointed;
- with reference to financial reporting:
 - evaluates the correct use of accounting standards for the preparation of the annual and consolidated financial statements and their consistency for the purpose of preparing the consolidated financial statements; to that end, it coordinates with the Financial Reporting Manager, with the Statutory Auditor and the Board of Statutory Auditors;
 - examines the information received from the Chief Financial Officer/Executive responsible under Law 262/05 concerning the proper application of accounting standards and their consistency for the preparation of financial reports also with reference to the consolidated financial statements;
 - reviews quarterly and half-yearly situations and the annual financial reports, based on the reports of the Chief Financial Officer;
 - reports to the Board at least twice a year, on the occasion of the approval of annual and interim financial reports, on the activities carried out and on the adequacy of the internal control and risk management system;
- with reference to the regulation concerning conflicts of interest:
 - expresses its views on the procedures for identifying and managing transactions in conflict of interest of the Bank and the Group companies;

- assesses specific transactions for which there is, directly or indirectly, a conflict of interests in this regard, with reference to transactions with Related Parties and Affiliates of Banca Mediolanum S.p.A. in accordance with the CONSOB Related Parties Regulation, of Bank of Italy Circular no. 263 and in accordance with the internal regulation (Regulation on the management of transactions with related parties of Banca Mediolanum and affiliates of the Mediolanum Banking Group):
 - in the case of minor transactions, issues specific reasoned opinions that are not binding.
 - verifies that the company control functions conform properly to the indications and guidelines of the Board of Directors and assist the latter in drafting the coordination document;
 - performs any other functions assigned by the Board of Directors.

The Risk Committee has access to all information and company units necessary to carry out its assignment, and the opportunity of hiring external consultants, if necessary. The Committee and the Board of Statutory Auditors exchange any information of mutual interest and, where appropriate, coordinate to perform respective tasks. In this context, it may also resort to external experts and – where necessary – liaise directly with the control functions.

During the meeting on 17 December 2018, the Committee presented a budget of Euro 50,000 for the year 2019 to the administrative body, which was approved by the Board during its 19 December 2018 meeting.

During the year, 12 meetings of the Risk Committee were held - 4 with the previous make-up and 8 with the current make-up - average duration: 183 minutes (3 hours and 3 minutes) after which

the Risk Committee supported the Board on the specific activities for which it is responsible with the methods provided for by the internal and sector regulations.

All members of the Board of Statutory Auditors are always invited to the Risk Committee meetings.

During 2019, 12 meetings of the Risk Committee are currently scheduled, of which 3 have already been held on 24 January, and on 7 and 26 February.

11.0 INDEPENDENT DIRECTORS COMMITTEE

The Committee of Independent Directors has the role of assessing and providing proposals on internal controls relating to the management of transactions with related parties of Banca Mediolanum and affiliated parties of the Mediolanum Banking Group and to the acceptance and management of equity investments, as well as general support for the Board of Directors on additional topics deemed by the Board itself to be relevant for corporate management.

As stated above, the Committee was established by the Board of Directors on 19 December 2018 effective from 1 January 2019.

The Independent Directors Committee is comprised of three Directors, all independent, appointed by the Board of Directors.

The Committee identifies a Chairman from within it, if not appointed by the Board of Directors.

The Committee as of the date of this Report is comprised as follows:

- Giacinto Gaetano Sarubbi (independent pursuant to the Consolidated Finance Act and to the “Code”) - Committee Chairman;
- Paola Durante (pursuant to TUF and “Code”);
- Francesco Maria Frasca (independent pursuant to the TUF and “Code”),

all accounting and financial experts.

The following may attend the meetings of the Independent Directors Committee in addition to its members, at the invitation of the Chair and in an advisory and support capacity:

- Compliance Manager
- Risk Management Manager
- Internal Audit Manager
- Corporate executives of Group companies, understood also as financial conglomerate, based on the topics
- The Chairman of the Board of Statutory Auditors or the Auditors designated by him.

The Committee particularly:

- evaluates the process of managing transactions with related and affiliated parties, expressing, in the cases provided for, the opinions established by the regulations regarding transactions with related parties of greater importance pursuant to the “Regulations for the management of transactions with Banca Mediolanum Related Parties and Affiliated Parties of the Mediolanum Banking Group”;
- evaluates the general consistency of the activities carried out in the equity investment sector with the strategic and management guidelines for the entire Banking Group, within the scope and within the limits set by the Policy on Equity Investments that May Be Held;
- together with other Independent Directors on the Board of Directors, assess and monitor the Bank’s governance, thereby submitting to the Board itself any proposals for changes or supplements to the Corporate Governance system deemed expedient and help the Board of Directors to draw up the annual “Report on Corporate Governance” so it can be disclosed to the shareholders and market.

The Independent Directors Committee meets as necessary, also when convened by the Chairman of the Board of Directors, and in any case at least annually together with the other Independent Directors on the Board for assessments concerning the “Report on Corporate Governance”, in time to fulfil the tasks assigned.

In relation to the activity of assessing the consistency of transactions with respect to the strategic and management guidelines of the Bank in the equity investment segment, the meetings of the Independent Directors Committee may be held alongside the “Group Governance” Managerial Committee to which the Independent Directors belonging to the Committee are also invited on said occasion.

12.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

A description of the current Control System in effect follows, completed by Annex 1) to this report and pertaining to the “*Main characteristics of the existing risk management and internal control systems in connection with the financial disclosure process*” drawn up pursuant to Art. 123-bis, paragraph 2(b) of the Consolidated Finance Act.

The Internal Control System is broken down into several levels that contemplate:

- line controls (so-called “level one controls”): aimed at ensuring that the transactions are properly carried out. These controls are carried out by the same operational structures (e.g. hierarchical, systematic and random controls), also through units dedicated solely to control tasks that report to the managers of the operational structures (i.e. performed in the back office area) and, when possible, are incorporated into the computer procedures. According to this configuration, the operational structures are the first in line to be responsible for the risk management process. During daily operations, these structures are called upon to identify, measure or assess, monitor, mitigate and report the risks arising

from routine company activity in compliance with the risk management process. Moreover, these structures must meet the operational limits assigned to them consistently with the risk objectives and procedures into which the risk management system breaks down;

- controls on risks and compliance (so-called “level two controls”): aimed at ensuring that the operational limits assigned to the different functions are observed, the risk management process is properly implemented and company operations comply with the rules, included those of self-regulation. In compliance with what legislation requires, the functions responsible for the level two controls are distinguished from the production ones and contribute to the definition of governance of the risks and of the process of managing them. Specifically, these functions are:
 - Risk control function (Risk Management);
 - Compliance with the rules function (Compliance);
 - Anti-money Laundering Function;
- internal audit (so-called “level three controls”): aimed at identifying infringements of procedures and regulations, as well as assessing on a regular basis, the completeness, suitability, functionality (in terms of efficiency and efficacy) and the reliability of the internal control and IT systems (ICT Audit) with a pre-set frequency according to the nature and intensity of the risks.

A precondition of a complete and functional system of internal controls is the existence of a company organisation adequate for ensuring the healthy and prudent management of the Group

and the observance of the provisions applicable to them. In particular, the following general principles of organisation are provided:

- the decision-taking processes and assignment of functions to the personnel are formalised and permit univocal identification of tasks and responsibilities and are suitable for preventing conflict of interest. In this area, the necessary separateness between the operational and control functions must be ensured;
- the policies and procedures to ensure that staff have the skills and professional competence needed to exercise the responsibilities assigned to them;
- the risk management process is effectively integrated. The following are considered integration parameters and are provided by way of example but not limited to: the spread of a common language in risk management at all Bank levels; the adoption of recognition methods and tools and consistent assessment between them (e.g. a single taxonomy of processes and a single map of risks); the definition of risk reporting models in order to facilitate their comprehension and proper assessment, also in an integrated logic; the identification of formalised moments of coordination in order to plan their respective activities; the provision for information flows on a continuous basis between the different functions in connection with the results of the control activities for which they are responsible; sharing in identification of remedy actions;
- measurement processes and methods, including for accounting purposes, of the company activities are well integrated with the risk management process. For this purpose: the definition and ratification of the measurement methods are entrusted to different units; the measurement methods are sturdy, tested under stress scenarios and do not excessively rely

on a single source of information; the assessment of one financial instrument is entrusted to a unit independent from the one that trades that instrument;

- the operating and control procedures minimise the risks tied to fraud or unfaithfulness of the employees; prevent or, if that is not possible, mitigate the potential conflict of interest; prevent involvement, even unknowing, in money laundering, usury or the funding of terrorism;
- the IT system is based on a flexible, resilient architecture integrated at Group level, allows management to have available pertinent and updated information to take decisions and properly implement the risk management process. Moreover, on the topic of compliance, the system records, preserves and properly represents the operational transactions and significant events for the objectives provided for by legal provisions and internal and external regulations;
- the levels of operational continuity are guaranteed, adequate and compliant with what is established by the current supervisory provisions.

When defining strategic, industrial and financial plans, the Board of the Company defined the type and level of risk compatible with the strategic objectives of the Issuer, including all the risks that might take on significance in the perspective of sustainability over the medium-/long-term of its activity.

The Board of the Company also defined the guidelines of the internal control and risk management system so that the main risks pertaining to it and to its subsidiaries are properly identified and adequately measured, managed and monitored, determining the compatibility of these risks with a management of the company consistent with the strategic objectives identified.

The Board of the Company, in its 28 February 2018 meeting, after receiving the favourable assessment of the Risk Committee, the Director Responsible for the internal control and risk management system and the Board of Statutory Auditors, agreed on the overall adequacy of the Internal Control System and approved the work plan for the year 2017 prepared by the Manager of the Internal Audit Function.

As part of the Internal Control System, the Compliance, Anti-money Laundering, Risk Management and Internal Audit Functions of the Issuer play an important role and each for the profiles of their responsibility are assigned responsibility for monitoring exposure to financial and credit risks, and for assessing the impacts of the operational, legal and reputation risks, money laundering and fight against terrorism, keeping the capital adequacy in connection with the activity carried out under constant control.

Risk Management Department

The Risk Management Function is responsible for implementing governance policies and the risk management system, and that cooperates in defining and implementing the ORSA process and definition of the Risk Appetite Framework (RAF) while guaranteeing an integrated view of the various risks to the Corporate Bodies when exercising the control function.

