



**MEDIOBANCA**  
MANAGEMENT COMPANY SA

## **REMUNERATION POLICY 2024/2025**

Approved by the Board of Directors on 17 October 2024



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## Section 1: Remuneration and incentive policies for the 2023/2024 financial year

### 1 Introduction

In FY 2023-24 the Group delivered the best results it has ever posted in terms of revenues (€3.6bn), net profit (almost €1.3bn), profitability (ROTE 14%), and distributions to shareholders (€1.1bn, in the form of both dividends and share buybacks), successfully launching the principal initiatives contained in the Strategic Plan 2023-26.

The Mediobanca Group continues to grow, ending the financial year with record results: revenues of €3,606.8m (up 9% YoY), net profit of €1,273.4m (up 24% YoY), EPS 12M €1.53 (up 27% YoY), ROTE 14% (up 1pp), RORWA 2.7% (up 30 bps YoY), and DPS €1.07 (up 26% YoY).

The 12M results represent an impressive start to the “One Brand-One Culture” Strategic Plan, bearing out the objectives (EPS €1.80, ROTE 15%), vision and trajectory, based on i) priority growth in WM; ii) CIB increasingly K-light, international and synergic with WM; iii) high, sustainable contributions from both CF and INS; iv) Shareholder remuneration and value creation at best sector levels.

Highlights for FY 2023-24 include the following:

- ◆ The commercial performance was robust, geared towards increasingly selective growth in assets, and driven by value and lower capital absorption: TFAs climbed by 13% YoY, with an additional €1bn, to reach €99.4bn; Risk-Weighted Assets (RWAs) decreased by over €3.8bn in 12M (to €47.6bn, down 7.4% YoY) due to the trend towards greater selectivity in CIB lending coupled with the launch of risk mitigation measures.
- ◆ Total revenues climbed to €3,606.8m (up 9.2% YoY), reflecting growth by all divisions (WM up 13% to €923.6m, CIB up 7% to €762.6m, CF up 6% to €1,188.9m, INS up 14% to €530.2m, and HF up 1% to €223.5m), with revenues from the capital-light components in particular growing by 17%:
  - ◆ Net interest income totalled €1,984.8m (up 10.2% YoY);
  - ◆ Net fee and commission income rose by 11.5%, to €939.4m, with a record quarterly performance in 4Q, driven by an impressive performance in CIB confirming the Investment Banking market recovery and the Group's strong positioning in the main domestic and international deals;
  - ◆ The contribution from Assicurazioni Generali, which is equity-accounted, totalled €503m, much higher than last year (€442.8m).
- ◆ The cost/income ratio was stable at 43%, including the ongoing investments in distribution, innovation and talent, and despite the impact of inflation.
- ◆ The Group's cost of risk declined to 48 bps, with the increase in CF (from 143 bps to 168 bps mitigated by the trend in CIB, where writebacks amounting to 5 bps were credited. Asset quality remains excellent, with high overlays.
- ◆ Net profit increased to €1,273.4m (up 24.1% YoY), with EPS 1.53 (up 27% YoY), ROTE adj. 14% (up 1pp), and RORWA adj 2.7%.



- ◆ The capital base remains high, with a CET1 ratio of 16.1% (15.2% net of the proposed new share buyback to be completed during FY 2024-25) and a leverage ratio of 7.1%.

The Group is committed to placing sustainability at the centre of its strategy, pursuing an appropriate balance between economic growth, social welfare and preservation of the environment. The Group has renewed its membership of some of the most important international protocols, such as the UN Global Compact, the Principles for Responsible Banking, and the Net-Zero Banking Alliance.

The Group's participation in initiatives such as these, coupled with the decision to factor in ESG criteria to all areas of its business, have contributed to improve the Bank's position in certain ESG ratings, including ISS (Institutional Shareholder Services), which has assigned Mediobanca its top score in all three ESG areas – Environmental, Social and Governance, and the CDP (Carbon Disclosure Project), which has improved the Bank's score from "C" to "B", in recognition of its commitment to addressing its impact on the environment.