Specifically, the Risk Management Function:

- defines and maintains the control and management framework of all of the Bank's risks in observance of the Board of Directors guidelines and of the current regulatory provisions;
- proposes the quantitative and qualitative parameters necessary for defining the Risk Appetite Framework (RAF), including the stress scenarios necessary for defining risk tolerance;
- defines the credit risk measurement and control methods, collaborating and coordinating with the level one control of the Credit Department;

- defines the financial risk measurement and control methods, particularly in the area of the typical activities;
- defines the operational and reputation measurement and control methods, coordinating with the Compliance Function that outsources the assessment activities;
- defines and develops the quantitative methodologies aimed at determining and managing the significant first and second pillar risk of Banca Mediolanum;
- prepares, coordinating with the business structures and in observance of the RAF guidelines, the internal regulations, policies and regulations relating to all significant first and second pillar risks;
- continuously checks the adequacy of the RAF;
- monitors the specialised regulations pertaining to it and implements the adaptation interventions in collaboration with the other company functions;
- monitors the risks and defines their management policies, and prepares the control reports for the Board of Directors following what is defined in the Risk Appetite Framework;
- plans, in collaboration with the Compliance function, the assessments of operating and reputational risks;
- collects and analyses the operational loss events;
- assesses the adequacy of the economic and regulatory capital for all significant first and second pillar risks;
- assesses the risk profile of the products placed by Banca Mediolanum for carrying out checks required by the MiFID regulations (for both Group and third-party products);

- prepares the periodic risk disclosure of the Bank for both the Board of Directors, management type and for the Supervisory Authorities in observance of the regulatory prescriptions and deadlines (ICAAP/ILAAP);
- supports the functions responsible for capital management from the quantitative viewpoint;
- analyses the risks of the new products and services and those arising from entry into new operational and market segments;
- supports the Corporate Bodies in assessing strategic risk;
- expresses preventive opinions on consistency of the most significant transactions with the RAF
- supports the Corporate Bodies in preparing the Recovery Plan document and defines, together with the other company units involved, the “near to default” stress scenarios.
- it develops and keeps updated the validation methods of the models, the processes, the control safeguards, data integrity/quality, also guaranteeing compliance with the regulatory requirements on the subject; it also prepares periodic reports on the validation of the models;
- gathers data and information relating to the real, monetary, credit and financial economy, also on the basis of reporting for Corporate Bodies.

Compliance Function

The Compliance Function is responsible for the process of verifying and oversees expressing the risk of non-compliance with the rules. In particular, it oversees the management of risks of non-compliance with the laws, according to a risk based approach applied to all corporate activities, while resorting, in the monitoring of some regulatory areas, on the basis of specific forms of specialised monitoring, to the assistance of Specialist Units, identified for this purpose, which are responsible for some phases of the compliance process, still maintaining the primary

responsibility for monitoring activities.

In addition to monitoring the reference regulatory framework, this Function is responsible for providing specialist consulting services, alerts about new regulations and analyses of any identified deficiencies, assessments on the suitability and functioning of corporate structures and processes, with respect to the applicable laws, as well as the identification of actions for mitigating compliance risks.

Specifically, in line with the reference regulatory framework, the Compliance Function is required to perform the following activities:

- support the other company structures to assess risks of non-compliance with the rules through specialist consultancy, if necessary making use of the contribution of other company functions;
- identify suitable procedures for the prevention of the identified risks, with the possibility of requesting their adoption and verifying their suitability and correct application;
- identify, on a consistent basis, all laws applicable to the Bank and the measurement/assessment of their impact on the corporate processes and procedures through legislative alerting and gap analysis;
- check the adequacy of the company structures and processes, proposing organisational and procedural changes, aimed at ensuring an appropriate management of the identified compliance risks;
- set up information flows directed to the Corporate Bodies and structures involved, notwithstanding the obligation to provide to said Bodies information and/or assessment upon their request;

- verify the functioning of due compliance by corporate conduct and suggested organisational adjustments to prevent the risk of non-compliance with the rules and identify the actions to mitigate the risks of non-compliance, thereby recording them in a specific repository.

The Model adopted by the Group for managing the compliance risk provides for monitoring activities carried out by the Compliance Function as regard the most important laws on compliance risks, such as those concerning the execution of banking and brokerage activities, the management of conflicts of interest, the transparency toward customers, and more in general, the diligence observed for the protection of the consumer, as well as all those regarding the regulations for which no specialised monitoring systems are required within the Bank (so-called Specialist Units).

The Compliance Function is responsible inter alia for evaluating the suitability of the monitoring systems in reference with the regulations for which an operational monitoring system must be set up by the Specialist Units in charge of ensuring the appropriate monitoring of specific legal frameworks referring to some phases of the compliance process.

More specifically, the Compliance Function delegates to these Units, based on a gradual approach that keeps into account the relevance of the specifically monitored legal frameworks, in terms of risks, the following activities:

- monitoring of legal developments and alerts and prompt communication to all the impacted corporate functions about any new changes;
- analysis of the impact of developments in the law and definition of the adjustment actions by examining in detail the new changes, identifying their risks, conducting the appropriate gap analysis in order to define and activate alignment, and monitor its actual implementation;
- consulting and training;

- setting up of procedures and updating compliance documents/special procedures to be submitted to the Compliance Function for a judgement on their suitability;
- performance of functionality (efficacy) assessments;
- management, for the aspects falling within the respective areas of competence, of the relationships with Supervisory Authorities, Trade Associations, Public Entities, Police, etc.

The Compliance Function is also responsible for outsourcing on behalf of the Risk Management Functions of the Bank and of the other Italian companies of the Group, for the latter based on specific service agreements, the assessments of operating and reputational risks, within the scope of the “integrated risk assessment” according to the plans formulated jointly with the Risk Management Functions, and for the activation of specific information flows regarding the outcomes of the activities performed.

In addition, the Compliance Function oversees the complaints received from customers and the requests received from the Supervisory Authorities, also with reference to the Italian companies of the Banking Group on the basis of specific service agreements.

In consideration of the business model of the Bank, particular attention is given by the Function to the supervision of the activities carried out by the Network of Financial Consultants that it uses. The supervision of the activities carried out by the Sales Network and the mitigating actions applied to all related risks represents a fundamental element of the Internal Control System.

In particular, the Compliance Function, through its own internal Units:

- periodically specifies and monitors the methodological framework for identifying and assessing the risks of non-compliance with the regulations;
- performs Group coordination activities with regard to the monitoring of risks of non-

compliance, interacting with the appropriate functions of the other companies of the Group, if existing;

- defines and implements the annual compliance plan, also in coordination with any specialist monitoring systems;
- verifies the suitability and functionality of the organisational monitoring system (structures, processes and operating procedures) and the actual implementation of the suggested interventions for the prevention of the risk of non-compliance with the laws;
- participates in the prior evaluation of compliance with the applicable regulations of all innovative projects (including operations in new products or services) that the Bank intends to undertake as well as in the prevention and management of conflicts of interest and among the various activities carried out by the Bank, both with reference to employees and corporate representatives;
- evaluates in advance, on behalf of the Risk Management Function, the operational and reputational risk of innovative projects and, in particular the marketing of new products or the offer of new services (so-called Generic Assessment);
- provides the corporate bodies of the Bank with advisory and support services in all areas that are relevant in terms of compliance risk, as well as with its cooperation in training personnel on the provisions governing the activities performed;
- collects and evaluates the information flows from the same functions of the subsidiaries, including foreign subsidiaries, or from other specialist control units, based on defined intra-group coordination guidelines;
- produces, on a regular basis, the reports, complete with all required information, for the Corporate Bodies and Functions, and the Supervisory Authorities;

- ensures an effective monitoring of the operating risks related to the activities carried out by the Sales Network, using analysis tools and performing verifications and assessments both with the Financial Advisers and the central services, in order to prevent possible misappropriation of funding and prejudicial events, in coordination, within its area of competence, with the Internal Audit Function;
- identifies and evaluates, through appropriate indicators, potential operating and reputational risks related to the activities performed by the Sales Network, making sure to report any potentially incorrect behaviours and coordinating, within its area of competence, with the Risk Management Function;
- monitors risk indicators with the aim of detecting any operational or behavioural anomalies (so-called Key Risk Indicators - KRY) and non-compliance risks (so-called Key Compliance Indicators - KCI), in order to determine any specific mitigation actions against the risks detected;
- manages customers' complaints while evaluating any indications and/or alerts regarding possible disservices attributable to deficiencies in the corporate internal procedures, and suggests risk correction or mitigating actions;
- provides directives and guidelines to the foreign companies of the Banking Group in order to ensure the adoption of a homogeneous control model to be applied to the Sales Network, keeping into account the regulatory, organisational and business specificities of the respective foreign companies.

Anti-Money Laundering Function

According to a risk-based approach, the Anti-money Laundering Function is responsible for monitoring the risk of money laundering and financing of terrorism and for the adaptations of the processes on evolution of the regulatory and procedural context in that area.

It checks that the company procedures are consistent with the objective of preventing and fighting infringement of external regulations (regulatory laws and rules) and of self-regulation on the subject of money laundering and financing terrorism.

It pays particular attention to the adequacy of the internal systems and procedures on the subject of adequate checking of the customers and recording, as well as of the systems for observing, assessing and reporting suspicious transactions.

It directly reports to the Board of Directors of the Bank and has access to all of the Bank's information and to any information significant for performing its duties.

It is independent from the operational structures and has resources qualitatively and quantitatively adequate for its tasks, including economic, that can be activated also autonomously if necessary.

It has adequate personnel in terms of number and technical skills - professional and updating, also by being placed in on-going training programmes - and has access to all activities of the company and to any information significant for performing its duties.