The broad ESG product offering is differentiated by business lines, and an ESG culture has been embedded throughout the company. All the activities are illustrated in the detailed sustainability reporting, the main component of which is the Consolidated Non-Financial Statement, complete with information on EU Taxonomy eligibility, accompanied by the Task Force on Climate Related Financial Disclosures (TCFD) Report, and the Principles for Responsible Banking (PRB) Report, which for the first time is subject to limited assurance. In addition to the above, further information on sustainability can be found in the Pillar III ESG and Green and Sustainability Bond Reports.

Prioritized and distinctive growth launched for WM, by leveraging on the Private Investment Banking model, rebranding and repositioning Mediobanca Premier, and enhancement of the product offering. Double-digit growth of revenues (~€925m) and net profit (~€210m), with TFAs up 13% YoY to ~€100bn, on inflows of AUM/AUA of just under €9bn in 12M, at best sector levels. RORWA up to 3.6%. Development of the platform has continued.

The final balance of Mediobanca Management Company SA at 30 June 2024 closes with a loss after tax of € 543 thousands (vs. the previous year profit of € 125 thousands).

Variable remuneration assigned to the company's personnel was for an amount of around €140,000.00 aligned vs. 2023.

As of 30.06.2024 Mediobanca Management Company SA incorporated by a simplified merger RAM Active Investment Europe SA, Management Company based in Luxembourg belonging to Mediobanca Group ("the Merger"). The variable remuneration pool does not take into account the new staff (5.4 resources) of the merged entity.



## **Section 2: New remuneration and incentive policies for the 2024/2025 financial year**

### **1 Principles and objectives**

Mediobanca Management Company SA (hereinafter also the "Company") approves and adopts the remuneration policy of the Mediobanca Group (hereinafter also the "Group Policy") approved annually by the shareholders' meeting, which it integrates with the following policy on the staff remuneration and incentive scheme.

This policy therefore governs the remuneration and incentive mechanisms of all employees and external contractors – including any external contractors with an agency agreement – particularly with regard to individuals who might hold key roles within the organisation.

Remuneration and incentive policy, consistent with those of the Mediobanca Group, represent a fundamental tool for pursuing the objectives of the strategic plan and are aimed at:

- ◆ Orient the behaviour to achieve the objectives defined by the Corporate Bodies, based, also, on risk control
- ◆ Create sustainable value over time for stakeholders
- ◆ Increase professional motivation
- ◆ Attract and retain quality resources
- ◆ Promote meritocracy, transparency, team work and partnerships
- ◆ Reward the most deserving resources.

#### **1.1 Regulatory environment**

In recent years, the financial sector has undergone wide-ranging and thoroughgoing regulatory change at the European level. The adoption of the European UCITS directive has resulted in a uniform regulatory framework for all operators in the asset management industry.

Mediobanca Management Company SA dedicates itself to collective asset management through the management of collective investment funds. Given the nature of its business, it is subject to 2014/91/EU amending Directive 2009/65/EC on Undertakings for Collective Investment in Transferable Securities (UCITS V), through which the European Union introduced specific measures to create a European internal market for investment fund managers. The rules issued from the UCITS V directive has been completed by the ESMA guidelines 2016/575 (UCITS) on sound remuneration.

The Luxembourg legislator transposed the UCITS V Directive by amending the Law of 17 December 2010 relating to undertakings for collective investment.

The Luxembourg law of 10 May 2016 was published in Luxembourg's Official Gazette on 12 May 2016 and came into effect on 1 June 2016. It implements the UCITS V Directive as regards depositary functions and remuneration policies and sanctions. It also makes several amendments to Luxembourg legislation on investment funds other than UCITS. The regulatory



competence for remuneration has been assigned to the Commission de Surveillance du Secteur Financier (Luxembourg Commission for Supervision of the Financial Sector – CSSF).

The regulatory framework, starting from 3 January 2018, was further enriched with the entry into force of Directive 2014/65 / EU "Markets in Financial Instruments Directive" (hereinafter referred to as MiFID II), to be read together with the ESMA guidelines 2013/606 (MiFID).

The present document is submitted to the approval of the Board of Directors, as the Company's Remuneration Policy.

## 1.2 Definitions

For the purposes of this document:

- ◆ **Parent Company:** Mediobanca S.p.A.
- ◆ **UCITS V:** Directive 2014/91/UE - UCITS V - "Undertakings for Collective Investment in Transferable Securities". Transposition law: *Loi du 10 mai 2016*.
- ◆ **MIFID II:** Directive 2004/39/CE Mifid - Markets in Financial Instruments Directive. Transposition law: *Loi du 30 mai 2018*.
- ◆ **Control Function:** Compliance, Internal Auditing and Risk Management.
- ◆ **Staff:** the members of the bodies with strategic supervision, management and control functions; all employees and collaborators of the Company.
- ◆ **Identified staff:** categories of Staff, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have or may have a significant impact on the risk profile of the Company or of the funds it manages, as identified by the Company.
- ◆ **Company:** Mediobanca Management Company SA.

## 2 Principle of proportionality

The Article 111a of the *Law of 17 December 2010 (UCITS)* provides that when establishing and applying the remuneration policies, management companies must "comply with the following principles in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities."

To assess the application of the principle of proportionality required by law, the Company has completed a self-assessment process designed to examine its own characteristics with a view to establishing and applying remuneration policies and practices aligned with its risk profile.

At 30\06\2024, the Company had approximately € 700 millions<sup>1</sup> in assets under management. This figure is not particularly significant in relation to the Luxembourg market. Furthermore, it notes the absence of complexity of the activities carried out and the high level of

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<sup>1</sup> Starting from 01/07/2024, considering the merger with RAM Active Investments Europe the total asset under maangemen is 2.2 billion.



standardisation of the products managed. At the same date, the organisational structure consisted of 6<sup>2</sup> resources in total. Neither the Company nor the funds it manages are listed on any regulated market. Based on the nature, purpose, complexity of the activities, the investment policy adopted and the assets under management, the Company's profile can be considered low risk. The Company is also controlled by a parent company in the banking sector, listed on a regulated market and subject to legislation transposing the Capital Requirements Directive (CRD).

Following this self-assessment process and considering – in addition to the amount of assets under management – its size and internal organisation and the nature, scope and complexity of its activities, the Company has established that the principle of proportionality may be applied at its level and thus, the Company is not required to implement the following listed elements:

- ◆ Setting up of a remuneration committee;
- ◆ Payment of at least 50% of the variable component in financial instruments, and subsequent retention policy;
- ◆ Deferral of at least 40% of the variable part of the remuneration;
- ◆ Ex-post risk adjustment for the variable remuneration.

Nevertheless, in order to ensure the best practice possible, the Company has decided that, a deferral mechanism will be implemented for all Staff members beyond a materiality threshold. Moreover, specific deferral and payment in instruments provisions may apply to the most important Staff<sup>3</sup> members within the Group's perimeter. Further details in this respect may be found under section 9 Infra.

### **3 Transparency and sustainability principles**

Growth and sustainability are distinctive features of the Mediobanca Group, and play an integral and fundamental role in the defining of its strategies. The Group's remuneration and incentivization policy also seeks to generate sustainable value over the long term: responsible, fair and transparent remuneration mechanisms increase and protect reputation, credibility and consensus over time, forming the basis for developing business with the objective of creating and protecting value for all stakeholders.

As required by Article 5 of Regulation (EU) 2019/2088 (the "SFDR"), sustainability risks (defined as "environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment"), are integrated into the Mediobanca Group Remuneration Policy through the adoption of compensation mechanisms with constituents that enable the adverse effects deriving from ESG factors to be reduced, and promote long-term behaviours. In practical terms, the sustainability of the remuneration mechanisms takes the following forms:

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<sup>2</sup> Starting from 01/07/2024, considering the merger with RAM Active Investments Europe the number of total employees is 11.4.