The Anti-money Laundering Function particularly:

- identifies the applicable regulations relating to monitoring the money laundering and terrorism financing risk and evaluates their impact on the internal processes and procedures;

- provides advisory and support services to the corporate bodies and organisational units of the Bank for the topics for which they are responsible, above all in the case new products and services are offered;
- collaborates on identifying procedures and controls aimed at preventing and counteracting risks of money laundering and the financing of terrorism;
- checks that the procedures and controls adopted on the subject of anti-money laundering and anti-terrorist activities are adequate and proposes the organisational and procedural changes necessary or advisable in order to ensure adequate monitoring of the risks;
- is responsible for defining and maintaining monitoring aimed at guaranteeing the observance of the obligations to adequately check the customers according to a risk-based approach that requires that these obligations be ranked based on the money laundering risk profile assigned to the customer;
- analyses the exogenous and endogenous reports received on alleged suspect transactions to submit to the “Delegate for the reporting of suspicious transactions” for the evaluation of any necessary reports to the FIU;
- examines the evidence emerging from automatic detection systems or from specific detection systems of the Anti-money Laundering Function and studies the results to submit them, if necessary, to the “Delegate for the reporting of suspicious transactions” for the evaluation of any necessary reports to the FIU;
- supports the Delegate for the reporting of suspicious transactions in sending the FIU reports deemed well-founded;

- checks the reliability of the IT system feeding the AUI (single computer archive) and periodically checks formal correctness, logic correctness and validity controls;
- monitors the monthly sending of aggregated data recorded in the AUI by the IT outsourcer to the FIU;
- in collaboration with the responsible company functions, manages the institutional relations with the counter party regulatory entities of the Bank on the subject of anti-money laundering (MEF, FIU, Bank of Italy, Trade Associations);
- collaborates with the corporate functions responsible for the planning and supply of specialist courses on the subject;
- at least once a year prepares a Report on the initiatives undertaken, the deficiencies ascertained and the relevant corrective actions to undertake, as well as on the personnel training activity, to submit to the Risk Committee, Board of Statutory Auditors, the Chief Executive Officer and the Board of Directors of the Bank;
- based on the methods and time frame defined by the Bank of Italy, is responsible for self-assessing the money laundering and terrorist financing risks, the results of which are included in the annual Report described above;
- ensures that flows of information it is responsible for are forwarded to the Board of Statutory Auditors, the Risk Committee and the Supervisory Body pursuant to Italian Legislative Decree 231/2001 and to the Board of Directors of the Bank and to the Chief Executive Officer;
- coordinates with the Policy Operations Office of the Operations & ICT Department on the specification of the first level anti-money laundering model;

- also in collaboration with the operational structures, performs an adequate reinforced verification of the customers in those cases in which, owing to objective, environmental and/or subjective circumstances, the risk of money laundering appears to be particularly high;
- as an outsourcer for the Group companies with which specific service agreements are in place, performs the following activities:
 - handles the fulfilments pertaining to application of the anti-money laundering and anti-terrorist financing legislation while guaranteeing adaptation of the processes, procedures and internal controls after the new rules come into effect;
 - analysis of the reports received on alleged suspect transactions to submit to the Delegate for the reporting of suspicious transactions of the Company for the evaluation of any necessary reports to the FIU;
 - performs adequate verification and adequate reinforced verification in all cases that become necessary;
 - anti-money laundering risk profiling of the customers, integrating the information on the operations and on knowledge of it available at the Bank in the capacity of placement agent;
 - monitors the correctness and completeness of the data that feed the AUI and preparation of the instructions on keeping it, also in the wake of regulatory innovations.

- preparation of flows of information it is responsible for forwarded to the Board of Statutory Auditors and the Supervisory Body pursuant to Italian Legislative Decree 231/2001 and to the Board of Directors of the Company;
- as an outsourcer for the foreign Group companies with which specific service agreements are in place, performs the adequate reinforced verification activities;
- collects and examines the information flows coming from the same functions of the foreign subsidiaries;
- within the area of its responsibility, prepares/validates and updates the internal regulations, policies and regulations on anti-money laundering and anti-terrorism and prepares, if necessary, the related Group guidelines.

Internal Audit Function

The Internal Audit Function is aimed, on the one hand, at monitoring the regular course of operations and the evolution of risks, also with on-site inspections, using level three controls and, on the other, at assessing the completeness, adequacy, functionality and reliability of the organisational structure and other components of the Internal Control System, and to bring the possible improvements, with particular reference to the RAF, to the risk management process and to the measurement tools and their control to the attention of the corporate bodies. Based on the results of its controls, it puts forward recommendations to the corporate bodies.

The Internal Audit Function performs its activities directly for Banca Mediolanum and for the Group Companies with which specific outsourcing agreements for performing internal auditing activities have been stipulated, and performs auditing activities in the capacity of “Parent Company” for Companies with an autonomous Internal Audit Function.

Within the scope, the Function:

- each year presents an audit plan to the corporate bodies that specifies the planned control activities, bearing in mind risks of the various corporate activities and structures; the plan contains a specific section regarding the IT system review activity (ICT audit). It also submits the three-year audit report;
- assesses the completeness, adequacy, functionality and reliability of the components of the Internal Control System, of the risk management process and of corporate processes, also with regard to the ability to detect errors and irregularities. In this context, it submits, among other things, to verification by the Corporate Control Functions;
- periodically reports to the Corporate Bodies on the completeness, adequacy, functionality and reliability of the Internal Control System. It also promptly informs them on all significant infringements or deficiency;
- it performs special investigation tasks with regard to specific irregularities;
- it performs periodic tests on the functioning of the operating and internal control procedures;
- it checks the removal of the anomalies found in the operations and functioning of the controls (follow-up activity);
- it assesses the effectiveness of the RAF definition process, the internal consistency of the overall layout and its compliance with company operations;
- it also checks the following specific areas:
 - regularity of the company activity, including the outsourced activities;
 - monitoring of compliance with the rules;

- observance in the various operational sectors of the limits set by the mandate mechanisms and full and correct use of the information available in the various activities;
- the activities carried out by the Sales Network, coordinating and availing itself, where advisable, of the activities carried out by the Compliance Function with which a special “coordination protocol” is defined;
- the effectiveness of the powers of the Risk Management Function with reference to the consistency of the most significant transactions with the RAF;
- the adequacy and proper functioning of the processes and methodologies for assessing company assets, and in particular financial instruments;
- the adequacy, overall reliability and security of the IT system (ICT audit);
- the corporate business continuity plan, examining the verification programmes, witnessing tests, checking their results, proposing amendments to the plan based on the results that emerge. It also checks the business continuity plans of the service suppliers and of the critical suppliers;
- that the remuneration practices comply with the approved policies and current legislation at least once a year.

With reference to the risk management process, the Internal Audit Function assesses:

- the organisation, powers and responsibility of the risk control function, also with reference to the adequacy and quality of the resources assigned to it;
- the appropriateness of the assumptions used in the sensitivity and scenario analysis and in the stress tests;
- alignment with the best practices of the sector.

In performing its tasks, the Internal Audit Function:

- directly reports the results of the ascertainment and assessments to the Corporate Bodies;
- has access to all activities, including those outsourced;
- takes into account the provisions of the professional standards of reference.

With reference to this last point, note that in compliance with the International Internal Audit Standards (International Professional Practice Framework issued by “The Institute of Internal Auditors” - hereinafter also “IPPF”), the Internal Audit Function has formalised an “Quality assurance and improvement programme” relating to all aspects of the Function's activities.

The internal system for reporting infringements (so-called Whistleblowing)

To further monitor the internal control system, Banca Mediolanum has defined its own internal system for the Personnel to report actions or deeds that might constitute an infringement of the rules governing the banking activity (so-called Whistleblowing).

The system guarantees the confidentiality of the whistle-blower’s personal data and their protection from retaliatory, discriminatory or in any case dishonest conduct resulting from the report.

12.1 Director Responsible for the Internal Control and Risk Management System

On 10 April 2018, the Board of Directors has confirmed the position of Director Responsible for the Internal Control and Risk Management System for the Chief Executive Officer, Mr Massimo Antonio Doris.

During the year the Director Responsible carried out the following tasks:

- identification of the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and periodically submits them to the

examination of the Board of Directors;

- execute the guidelines defined by the Board of Directors while supervising the planning, execution and management of the Internal Control and Risk Management System and checking that they are constantly adequate and effective;
- ensure the alignment of this system to the changes occurring in operating conditions and to the applicable laws and regulations.
- The Director Responsible can also (i) promptly report to the Risk Committee (or to the Board of Directors if urgent) on the problems and critical issues that emerge while carrying out his activity or about which he has in any case become cognizant so that the Committee (or Board) can take the appropriate measures; (ii) ask the Internal Audit Function to perform checks on specific areas of operations and on observance of the rules and internal procedures in executing company transactions, at the same time reporting to the Chairman of the Board of Directors, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors on it. No cases requiring the formal exercise of these powers occurred during the year.

12.2 Manager of the Internal Audit Function

Upon the proposal of the Risk Committee members and after consulting the Director Responsible for the Internal Control and Risk Management System and the Board of Statutory Auditors - having taken cognizance of the remuneration plan and the adequacy of the resources assigned - the Board confirmed on an open-ended basis Mr Massimo Rotondi as Internal Audit Manager of the Issuer pursuant to Art. 7 of the Corporate Governance Code at the meeting held 23 September 2015, and with effect starting from the beginning of the trading of Shares of the Company on the MTA (30 December 2015).

In addition to the functions assigned on the strength of the regulations of the sector applicable to the banks, the Internal Audit Manager is assigned, and performs and “reports” the following duties in compliance with the Corporate Governance Code:

- assist the Director Responsible for the Internal Control and Risk Management System in identifying the major corporate risks to submit to the examination of the Board of Directors and in implementing the policies of the Board of Directors on the Internal Control and Risk Management System policies through the planning, execution, management and monitoring of the same system;
- verify, both on a continuous basis and in connection with specific requirements and in observance of the international standards, the operations and suitability of the internal control and risk management system through an audit plan, approved by the Board of Directors, based on a structured process of analysis of the main risks that are consequently ordered according to priority;
- prepare periodic reports containing adequate information on his activity, on the methods with which the risk management is conducted and on observance of the plans defined to reduce the risks. The periodic reports contain an assessment on the suitability of the internal control and risk management system;
- promptly receive reports on particularly significant events;
- send all said reports to the Chairmen of the Board of Statutory Auditors, the Risk Committee and Board of Directors, and to the Director Responsible for the Internal Control and Risk Management System;

- check the reliability of the IT systems, including the accounting recognition systems, as part of the audit plan.

The Internal Audit Manager is not responsible for any area of operations and has direct access to all the information helpful for performing the duty; for the main functions, he depends on the Board of Directors and reports to them, the Risk Committee and the Board of Statutory Auditors.

12.3 Organisation Model pursuant to Italian Legislative Decree 231/2001

Since 2003 Banca Mediolanum has adopted a specific Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001.

The Organisation Model pursuant to Italian Legislative Decree 231/2001 was developed by Banca Mediolanum following a process that allowed the cases of criminal offence that might potentially be committed in executing the same activities to be identified in the area of the different operations managed.

The analysis and monitoring of the operational stages into which the single processes are divided led to the identification of operating procedures and practices forming organisational monitoring of the offence risks pursuant to Italian Legislative Decree 231/2001.