<sup>3</sup> See chapter 5



- ◆ Pre-established governance mechanisms involving various different bodies, organizational units and parties, to guarantee that the processes followed are structured, controlled, and verifiable *ex post*;
- ◆ An overall remuneration package which reflects a balanced pay mix between fixed and variable components according to company role, which does not encourage or promote risky behaviour or conduct that is unduly geared to achieving short-term results, and completed by a series of corporate welfare solutions intended to meet the needs and improve the well-being of staff members and their families;
- ◆ An ongoing commitment to offering a fair level of remuneration reflecting the competences, abilities and professional experience of each staff member, ensuring that the principle of equal opportunities is applied, with the objective of pursuing fair salaries without discrimination in terms of age, gender, sexual orientation, married status, religion, language, ethnic or national origins, physical or mental disabilities, pregnancy or parenthood (including parents of adopted children), personal convictions, political opinions, or trade union affiliation or activities;
- ◆ Increasing space being dedicated, as part of the performance evaluation process used in connection with the remuneration policy, to the achievement of environmental, social and governance (ESG) objects, with reference to the individual scope of responsibility, both in business and operating terms;
- ◆ Limits or cap on variable remuneration;
- ◆ Ongoing monitoring of the staff remuneration package's positioning relative to the reference market, including with the assistance of specialist consultants, and close scrutiny of the gender pay gap in order to identify any corrective measures that are necessary;
- ◆ Individual performances are evaluated clearly and transparently, based on merit and in accordance with the principle of equal opportunities, seeking to valorize talent and to promote the professional and personal growth of all Group collaborators;
- ◆ Variable remuneration is deferred and paid over a time horizon of several years, including in the form of equity instruments, in order to link incentives to the creation of value over the long term;
- ◆ Reputational issues have a central role in this system, *ex ante* and *ex post*, in the form of malus and clawback mechanisms which have been introduced;
- ◆ Pre-established, transparent means of treatment for staff in the event of their employment with the Mediobanca Group ceasing, with pre-established caps in terms of the maximum number of monthly salaries that can be paid and the absolute value of the severance payable.

## 4 Governance

The governance of the remuneration principles within the Company concerns different levels of responsibility:

- ◆ The Board of Directors;





- ◆ lays down remuneration guiding principles;
  - ◆ approves the Policy;
  - ◆ annually reviews the Remuneration Policy's general principles; and
  - ◆ is responsible for its implementation;
  - ◆ also approves the variable remuneration of the conducting officers, on the basis of the indications shared with the Parent Company.
- ◆ The Conducting Officers:
- ◆ implements the Policy according to the general principles adopted by the Board of Directors; and
  - ◆ is responsible for the organisation of the annual review of the Policy.
- ◆ The Chief Executive Officer, after consulting the Parent company, makes a reasoned proposal regarding the remuneration of the Heads of the Control Functions to the Board of Directors.

The Human Resources Department – Group HR will take the lead in the annual review of the implementation of the Remuneration Policy, taking into account changes in the business environment, the Company's organisation, legislation and the guidelines issued by the Parent Company, and coordinating the other organisational structures involved in the process.

The control functions are involved in the annual reviews of the Remuneration Policy in relation to their duties and responsibilities as provided by law.

The outcome of the annual review of the implementation of the Remuneration Policy is presented to the Board of Directors. The proposals to change the remuneration policies are approved by the Board of Directors.

## **5 Identification of identified staff**

In line with the principles set out in the ESMA Guidelines and in Article 111bis<sup>4</sup> of the applicable legislation, the Company conducts an assessment to identify the "identified staff", i.e. the categories of staff whose professional activities have or could have a material impact on the risk profile of the Company or of the funds it manages.