The legislation specific to the responsibility of the entities arising from the perpetration of criminal offences was interpreted in light of the bank's organisational structures (sensitive activities) and in consideration of the ABI Association Guidelines, the market's best practices and the case law that has developed over the years.

In addition to the criminal offences peculiar to the world of banking and finance (e.g. market abuse, anti-money laundering, relations with the supervisory authorities, etc.), also the criminal offences not peculiar to the banking activity but just the same present risk profiles for the company (e.g. cybercrime, infringements of occupational health and safety rules, corporate



offences, etc.) were considered. The Model is constantly updated both following supplements introduced to the “sensitive” cases by legislation and following significant corporate organisational changes.

Currently the companies of the Group with an Organisational Model pursuant to Italian Legislative Decree 231/2001 are, in addition to the listed Parent Company, Banca Mediolanum S.p.A.:

- Mediolanum Gestione Fondi SGR p.A.
- Mediolanum Fiduciaria S.p.A.
- Mediolanum Vita S.p.A.
- Mediolanum Assicurazioni S.p.A.
- EuroCQS S.p.A.

The Supervisory Bodies, appointed by the Boards of Administration for the same Companies listed that have Model 231, exercise their activities thanks to an organised system of information flows coming from the corporate Organisational Units affected by sensitive activities.

Banca Mediolanum S.p.A. assigned the Supervisory Body functions to the Board of Statutory Auditors.

As concerns the composition of the Board of Statutory Auditors, please refer to what is indicated in chapter 15.0 “Composition and functioning of the Board of Statutory Auditors”.

An extract of the Organisation, Management and Control Model adopted pursuant to Italian Legislative Decree 231/2001 and approved by the Board of Directors of the Company is published on the institutional website (www.bancamediolanum.it in the section Corporate Governance under the item Supervisory Body).

12.4 Independent Auditors

The independent auditors Deloitte & Touche S.p.A. – whose appointment was granted by the Shareholders' Meeting of 20 April 2011 and afterwards supplemented by it on 29 September 2015 as a result of the merger of Mediolanum S.p.A. by takeover of Banca Mediolanum S.p.A. and of the resulting listing – is currently assigned the auditing task according to the law, including the audit of the financial statements and of the consolidated financial statements, in addition to the limited audit of the interim financial report.

The term of the appointment shall end with approval of the financial statements for the year 2019 of the Shareholders' Meeting of Banca Mediolanum S.p.A., which shall be convened in 2020.

In order to ensure a handover period between the current and future Statutory Auditor suitable for the size and complexity of the Mediolanum Banking Group, the Board of Statutory Auditors, also acting as the Internal Control and Audit Committee, endorsed the proposal of the respective corporate functions and, in agreement with the management of the Company and the Board of Directors, deemed it appropriate to bring forward the selection procedure for the assignment of the statutory audit for the 2020-2028 nine-year period, thereby starting it already during the Financial Year, so as to allow the Shareholders' Meeting being convened for 9 April 2019 to resolve on the granting of the related appointment.

This moving up of the date (i) was deemed best due to the high concentration of the independent audit market, and on the other hand, to the size, complexity and geographic area of operation of the Group; (ii) is not precluded by the applicable regulations and is in line with the practice already adopted by other national and international companies.

This moving up of the date is also instrumental for compliance with the provisions of Art. 5, Regulation (EU) no. 537/2014, which introduced a so-called cooling-in period with reference to

the supply of certain services other than statutory auditing; in particular, according to this provision, the appointment for the statutory audit of accounts for the 2020-2028 nine-year period may not be granted to independent auditors who have provided the aforementioned services during the financial year beginning on 1 January 2019.

12.5 Executive responsible for financial reporting

Having received the favourable opinion of the Board of Statutory Auditors, on 10 April 2018, the Board of Directors confirmed Mr Angelo Lietti as the Executive responsible for financial reporting pursuant to Art. 154-*bis* of the Consolidated Finance Act, thereby giving him the appropriate powers.

The Executive Responsible of the Issuer is a specialist function with control duties within the scope of the overall internal control system of the Bank. More specifically, the Executive Responsible:

- guides and coordinates governance on the administrative and accounting procedures at Group level;
- assesses the adequacy of the organisational, administrative and accounting structure of the Group on the basis of the assessment of adequacy of the Internal Control System;
- periodically informs the Board of Directors on the activity carried out in the area of the administrative and accounting processes recognised, on the results obtained and on any deficiencies to correct;
- makes the Certifications (according to the model Annex 3C-*ter* of the Issuers' Regulation) and the Statements (in observance of Art. 154-*bis*, paragraph 2) relating to the equity, economic and financial disclosure required by Law;

- requests with regard to the activities carried out and to the foreign Group Subsidiaries, all administration and accounting information helpful for drawing up the financial statements and consolidated financial statements;
- proposes amendments to the corporate processes and procedures, including the IT ones, the directly affect the drawing up of the financial statements and of the consolidated financial statements and the state of affairs;
- avails himself of the assistance of the other company functions to carry out risk and control assessment activities on the processes/procedures, and of qualified consultancy firms.

In order to better meet his obligations, the Executive Responsible avails himself of the 262 Commission, whose members are the managers of the key corporate structures that take part in the management model defined for the purposes of Circular no. 262 of 22 December 2005, as subsequently updated, on the preparation of the bank financial statements, with consultancy and monitoring of the planned activities functions.

Indicatively, but not limited to, the Executive Responsible is given the following authorities and powers:

- the power to organise an adequate structure in terms of quantity and professionalism of the resources within the scope of his activity;
- the capacity of autonomous expenditure within the scope of the annual budget to submit to the approval of the Board of Directors, except for urgent cases;
- free access to all information considered significant to perform his duties both within the company and within the other Mediolanum Group companies;
- attendance of the Board of Directors meeting with particular attention paid to the

- meetings discussing topics pertinent to the activity of the Executive Responsible;
- the power to communicate with all administrative and control bodies of the Mediolanum Group;
 - the power to approve the corporate procedures that have an impact on the formation of the documents subject to certification, and the direct participation in the design of the pertinent IT systems.

12.6 Coordination between the parties involved in the Internal Control and Risk Management System

Correct functioning of the Internal Control System is based on interaction between the corporate bodies, the corporate control functions and the other control functions in performing duties (policy, implementation, checking, assessment) and, to this regard, Banca Mediolanum has prepared guidelines in implementing current supervisory provisions of the Bank of Italy that describe the methods of coordination and collaboration between the various parties involved.

As stated in the document “*Basic Guidelines and Principles of Group coordination between the Control Bodies and Functions*”, last updated on 22/03/2018 the Banking Group ensures the coordination and collaboration between the various players of the Internal Control System in order to govern according to the principles of healthy and prudent management through the following methods:

- periodic update on the assessments/measurements of risks and adequacy of the controls;
- tools for coordination between the corporate control functions;
- method of exchanging information and reporting.

13.0 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

As regards the transactions with related parties and affiliates, the Board with its resolution of 19 December 2018 adopted, with the unanimous favourable opinion of the Independent Directors in office, the *“Group Regulations for managing transactions with related parties of Banca Mediolanum and with subjects related to the Mediolanum Banking Group”* pursuant to the CONSOB Related Parties Regulation and Bank of Italy Circular no. 263 of 27 December 2006.

The procedure is aimed at regulating the significant transactions (i) with affiliates of the Mediolanum Banking Group and (ii) carried out by the Company, also through subsidiaries pursuant to Art. 2359 of the Italian Civil Code or however subject to management and coordination activities, with related parties of the Issuer in order to guarantee substantial and procedural correctness and proper disclosure to the market.

This document contains harmonised defining criteria and procedural rules for transactions with related parties and for those with affiliates. In particular:

- the quantitative limits for defining small amount, ordinary, less and greater significance transactions are set usually applying rules established by the Bank of Italy since they are stricter than those issued by CONSOB;
- the operational process, especially concerning the inquiry and decision making phases, is structured following the rule that is strictest, either that established by the Bank of Italy or by CONSOB, to regulate the same aspect;
- the scope of exemptions that can be applied to the intercompany transactions was extended to all Banking Group companies following the effects of the merger on the control particularly of the Group's asset management companies;
- the types of transactions subject to the two regulations and those excluded have been

identified;

- the prudential limits connected with own funds, on the other hand, continue to apply only to the transactions with Affiliates of the Banking Group and the disclosure to make on transactions is distinguished based on whether it is a transaction with a related party or one with an affiliate.

The above-mentioned “*Group Regulations for managing transactions with related parties of Banca Mediolanum and with subjects related to the Mediolanum Banking Group*” is published on the website of the Company (www.bancamediolanum.it in the section Corporate Governance under the item Other corporate documents).

Refer to the previous points 4.2, 4.5 and 11 with regard to the tasks and activities carried out by the Independent Directors and, as from 1 January 2019, by the Independent Directors Committee, as well as the previous point 11 as regards the tasks and activities carried out by the Risk Committee.

Also considering its role of Parent Company of the Banking Group, the Bank has issued and updated over time specific internal regulations on the question of managing conflict of interest at Group level in compliance with:

- the provisions pursuant to Arts. 2391 and 2391-*bis* of the Italian Civil Code;
- the specific provisions for banks regarding activities of affiliate risk and the obligations of the Bank’s representatives, pursuant to Arts. 53 and 136 of the Consolidated Banking Act, respectively;
- Delegated Regulation (EU) no. 565/2017 concerning personal transactions;

- Intermediaries Regulation adopted by Consob by way of resolution no. 20307 of 15 February 2018;
- the Significant provisions of the Supervisory Authorities.

14.0 APPOINTMENT OF STATUTORY AUDITORS

The statutory rules that regulate the appointment and replacement of the Statutory Auditors are contained in Art. 27 of the By-laws that is provided here below:

- Article 27)

1. The ordinary Shareholders' Meeting elects the Board of Statutory Auditors, made up of three statutory auditors and three alternates, who remain in office for three years and expire on the date of the Shareholders' Meeting called for approval of the financial statements relating to the third year of office and can be re-elected.

All statutory auditors must be entered in the Register of Statutory Auditors and of the Independent Auditors set up pursuant to the law and have carried on the activity of regulatory audits for a period no less than three years.

The statutory auditors must also have the requisites listed in the current legal and regulatory provisions and the Board of Directors ascertains their existence.

The Board of Statutory Auditors have the duties and powers provided for by the current pro tempore primary and secondary regulations, including the obligation to inform the Bank of Italy and CONSOB, without delay, on all actions and deeds that comes to its knowledge in exercising its duties that might constitute an irregularity in the management of the banks or an infringement of the rules regulating the banking activity.

For this purpose the statutory auditors, also individually, may carry out inspections or make formal requests at any office of the Company on any matter pertaining to the corporate activity.

2. The statutory auditors are appointed based on lists presented by shareholders with the

procedure set forth below. Each list consists of two sections: one for the candidates to the office of statutory auditor, the other for the candidates to the office of alternate auditor, in which the candidates are listed by progressive number. Each candidate can be on one list only, under penalty of being ineligible for election.

Each list must contain indication of at least one statutory auditor and one alternate auditor. In order to ensure a balance between genders in conformity with the current pro tempore primary and secondary regulations, each list containing a total number of candidates equal to or greater than three must provide for the presence of candidates of both genders so that at least one candidate to the office of statutory auditor and one to the office of alternate auditor belong to the least represented gender.

- 3. Those shareholders due the voting right that, alone or together with other shareholders, represent at least the percentage of the share capital set by the National Commission for the Companies and the Stock Market are entitled to present the lists.*

Ownership of the percentage of share capital is determined regarding the shares that are registered to the shareholders on the day on which the list is lodged with the Company, with reference to the share capital subscribe on the same date.

The relevant certification can be notified also after lodging the list provided that it arrives at the Company by the deadline set for publication of the lists by the Company.

The Company allows the shareholders planning to present the lists to lodge them via at least one means of remote communication, according to the methods that will make the Shareholders' Meeting convocation notice public and that allow lodging shareholders to be identified.

The equity interest required for presentation of the lists of candidates to elect the Board of

Statutory Auditors is specified in the convocation notice of the Shareholders' Meeting called to resolve the appointment of this body.

A shareholder can neither present nor vote more than one list, even if through intermediaries or trust companies. The shareholders belonging to the same group - meaning the parent company, the subsidiaries and the companies subject to common control - and the shareholders that have signed a shareholders' agreement pursuant to Art. 122 of Italian Legislative Decree no. 58/1998 concerning the issuers' shares cannot present or vote more than one list, even if through intermediaries or trust companies.

4. The lists are lodged with the Company by the twenty-fifth day before the date of the Shareholders' Meeting called in first or single convocation to resolve on the appointment of the members of the Board of Statutory Auditors and made available to the public at the registered office, on the website and with other methods provided for by the National Commissions for the Companies and the Stock Market with regulations at least twenty-one days before the date of the Shareholders' Meeting.

The lists are completed with:

- a) information on the identity of the shareholders who have presented the lists, with the total percentage of interest held specified;*
- b) a declaration of the shareholders other than those who hold, also jointly, a controlling interest or relevant majority interest, certifying the absence or existence of relations connecting them with the latter, in observance of what is provided for in Art. 148 of Italian Legislative Decree no. 58/1998 and Art. 144-quinquies, paragraph one of CONSOB Resolution no. 11971/1999 (hereinafter also "Issuers' Regulation");*

- c) *an exhaustive report on the personal and professional characteristics of the candidates, and a statement of the same candidates certifying they have the requisites required by law and by these by-laws and their acceptance of the candidacy.*

Those who hold administration and control offices to an extent greater than the limits established by the current pro tempore primary and secondary regulations cannot be elected statutory auditors.

5. *If as at the expiration date of the term of twenty-five days before the date set for the Shareholders' Meeting in first or second call to resolve on the appointment of the statutory auditors only one list has been lodged, or only lists presented by shareholders connected to each other pursuant to Art. 144-quinquies of the Issuers' Regulation, lists can be presented up to the third day after said date. In this case, the threshold pursuant to paragraph 3 above is reduced to half.*

6. *The lists presented without observing the forgoing provisions are not submitted to voting.*

7. *Before opening the voting, the Chairman of the Shareholders' Meeting reads any statements provided under letter b) above and asks those attending the Shareholders' Meeting who have not lodged or contributed to lodging lists to declare any connection relations as defined above.*

Should a party connected to one or more shareholders of reference have voted for a minority list, the existence of this connection relationship becomes significant only if the vote has been crucial for the election of the statutory auditor.

8. *The following steps are taken when electing statutory auditors:*

- a) *two statutory auditors and two alternate auditors are taken from the list that obtained the highest number of votes at the Shareholders' Meeting, based on the progressive order with*

which they are listed in the sections of the list;

b) one statutory auditor and one alternate auditor are taken from the second list that obtained the highest number of votes at the Shareholders' Meeting and that, pursuant to the current pro tempore primary and secondary regulations, is not connected, not even indirectly, with the shareholders that presented or voted the list that obtained the highest number of votes, based on the progressive order with which they are listed in the sections of the list.

In the case in which multiple lists have obtained the same number of votes, another election by ballot between the lists is held, with the candidates of the list that obtains the simple majority of votes elected.

If the composition of the Board of Statutory Auditors does not comply, as far as the statutory auditors are concerned, with the current pro tempore primary and secondary regulations on the balance of genders when the votes are counted and the operations above are completed, the necessary replacements will be made according to the progressive order in which the candidate are listed on the list that obtained the highest number of votes.

9. The Chairmanship of the Board of Statutory Auditors lies with the candidate in first place of the section of candidates for statutory auditor of the list pursuant to letter b) of the paragraph above.

10. If only one list has been presented, the Shareholders' Meeting expresses its vote on it; if the list obtains the majority required by Art. 2368 et seq. of the Italian Civil Code, the three candidates indicated in progressive order in the section relating to alternate auditors are elected statutory auditors; the chairmanship of the Board of Statutory Auditors lies with the person indicated in first place of the section of candidates for the office of statutory auditor

on the presented list.

11. Should there be no lists, or if the number of candidates elected is lower than the number set by these by-laws adopting this mechanism, the Board of Statutory Auditors is appointed or supplemented by the Shareholders' Meeting with the majorities set by law and in observance of the provisions applicable to balance of genders at the time.

12. If a statutory auditor is replaced, the alternate belonging to the same list of the one terminated steps in provided the provisions applicable on the subject of balance of genders are observed at the time; should this not be the case, the persons belonging to the same list shift down in order and, subordinately, to any other lists on the basis of the votes received.

When the Shareholders' Meeting must appoint statutory auditors and/or alternates necessary to supplement the Board of Statutory Auditors, the process continues as follows in observance of the provisions applicable at the time on balance of genders: if the statutory auditors elected on the majority list must be replaced, the appointment is made by relative majority vote without obligation of list; if, on the other hand, it is necessary to replace statutory auditors elected on the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing them from among the candidates indicated on the list to which the auditor to be replaced belonged or, subordinately, amongst the candidates placed on any other minority lists.

In lack of candidates of the minority lists, and if the applicable provisions on balance of genders at the time are not observed, the appointment is made by voting one or more lists consisting of a number of candidates no higher than those to be elected, presented before the Shareholders' Meeting with observance of the provisions dictated in this article for the appointment of the Board of Statutory Auditors, it being understood that lists cannot be presented (and if presented, will be without effect) by the shareholders of reference and of the shareholders connected to

them, as defined by the current legislative and regulatory provisions. The candidates on the list that obtained the highest number of votes will be elected.

In lack of lists presented in observance of the above and of the provisions applicable at the time on balance of genders, the appointment is made with a relative majority vote without obligation of list.

13. In all cases of replacing the Chairman, the successor statutory auditor also takes the office of Chairman of the Board of Statutory Auditors.

14. The Shareholders' Meeting sets the remuneration due to the statutory auditors, in addition to reimbursement of the expenses borne to fulfil the office.

*15. The powers and duties of the statutory auditors are those established by the current *pro tempore* primary and secondary regulations.*

16. The meetings of the Board of Statutory Auditors can also be held with telecommunications means, provided that all participants can be identified and said identification is noted down in the relevant minutes and they are allowed to follow the discussion and to speak in real time on the items on the agenda, if necessary exchanging documentation; in this case, the meeting of the Board of Statutory Auditors is considered held at the place where the chairman of the meeting is located.

15.0 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The members of the Board of Statutory Auditors up until the Shareholders' Meeting on 10 April 2018 were:

- Francesca Meneghel - Chairman of the Board of Statutory Auditors since 21/11/2016;
- Adriano Alberto Angeli - Statutory Auditor;
- Marco Giuliani - Statutory Auditor;
- Gianluca Orrù - Alternate Auditor;
- Roberto Rampoldi - Alternate Auditor.

The current Board of Statutory Auditors of Banca Mediolanum was appointed by the Shareholders' Meeting on 10 April 2018 for the 2018-2020 three-year period on the basis of the lists of candidates satisfying the requirements established by law, by the applicable regulations and by the By-Laws (Art. 27) presented by members holding at least 1% of the share capital.

The Board of Statutory Auditors was appointed on the basis of the lists of candidates presented:

(i) on 15 March 2018 by the Shareholders Messrs Ennio Doris, Lina Tombolato (both on her own behalf and on behalf of the fully owned company, T-Invest S.r.l.), Massimo Antonio Doris (on behalf of the fully owned company, Snow Peak S.r.l.) and Annalisa Sara Doris, together with FINPROG ITALIA S.p.A., representing 40.1964% of the share capital of Banca Mediolanum S.p.A. (Doris Family), voted by about 78.17% of the shares with the right to vote; b) on 14 March 2018, by institutional investors representing a total of 1.66% of the share capital of Banca Mediolanum S.p.A., voted by about 21.81% of the shares with the right to vote. Number 1) was assigned to the list referred to in point (i) and number 2) was assigned to the list referred to in point (ii).

The current Board of Statutory Auditors is made up of:

- Domenico Angelo Magno Fava – Chairman of the Board of Statutory Auditors,
- Antonella Lunardi – Statutory Auditor,
- Gianpiero Sala – Statutory Auditor,
- Maria Vittoria Bruno – Alternate Auditor,
- Cristiano Santinelli – Alternate Auditor,
- Maura Trillo – Alternate Auditor.

The Chairman of the Board of Statutory Auditors, Mr Domenico Angelo Magno Fava, and the Alternate Auditor, Ms Maria Vittoria Bruno, are from the minority list presented by the shareholders representing 1.66% of the share capital (list no. 2) while the other members of the Board are from the majority list presented by the parties to the so-called Doris Family Agreement (list no. 1)

As far as the personal and professional characteristics of each Statutory Auditor are concerned, reference can be made to what has been published on the Issuer's website (www.bancamediolanum.it in the Corporate Governance section under the item Corporate Bodies).