At the end of the evaluation process, the mapping of the "identified staff" is sent to the Parent Company for consolidation purposes. The assessment takes into account qualitative and quantitative criteria of an organisational nature or pertaining to remuneration and the impact on the risk profile of the Company or the funds it manages, including:

- a) responsibilities allocated to staff, hierarchical levels and activities carried out;

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4) Article 111bis: The remuneration policies and practices shall apply to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the management companies or of the UCITS that they manage.



- c) impact of the position on the Company's risk profile;
- d) remuneration structure;
- e) amount of variable remuneration received;
- f) total remuneration received in the same bracket as identified staff.

At 30 June 2024 the following categories of staff are considered identified staff (with the number of resources at the time of writing) with no changes vs. 2023:

Cluster	Definition	Id. Staff # 2024	Id. Staff # 2023	Delta
<b>Non-executive members of the Board of Directors of the Company</b>	Non-executive members of the Board of Directors including the President of the Board	<b>(3)</b>	<b>(3)</b>	<b>==</b>
<b>Chief Executive Officer of the Company and any other executive directors</b>	Managing Director and Directors	<b>1</b>	<b>1</b>	<b>==</b>
<b>Heads of functions</b>	Conducting Officers	<b>1</b>	<b>1</b>	<b>==</b>
<b>Heads of Control Functions (outsourced to Parent Company)</b>	<ul style="list-style-type: none"> <li>◆ Compliance</li> <li>◆ Risk Management</li> <li>◆ Audit</li> </ul>	<b>0<sup>5</sup></b>	<b>0</b>	<b>==</b>
<b>Other risk takers</b>	<ul style="list-style-type: none"> <li>◆ Heads of trading desks, sales, managers</li> </ul>	<b>0</b>	<b>0</b>	<b>==</b>
<b>Quantitative criteria</b>	Other staff with total remuneration in the same bracket as identified staff	<b>0</b>	<b>0</b>	<b>==</b>
		<b>2 (3)</b>	<b>2 (3)</b>	

With regard to the impact on the risk profile of the Company or the funds it manages, consideration was given to the structure of the powers delegated by the Board of Directors for fund management and proxies (signing authorities) to conduct management operations on their behalf.

Given the size of the Company, the decision-making process and the powers delegated, no other staff should be included in the category of "identified staff" without contributing to the Company's risk taking.

Following the transmission to Mediobanca for consolidation at the Group level, no resources were included in the perimeter of Mediobanca Group's "identified staff".

In compliance with the regulatory provisions related to the entry into force of the MiFID II Directive, the Company has activated a process of identification of all relevant parties that have a direct or indirect impact on investment services or ancillary services provided or on company conduct.

It should also be noted that the definition of identified staff includes the categories of personnel of the entities to which the SGR has delegated the investment management activity. In such cases, it must be ensured that the delegated manager is subject to regulatory requirements on remuneration that are equally as effective as those applicable to the SGR. This equivalence

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5) The Audit function, staff and support functions are outsourced to the Parent Company. The responsibility for Compliance and Risk Management is entrusted to the Conducting Officer



is considered met when the delegated manager is subject to the remuneration rules of Directives 2013/36/EU (CRD), 2009/65/EU (UCITS) and the relevant personnel of the delegated manager, identified according to the regulations, are subject to these rules. If the delegated manager is not subject to the aforementioned regulations, the Management Company shall ensure that the delegated manager is applying equivalent rules.

## **6 Elements of remuneration**

The total remuneration is structured through a balanced package of fixed and variable components able to attract, motivate and retain staff.

In line with the applicable legislation, no incentives are offered that might encourage staff to act inappropriately or in a manner not compatible with the sustainable long-term performance of the Company, or contrary to the risk profile adopted by the Company.

In this context, defined at the level of the group to which it belongs, considering the link between the fixed and variable component, the Company's policy ensures that the fixed and variable components of total remuneration are adequately balanced.