The Board of the Issuer expressed the orientation according to which it is advisable to fully apply the independence criteria established for the Directors by the Corporate Governance Code of listed companies under Art. 3 also to the members of the Board of Statutory Auditors.

On the basis of the statements made for this purpose by the members of the Board of Statutory Auditors, at the meeting on 29 January 2019 the Board verified the continued satisfaction of the independence requirements pursuant to Art. 148, paragraph 3, of the TUF and in Art. 3 of the

Code, as referenced by the application criterion 8.c.1 of the Code.

For more information and the offices held by the statutory members of the Board of Statutory Auditors pursuant to Art. 148-*bis* of the Consolidated Finance Act, refer to the table annexed to this report.

During the Financial Year, 5 meetings of the Board of Statutory Auditors were held with the previous make-up and 10 meetings with the current make-up.

Please also note that all members of the Board of Statutory Auditors are asked to attend the meetings of the Risk Committee, Remuneration Committee and Appointments Committee.

During 2018 the Issuer's Statutory Auditors, like the Directors, participated in the Board Induction sessions already explained in the previous paragraph on the Induction programme (page 41).

The remuneration of the members of the Board of Statutory Auditors, as established by the ordinary Shareholders' Meeting at the time of their appointment, appears to be proportionate to the commitment required, the importance of the office held and the size and sectorial characteristics of the company.

The Company envisages that if a Statutory Auditor, on his own behalf or on behalf of third parties, has an interest in a certain transaction of the Company, that he promptly and comprehensively reports the nature, terms, origin and compass of his interest to the other statutory auditors and to the Chairman of the Board.

During the year the Board of Statutory Auditors coordinated with the Internal Audit Function and the Risk Committee in carrying out its activity.



Lastly, please note that the members of the Board of Statutory Auditors are given the functions of members of the Supervisory Body pursuant to Italian Legislative Decree 231/2001. Please see paragraph 12.3 on this subject.

The Board of Statutory Auditors also exercises the functions assigned to the Internal Control and Audit Committee pursuant to Art. 19 of Italian Legislative Decree no. 39 of 27 January 2010.

Refer to point 12.4 of this Report for information on the activity carried out by the Board of Statutory Auditors - in its capacity as Internal Control and Audit Committee - in the selection of the company that will be in charge of the statutory audit for the 2020 - 2028 financial years.

Diversity policies

For the diversity policies pertaining to the members of the Board of Statutory Auditors, Banca Mediolanum refers to the specific applicable regulations - Supervisory Provisions (Title IV, Ch. I, Sect. III) and to the statutory provisions (Art. 27).

As regards the diversity of composition of the current Board of Statutory Auditors, it is noted that: (i) there is one member of the Board of Statutory Auditors of the Company belonging to the least represented gender; (ii) without prejudice to the requirements of professionalism set out by legislations, also regulatory, the training and professional path of the members of the Board of Statutory Auditors currently in office guarantees the skills suitable for ensuring the proper execution of the functions lying with it.

16.0 RELATIONS WITH SHAREHOLDERS

The Board of the Issuer of 23 September 2015 has appointed, with effect from the start-up of trading of the ordinary shares on the MTA (30 December 2015), Ms Alessandra Lanzone as Investor Relator.

Among other things, the Investor Relations Function has the task of having relations with the institutional Investors; it contributes to fulfilling the market communication obligations when there is privileged information, in full observance of the current legislation.

The Corporate Affairs Division is delegated to handle relations with all the other shareholders other than the institutional ones, particularly as far as corporate reporting is concerned.

With reference to management of the shareholders' meetings, the Board of Directors' action meets the goal of maximising participation of the shareholders and facilitating the exercise of shareholders' rights, also promoting the use of the shareholders' meetings for reporting information on the company to the shareholders.

A special section of the Company's website has been set up (www.bancamediolanum.it). It is being continuously implemented and is easy to identify and access, and the significant corporate information is made available there.

The significant corporate documents, such as the By-laws, press releases already published and the Report on Corporate Governance are also published in special sections, as well as essential information on the relevant shareholders' agreements pursuant to Art. 122 TUF.

For transmitting and storing regulated information, the Company uses the "eMarket SDIR" disclosure system and the "eMarket STORAGE" storage device available at www.emarketstorage.com, both managed by Spafid Connect S.p.A. with registered office at Foro Buonaparte no. 10, Milan, Italy.

17.0 SHAREHOLDERS' MEETINGS

The functioning of the Shareholders' Meeting and the rights of the shareholders and the methods for their exercise are regulated by current primary and secondary regulations, as explained in the By-laws under Arts. 9) to 16).

With reference to Arts. 9) to 16) mentioned above, please particularly note that:

- pursuant to Article 9):

“1. The Shareholders' Meeting meets at the registered office or elsewhere, provided it is in Italy.

2. The Shareholders' Meeting is called by notice to be published on the Company's website within the terms set out in the current pro tempore primary and secondary regulations.

The notice of call must contain specification of the day, time and place of the meeting, and the list of items to discuss and the other information required by provisions of the current pro tempore primary and secondary regulations.

3. If provided for in the notice of call, the right to speak and vote can be exercised electronically with the methods provided for by the current pro tempore primary and secondary regulations.

4. The shareholders are entitled to request the convocation and/or supplement of the agenda of the Shareholders' Meeting and to submit resolution proposals.”

- pursuant to Art. 11)

“Legitimation to speak at the Shareholders' Meeting and to exercise the right to vote is certified by the Company's communication made by the intermediary, based on its accounting entries relating to the deadline of the accounting day of the seventh open trading day before the date set for the Shareholders' Meeting in first or single call. The credit or debit records entered on the

account after this deadline do not count toward legitimation to exercise the right to vote at the Shareholders' Meeting.

The communication must reach the Company by the end of the third open trading day before the date set for the Shareholders' Meeting in first or single call, or by another deadline established by the applicable regulatory provisions.

Legitimation to speak at Shareholders' Meetings and to exercise the right to vote remains valid should the communications reach the Company after the terms indicated herein, provided it is before the shareholders' meeting works commence."

- pursuant to Article 12)

"1. The parties legitimated to speak at the Shareholders' Meeting can be represented by written proxy pursuant to the law.

The proxy can also be given with a signed digital document in electronic format pursuant to Art. 135-novies, paragraph 6 of Italian Legislative Decree no. 58/1998 and its implementing provisions.

According to the methods specified in the notice of call, the electronic notification of the proxy may be made by using the special section of the Company's website or by sending the document to the Company's certified electronic mail address.

2. The Board of Directors can designate a party to whom the shareholders can give a proxy with voting instructions on all or some of the items on the agenda by mentioning the name in the relevant notice of call, with the methods required by law and by the regulatory provisions, by the end of the second open trading day before the date set for the Shareholders' Meeting, also in call after the first. The proxy has effect only for the proposals in connection with which voting instructions have been given.

3. *The shareholders can ask questions on the items on the agenda also before the Shareholders' Meeting. The details on how to exercise this right are contained in the notice of call, also by referring to the Company's website."*

The competences provided for by current legal provision lie with the Ordinary Shareholders' Meeting.

With the Shareholders' Meeting resolution of 23 November 2015, the Company has a "Shareholders' Meeting works regulation", which took effect starting on the date the shares of the Issuer began to be traded on the MTA (30 December 2015) and it is available on the website www.bancamediolanum.it in the Corporate Governance section under the item Corporate Governance Documents.

The following members of the Board of Directors attended the last Ordinary Shareholders' Meeting held on 10 April 2018 with the previous make-up:

- Ennio Doris, Chairman;
- Massimo Antonio Doris, Chief Executive Officer;
- Giovanni Pirovano, Vice Chairman;
- Bruno Bianchi;
- Tusquets Trias De Bes Carlos Javier.

During this Shareholders' Meeting, the Chief Executive Officer and the Chairman of the Board of Directors explained the company's performance in the year 2017 and emphasised several economic and corporate indexes of particular importance, and the Chairman of the Remuneration Committee reported to the Shareholders on how the Committee carries out its functions.

18.0 CHANGES SINCE THE CLOSING OF THE YEAR OF REFERENCE

No changes in the Corporate Governance structure as at the end of the Financial Year are reported.

19.0 CONSIDERATIONS ON THE LETTER DATED 21 DECEMBER 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The letter from the Chairwoman of the Corporate Governance Committee, Ms Patrizia Grieco, with which the last “Annual Report on the application of the Code” was first submitted, was brought to the attention of the Board of Directors meeting held on 29 January 2019. This report is part of the usual, required monitoring by the Committee in order to ensure the effectiveness and credibility of the self-regulatory system.

In the Report published in December 2017, the Committee recommended to issuers to evaluate and, if necessary, improve the actual, substantial application of certain best practices contained in the Code and to consider the appropriateness for wider qualitative improvement, beyond the recommendations of the Code, in certain governance areas.

The topics covered in the 2017 recommendations were mainly the following i) timeliness, completeness and usability of the pre-board meeting information; ii) clarity and completeness of remuneration policies; iii) establishment and concrete functioning of the appointments committee.

As particularly concerns the areas mentioned in the Chairman’s letter, it was first of all noted that the topics indicated for the world of banking are for the most part required by the regulatory provision establishing the conduct outlined above as mandatory.

The Board carried out a comprehensive survey on the Committee's Recommendations for 2019.

The new recommendations 1 and 3 were also specifically discussed by the Appointments Committee when conducting the Board Evaluation.

Find below the recommendations contained in the letter, accompanied by the considerations made in this regard.

Recommendation 1:

The Committee invites the boards of directors to express an explicit assessment of the adequacy of the pre-board meeting information received during the financial year. In particular, the Chairmen of the boards of directors are invited to undertake this evaluation and to ensure that the confidentiality requirements are protected without compromising the adequacy and timeliness of the information flows preceding board meetings

The topic was naturally the subject of a specific assessment during the self-assessment and on this point the following was underlined: *“The timeliness of the documentation distributed in view of the meetings is considered adequate or more than adequate by the majority of the Directors, even though some consider it appropriate to make an effort for the sending of pre-Board Meeting documents to be sooner.”*

On the subject there is a board resolution - 23 September 2015 - which provided, when confidentiality problems are not a hindrance, for the prior sending of any documentation available in support of meetings usually no less than 48 hours in advance of the board meeting. This term is usually understood as a minimum and, in many cases, part of the documentation is made available first.

The Appointments Committee and the Board of Directors have agreed that the 48 hours still seem to constitute validly the minimum time for a correct discussion of the topics.

Recommendation 3:

The Committee invites the board of directors to ensure greater transparency regarding the manner in which the board review is carried out.

Especially for larger issuers, the Committee hopes that a board member will oversee the board review process and that procedures will be adopted to enhance the individual contribution of each director.

On this point, both the Appointments Committee and the Board of Directors have emphasised that the self-assessment process in accordance with the sector regulations is governed in detail in a specific document as well as fully described in this “Report on Corporate Governance and Ownership Structures”.

Recommendation 2:

The Committee invites the administrative bodies to apply with greater rigour the independence criteria specified by the Code and the control bodies to monitor the correct application of these criteria: the Committee underlines how cases of non-application should be an exception and, above all, be assessed in depth at individual level, with reference to the situations of the individual director, and explained at length in the report on corporate governance.

On this point, the Board reports that the evaluations carried out in this regard do not bring to light exceptions of any kind to the requirements of the Corporate Governance Code and to which one should add the provisions of the sector legislation which go into more depth on the assessments in this regard.

Recommendation 4:

The Committee invites the boards of directors and the committees responsible for remuneration to assess the adequacy of the remuneration policies with the pursuit of the objective of sustainability for the company's business in the medium to long term.

Also in this case, - calling for appropriate supervision on this point - the Board recalled that the strict regulation of the banking sector seems to ensure the objective underlying that stated, above all taking into account the principle of "sound and prudent management" inspiring the Consolidated Banking Law and supervisory legislation on the subject.

ANNUAL RECORDING OF THE DIRECTORS' OFFICES PURSUANT TO PRINCIPLE

1.C.2. OF THE CORPORATE GOVERNANCE CODE

As provided for by the Corporate Governance Code, on 28 February 2019 the Board of the Company verified the offices of Director and Statutory Auditor currently held by the directors themselves in other companies outside the Mediolanum Group, listed in regulated companies, also foreign, in financial, banking, insurance or large companies.

More specifically:

ENNIO DORIS – Chairman

Does not hold significant offices in companies outside the group

GIOVANNI PIROVANO – Vice Chairman

Vice Chairman of the Board of Directors of:

- Cedacri S.p.A.

MASSIMO ANTONIO DORIS - Chief Executive Officer

Does not hold significant offices in companies outside the group

BRUNO BIANCHI - Director

Does not hold significant offices in companies outside the group

ANNALISA SARA DORIS - Director

Does not hold significant offices in companies outside the group

DURANTE PAOLA – Director

Independent Member of the Board of Directors of:

- Tesmec S.p.A.

FRASCA FRANCESCO MARIA – Director

Does not hold significant offices in companies outside the group



GAVAZZA ALESSANDRO – Director

Does not hold significant offices in companies outside the group

OMARINI ANNA EUGENIA MARIA – Director

Does not hold significant offices in companies outside the group

NOTARI MARIO – Director

Member of the Board of Directors of:

Delfin S.a.r.l.

PIERANTONI ROBERTA – Director

Member of the Board of Directors and member of the Remuneration and Appointments Committee

LU-VE S.p.A.

Member of the Board of Directors of:

Safe Bag S.p.A.

SARUBBI GIACINTO GAETANO – Director

Chairman of the Board of Statutory Auditors of:

- A2A S.p.A.
- Salini Impregilo S.p.A.

Member of the Board of Statutory Auditors of:

- Società per Azioni Esercizi Aeroportuali SEA

TUSQUETS TRIAS DE BES CARLOS JAVIER – Director

Chairman of the Board of Directors of:



- Trea Capital Partners S.V. S.A.
- Trea AM SGIIC S.A.
- Team & Work S.L.

Member of the Board of Directors of:

- Igen Biotech Group A.G.

Basiglio - Milan 3, 28 February 2019

for the Board of Directors

The Chairman

Ennio Doris

ANNEX 1

Annex 1: Paragraph on the “Main characteristics of the existing risk management and internal control systems in connection with the financial disclosure process” pursuant to Art. 123-bis, paragraph 2(b) of the Consolidated Finance Act

Introduction

The risk and internal management system existing in connection with the Banca Mediolanum financial information process is made up of the whole of rules and corporate procedures adopted by the various corporate operational units and aimed at ensuring the reliability, accuracy, reliability and promptness of financial disclosure, thereby contributing to the strengthening of governance of the controls.

To this regard, it should be remembered that Italian Law 262 of 28 December 2005 (as amended), “Savings protection provisions and financial market regulations”, with the addition of 154-bis to the Consolidated Finance Act, introduced the figure of Executive responsible for financial reporting (hereinafter simply “Executive Responsible”) to the corporate organisation of listed Companies in Italy, to whom the responsibility of preparing the company’s accounting documentation is entrusted.

In order to allow the Executive Responsible to certify agreement with the accounting entries for all documents circulated to the market, the adequacy and actual application of the administrative-accounting procedures adopted and the drawing up of the financial statements so as to truthfully and properly represent the financial position of the issuer and of the consolidated companies, the Issuer therefore has a specific Model (“262 Management Model”) developed on the basis of what

is required by the market best practices and regulated by the “*Policy for managing activities under the responsibility of the Executive Responsible - Italian Law no. 262/2005*”, approved by the Board on 21 February 2017.

Description of the main characteristics of the risk management and internal control system existing in connection with the financial disclosure process

The “262 Management Model” implemented by the Issuer develops through four distinct areas that cyclically repeat in the periodic updating and maintenance of the model:

Governance: assignment of roles, responsibilities and definition of the procedures and information flows with which the various players involved interact with each other.

Control environment: identification of regulations, disciplines, control mechanisms and general rules of governance of the technologies and application developments.

Control model: definition of the pillars on which the monitoring activity of the Executive Responsible is based in order to meet the requirements provided for by Art. 154-*bis* of the Consolidated Finance Act.

Methodological framework: definition of the process through which periodically activities are planned and the scope of intervention (planning & scoping) is defined, the checks of adequacy and functioning on the administrative-accounting processes identified are carried out and any actions to mitigate risks found are defined.

a) Phases of the risk management and internal control system existing in connection with the financial disclosure process

The “262 Management Model” that the Executive Responsible uses in order to fulfil the requirements set out in Art. 154-*bis* of the Consolidated Finance Act (Italian Law 262/2005) is based on the following pillars:

- Assessment;
- Testing;
- Certification system.

The objective of the first pillar (Assessment) is to verify the adequacy of the administrative - accounting monitoring in terms of level of formalisation of the processes and procedures, degree of their automation, training of the dedicated personnel.

The second pillar (Testing) regards the verification aimed at independently ascertaining the actual effectiveness of the controls planned on the administrative - accounting procedures.

This activity, the responsibility of the Economic - Financial Analysis and Controls Unit (specialist unit reporting to the Executive Responsible, to whom the operational phases of the process are referred), is planned each year (reviewed every half-year) in such a way as to allow the control tests to be performed over a reasonable time span for all the processes included in the significant perimeter. More specifically, the Economic - Financial Analysis and Controls Unit checks the effectiveness of the controls with different techniques, also random (documentary analysis, re-performing of the checks, etc.).

The third pillar (Certification system) regards the assignment of specific ownerships to the managers of the administrative areas and of the business units involved, which in the capacity of process owner issue certification. The primary aim of this system is to ensure, through the certification of the managers involved, that the procedures considered suitable for ensuring observance of the objectives identified by Italian Law 262/2005 are observed continuously and if events such as to invalidate these expectations should occur, they are reported and brought to the attention of the Executive Responsible in time to be sorted out.

Proper functioning of the Model in terms of development and subsequent monitoring of the adequacy and actual application of the checks on the financial disclosure risks requires that the following activities be carried out:

- updating of the Framework: consists of the periodic assessment of the methodological framework in order to take into account any changes in the internal and external context of reference (also regulatory) and of constantly refining the methodology in use, also to take best market practices into account;
- definition of the scope of intervention: this phase consists of identifying the significant perimeter in terms of Mediolanum Group companies, balance sheet items and processes considered significant. More specifically, the selection criteria are explained below:
 - o the significant companies within the Group's consolidation perimeter are determined through the use of both quantitative (contribution to the Consolidated Financial Statement figures representing the Group's operations) and qualitative parameters;
 - o the significant accounts at the level of single company are identified based on quantitative and qualitative thresholds in order to identify the Sensitive Administrative Processes underlying the selected Significant accounts.
- Assessment of the risk control analysis: consists of assessing significant processes in the area of the analysis activities implemented by the Economic - Financial Analysis and Control Unit, aimed at identifying and recording accounting - administrative risks and their control points set up for monitoring. This phase particularly involves:
 - o the analysis of the significant processes in order to ascertain the relevant degree of formalisation, describing the main activities, the roles and the responsibilities of

the players involved and any internal regulatory references;

- the recording of the risks inherent in the mapped processes and their description (Risk Control Analysis “RCA”), identifying/updating specific control points in the 262 area;
 - the identification of the control points set up for monitoring identified risks and the structures responsible for executing them.
- Verification of application of the controls: consists of the assessment by the Economic - Financial Analysis and Control Unit of the actual functioning of the control points identified and assessed according to what is described previously. The activity of testing on the controls includes preparation of the testing plan; and the actual execution of the operation checks established in the plan.
- After completion of the testing activity, specific reports (“Testing Report”) will be drawn up, in which the tested controls, the coverage time range, results attained and problems found, and any suggestions to implement to remedy them are explained. These results are periodically brought to the attention of the Executive Responsible in order to allow him to define any measures to take to this regard, and are periodically examined by the 262 Commission.
- Formalisation of the mitigation actions: following adequacy and functioning tests, possible anomalies may emerge. These deficiencies may be found not only by Internal Audit when performing its checks, but also by the Economic - Financial Analysis and Control Unit when testing. For each action an owner responsible for its implementation and a date by which the action must be completed are identified.

- Application of the certification system: as a result of dividing up the activities and controls in current operations, the responsibilities for production of the financial reports are distributed amongst numerous functions of the Group companies. Moreover, by virtue of the fact that the certifications requested of the Executive Responsible regard consolidated values coming out of the data and information produced by the Subsidiaries, involvement of their operational Managers of the structures (process owners) is required. This assignment of responsibility is in the form of signing specific sub-certifications issued by the corporate first lines of Banca Mediolanum, of the Italian companies part of the analysis scoping, and by the 262 counter party of the foreign companies.
- Preparation of a reporting activity: consists of applying an adequate system of information flows between the Executive Responsible and the various players involved.