In line with the regulatory indications for the purposes of the MiFID II Directive, the remuneration policy adopted by the Company is aimed at avoiding the creation of conflicts of interest or incentives that could induce staff members involved to favour their interests or the interests of the company to the detriment of the client. The incentive system will not be based exclusively or predominantly on quantitative commercial criteria and will take into account adequate quality criteria that reflect compliance with applicable regulations, fair treatment of customers and the quality of services provided.

### **6.1 Fixed remuneration**

Fixed remuneration rewards the role held and the level of responsibility of staff. It reflects the experience and skills required for each position.

The fixed remuneration is such as to remunerate adequately, attract and retain resources and sufficient for the correct remuneration of the role, even if the variable component should not be paid as a result of failure to achieve the assigned performance targets, reducing the possibility of behaviour not proportionate to the degree of risk propensity of the Company.

The Mediobanca Group pays constant attention to the value of fixed remuneration, monitored in relation to competitors and adapted from time to time to the market context, avoiding excessive reliance on the variable component, but paying attention not to tighten the structure of the overall package.

### **6.2 Variable remuneration and cap**

The variable remuneration is the incentive component that recognizes and rewards results and objectives achieved and is determined according to risk-adjusted metrics typical of the sector to which it belongs and of the business. It constitutes an important motivational element and constitutes an important part of the total remuneration, in line with the market practice of reference, in respect of any maximum caps and other conditions established by the law. The variable component of the remuneration aims to anchor the incentive to the performance of the Group it belongs to, of the Company and of the related managed funds, of the individual recipients. It is based on an annual performance evaluation with respect to the assigned economic-financial, risk and quality objectives.



As permitted by the Bank of Italy's Supervisory Instructions currently in force, Mediobanca has taken up the option to be exempted from the Instructions, including the 2:1 cap on variable remuneration relative to fixed salary, for all Group staff working for an investment firm or an asset management company, including those qualifying as Identified Staff at Group level, if they work exclusively for such firm or company.

The maximum variable remuneration awarded in respect of any financial year, shall not exceed in any case 5 times of fixed remuneration as stated also in the Group Remuneration Policy.

### **6.3 Additional information on the remuneration structure**

Benefits: in line with the market, and given the importance that the Company attributes to the personal needs and welfare of its employees, the remuneration package may be supplemented by other benefits. These mainly consist of pension, insurance and healthcare plans; individual discretionary schemes are not permitted.

Within the scope of the tax legislation and the applicable regulatory provisions, corporate welfare systems can be envisaged for all employees or homogeneous categories of them. These systems consist of the provision of non-monetary services and tools (e.g. training activities, study and education paths, welfare services) that the Group companies make available to their employees and their families.

Guaranteed bonuses: these may be granted to key personnel only at the hiring stage and for the first year of employment with the Company, as provided by law. They also include hiring bonuses awarded to compensate for any loss of remuneration accrued in previous roles, in line with industry practice. These are calculated and paid out in compliance with the applicable legislation and policies.

Staff may not apply hedging or insurance strategies to the variable component of remuneration, or to other aspects that could alter or undermine the business risk alignment effects embedded in remuneration mechanisms. This will be verified by the control functions.

Under no circumstances may remuneration be paid in a manner or using instruments or methods that circumvent legislative provisions.

### **6.4 Remuneration Policy neutrality**

The Remuneration Policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability. The Mediobanca Group is committed to offering remuneration in line with the market, which reflects each employee's role, capabilities contribution to company performance objectively measured, and professional experience, thus guaranteeing that the principle of equal opportunities is applied in practice.

With reference to inclusion, the Group Mediobanca and MB Management Company guarantee that all its collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation, civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.



The Mediobanca Group and MB Management Company pursue the appropriate balance between genders at all levels of the company, focusing in particular on senior and management positions where the gender gap is most felt.

In its regular review of the policies in force, the Board of Directors analyses the gender neutrality of the Remuneration Policy, examining the gender pay gap in particular and its development over time, monitoring its reduction and the actual adoption of Equal pay for Equal work in practice.