This system calls for:

- o the prompt and complete acquisition by the Executive Responsible of predefined flows of data and information;
- o prompt and complete notification to the Executive Responsible of any other event significant for accounting and financial reporting purposes.
- o the possibility for the Executive Responsible to request and promptly obtain all other information deemed necessary to carry out his duties.

Moreover, the Executive Responsible must report directly to the Board of Directors, the Risk Committee and the Board of Statutory Auditors on his functions and responsibilities

b) Roles and Functions involved

The definition of the roles and responsibilities of the players involved in the specific activities required by Italian Law 262/2005 and the relations between the Executive Responsible and the

various corporate parties involved, with particular reference to the information flows exchanged between them, are explained in the above-mentioned “Policy for managing activities under the responsibility of the Executive Responsible - Italian Law no. 262/2005”.

Governance model 262 is part of the more complex and structured system of controls of Banca Mediolanum S.p.A. and of the other Subsidiaries within the area of consolidation, identified as “significant”. The players taking part in the governance model are:

- Board of Directors and Chief Executive Officer;
- 262 Commission;
- Economic - Financial Analysis and Control Unit;
- Internal Audit Function;
- Compliance Function;
- Risk Management Function;
- Organisation Division;
- Information Systems Division;
- 262 counter parties of foreign companies.

As regards communications sent to the corporate bodies, the Executive Responsible informs the Board and the Risk Committee at least every six months on the activities carried out, the projects in progress and any deficiencies found that might jeopardise fulfilment of their regulatory obligations.

Reporting on the topics mentioned above is made in greater detail at the time the Financial Statements and Consolidated Statements and the Interim Financial Report are approved, when the Executive Responsible reports on the activity carried out based on the certification to provide,

and explains the planning he intends to implement jointly with a budget for the interventions he deems necessary.

A specific Commission is formed in order to better support the Executive Responsible in carrying out his activities. It provides an opportunity for the main players taking part in management of the organisational model adopted for 262 purposes to meet and talk.

Lastly, the Executive Responsible plans and holds meetings and exchanges information with the appointed independent auditors.

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

SHARE CAPITAL STRUCTURE as of 31/12/2018				
	No. shares	% of s.c.	Listed (specify markets) / not listed	Rights and obligations
Ordinary shares	740,255,546	100%	ITALY (MI)	
Shares with limited voting right				
Shares without voting right				
OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares)				
Not present				
SIGNIFICANT INTERESTS IN THE CAPITAL				

See table on page 7

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Committee Risks		Remun. Committee		Appointments Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non-Exec.	Indep. Code	Indep. Consolidated Finance Act	Number other Offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Doris Ennio	03/07/1940	20/11/1991	10/04/2018	Appr. Fin. St. 31.12.20	M		X			0	16/16 100%						
Vice Chairman	Pirovano Giovanni	07/06/1951	25/11/1996	10/04/2018	Appr. Fin. St. 31.12.20	M		X			1	16/16 100%			4/4 100%	M		
Chief Executive Officer	Doris Massimo • Antonio ▲	09/06/1967	18/04/2008	10/04/2018	Appr. Fin. St. 31.12.20	M	X				0	16/16 100%						
Director	Bruno Bianchi	04/02/1938	20/04/2009	10/04/2018	Appr. Fin. St. 31.12.20	M		X			0	16/16 100%	12/12 100%	P until 10/04/18 M			2/2 100%	M until 10/04/18
Director	Doris Annalisa Sara	07/05/1970	19/03/2015	10/04/2018	Appr. Fin. St. 31.12.20	M		X			0	16/16 100%					4/4 100%	M
Director	Paola Durante	04/12/1969	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	m		X	X	X	1	11/12 91.67%						
Director	Frasca Francesco Maria	08/09/1943	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	M		X	X	X	0	12/12 100%	8/8 100%	P				
Director	Alessandro Gavazza	23/08/1974	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	m		X	X	X	0	12/12 100%						
Director	Mario Notari	23/06/1964	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	M		X	X	X	1	11/12 91.67%			4/4 100%	P	2/2 100%	P
Director	Anna Eugenia Maria Omarini	23/08/1967	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	M		X	X	X	0	11/12 91.67%	8/8 100%	M	3/4 75%	M		
Director	Roberta Pierantoni	12/05/1971	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	M		X	X	X	2	12/12 100%					2/2 100%	M
Director	Giacinto Gaetano Sarubbi	08/01/1963	10/04/2018	10/04/2018	Appr. Fin. St. 31.12.20	m		X	X	X	3	12/12 100%						
Director	Tusquets Trias de Bes Carlos Javier	23/01/1951	25/10/2000	10/04/2018	Appr. Fin. St. 31.12.20	M		X			4	11/16 68.75%						

No. meetings held during year of reference (from 10/04/2018 until 31/12/2018)				BoD: 12				Risk C.: 8 Remun. C.: 4 Appointments C.: 2										
Specify the quorum required for minority interests to present lists for the election of one or more members (pursuant to Art. 147-ter Consolidated Finance Act): 1%																		
----- ADMINISTRATORS TERMINATED DURING THE FINANCIAL YEAR OF REFERENCE -----																		
Vice Chairman	Lombardi Edoardo	19/02/1936	04/07/1994	19.03.2015	Appr. Fin. St. 31.12.17	N/A		X			2	3/4 75%						
Director	Luigi Berlusconi	27/09/1988	28/07/2016	28/07/2016	Appr. Fin. St. 31.12.17	N/A		X			4	2/4 50%						
Director	Del Fabbro Luigi	26/09/1949	25/11/1996	19.03.2015	Appr. Fin. St. 31.12.17	N/A		X			0	4/4 100%	4/4 100%	M	3/3 100%	M		
Director	Paolo Gualtieri	20/07/1961	11/04/2001	19.03.2015	Appr. Fin. St. 31.12.17	N/A		X	X	X	3	3/4 75%	3/4 75%	M	1/3 33.33%	M		
Director	Angelo Renoldi	07/08/1949	28/04/2003	19.03.2015	Appr. Fin. St. 31.12.17	N/A		X	X	X	2	4/4 100%			3/3 100%	P	2/2 100%	P
No. of meetings held during financial year of reference: (from 01/01/2018 until 10/04/2018)				BoD: 4				Risk C.: 4 Remun. C.: 3 Appointments C.: 2										
Specify the quorum required for minority interests to present lists for the election of one or more members (pursuant to Art. 147-ter Consolidated Finance Act): N/A																		

NOTES

The symbols indicated below must be entered in the "Office" column.

- This symbol indicates the director responsible for the internal control and risk management system.

△ This symbol indicates the chief person responsible for the issuer's management (Chief Executive Officer or CEO).

° This symbol indicates the Lead Independent Director (LID).

* The date of first appointment of each director means the date when the director was appointed the first time (in absolute) to the BoD of the issuer.

** The list from which each director was taken is indicated in this column ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

*** The number of offices of director or statutory auditor held by the interested party in other companies listed in regulated markets, also foreign, in financial, banking, insurance or large companies is indicated in this column. In the Corporate Governance Report, the offices are indicated in full.

(*) The attendance of the directors at the meetings of the BoD and of the committees, respectively, is indicated in this column (indicate the number of meetings they attended compared to the total number of meetings they could have attended; e.g. 6/8; 8/8, etc.).

(**) The capacity of the director within the Committee is indicated in this column: "P": chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

BOARD OF STATUTORY AUDITORS									
<i>Office</i>	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Attendance at Board meetings ***	No. other offices ****
Chairman	Domenico Angelo Magno Fava	11/10/1966	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	m	x	10/10 100%	27
Statutory auditor	Antonella Lunardi	25/10/1967	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	M	x	10/10 100%	3
Statutory auditor	Gian Piero Sala	10/07/1968	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	M	x	10/10 100%	9
Alternate auditor	Bruno Maria Vittoria	06/03/1965	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	m	x	n/a	13
Alternate auditor	Cristiano Santinelli	17/07/1971	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	M	x	n/a	2
Alternate auditor	Maura Trillo	23/04/1972	10/04/2018	10/04/2018	Appr. Fin. St. 31/12/2020	M	x	n/a	0
Number of meetings held during year of reference: 10 <i>(from 10/04/2018 until 31/12/2018)</i>									
Specify the quorum required for minority interests to present lists for the election of one or more members (pursuant to Art. 148 Consolidated Finance Act): 1%									
----- ADMINISTRATORS TERMINATED DURING THE FINANCIAL YEAR OF REFERENCE -----									
<i>Office</i>	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Attendance at Board meetings ***	No. other offices ****
Chairman	Francesca Meneghel	02/12/1961	21/11/2016	21/11/2016	Appr. Fin. St. 31.12.17	N/A	x	5/5 100%	11
Statutory auditor	Adriano Alberto Angeli	20/06/1948	19/12/1997	19/03/2015	Appr. Fin. St. 31.12.17	N/A	x	5/5 100%	4
Statutory auditor	Marco Giuliani	18/06/1959	18/04/2007	19/03/2015	Appr. Fin. St. 31.12.17	N/A	x	5/5 100%	13
Alternate auditor	Orrù Gianluca	31/01/1971	19/03/2015	19/03/2015	Appr. Fin. St. 31.12.17	N/A	x	n/a	1
Alternate auditor	Rampoldi Roberto	15/01/1969	05/04/2017	05/04/2017	Appr. Fin. St. 31.12.17	N/A	x	n/a	12
Number of meetings held during year of reference: 5 <i>(from 1/1/2018 until 10/04/2018)</i>									

Specify the quorum required for minority interests to present lists for the election of one or more members (pursuant to Art. 148 Consolidated Finance Act): N/A
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* The date of first appointment of each statutory auditor means the date when the statutory auditor was appointed the first time (in absolute) to the Board of Statutory Auditors of the issuer.

** The list from which each statutory auditor was taken is indicated in this column ("M": majority list; "m": minority list).

*** The attendance of the statutory auditors at the meetings of the board of statutory auditors is indicated in this column (indicate the number of meetings they attended compared to the total number of meetings they could have attended; e.g. 6/8; 8/8, etc.).

**** The number of offices of director or statutory auditor held by the interested party pursuant to Art. 148-*bis* of the Consolidated Finance Act and of the relevant implementation provisions contained in the CONSOB Issuers' Regulation is indicated in this column. The complete list of offices is published by CONSOB on its website pursuant to Art. 144-*quinquiesdecies* of the CONSOB Issuers' Regulation.