## **7 Remuneration of corporate officers**

As regards the remuneration of the members of the Board of Directors, it is determined to a fixed extent by the Shareholders' Meeting. The Board of Directors provides for the allocation of the provisions established by the Shareholders' Meeting among its members, according to the responsibilities and roles held by each of them.

No incentive mechanisms are in place for the Chairman of the Board of Directors and non-executive directors. No severance indemnity is envisaged for termination of office or early termination of employment, except as provided by law or by locally applicable collective bargaining agreements.

## **8 Incentive system: variable remuneration definition and correlation between risks and performance**

The determination of the variable remuneration and the correlation between risks and performance is achieved through a process that has the objective of remunerating staff according to the risk-adjusted performance of the Company and the Group, in compliance with the risk profile and with a view to business continuity and long-term sustainability of results.

### **a) Gateways**

The payment of the variable remuneration for the "Identified staff" of Mediobanca Management Company SA is envisaged only if the following indicators ("gateways") are respected, in accordance with the provisions of the Group Policies:

- ◆ Positive Gross Result
- ◆ Capital position stable and in line with regulatory requirements
- ◆ The consistency of the assets managed to generate stable or positive cash flows, net of any extraordinary transactions decided by the Parent Company.

### **b) Bonus pool definition**

The process for the definition of the incentive system and the consequent determination of the variable remuneration presupposes that the budget approved by the Board of Directors sets the expected labour cost for the year, including the amount of the variable component, determined on the basis of the expected performance targets forecast for the Company, the market context and the historical trend of salaries.



At the end of the year, the bonus pool is determined by the CEO in line with the instructions of the Parent Company on the basis of gross profit (pre-provision of variable remuneration) and in any case in line with the budget assumptions.

### **c) Exceptions management (variable remuneration for retention purposes)**

The Board of Directors, upon the proposal of the CEO in line with the instructions of the Parent Company, may authorize the payment of variable remuneration to be allocated to the "identified staff" for retention purposes, even in the event of non-compliance with "gateways". In particular, the disbursement of a variable retention component is assessed on the basis of the underlying causes of the failure to comply with the individual "gateways" and the importance of the indicator related to the profitability and the company's adequacy. The extension of the population concerned and its amount are based on the following guiding criteria: contribution of the individual beneficiary to the overall results of the Company, criticality of the profile for the sustainability of the prospective results, analysis of market benchmarks and competitive context, need to guarantee business continuity.

### **d) Individual assignment**

The individual incentive system and the assignment of variable remuneration to the individual beneficiaries are determined by the CEO, aligned with the managers of the beneficiaries and with the support of the HR business partners of the Parent Company, through an annual performance evaluation process based on merit and professional quality, with particular attention to reputational issues: the variable component of remuneration can, in fact, be excluded or reduced to resources that during the year have violated internal or external regulations (so-called compliance breach).

The right to the recognition of the variable component is also subject to maintaining the status of the full-time employee of the Mediobanca Group for the entire valuation period and up to the date of actual disbursement and not in the period of notice due to voluntary resignation or dismissal. It is not divisible for periods of the year and therefore if the employment relationship should start or stop during the reference fiscal year, the staff is not entitled to any variable remuneration, even pro-rated. For the "Group identified staff", the decisions are validated by the General Manager of Mediobanca with the support of Group HR.

The Mediobanca Group enhances its personnel on a meritocratic basis, develops their professional skills and career opportunities according to the principle of equal opportunities and in line with their strategic, organizational and productive choices. Professional development is also achieved through appropriate training, practical work experience led by its managers, mobility in different positions, performance evaluation, career progression, and promotion.

At the beginning of the financial year, the managers assign professional, managerial, personal development and business objectives to each employee. At the same time, these objectives are attainable, challenging and weighed according to the priorities assigned to each resource. Particular attention is given to the correct individual conduct in compliance with the provisions of the Code of Ethics, the Organizational Model, the Business Conduct Policy and in general as established, as well as by laws, regulations, operating rules and internal procedures with particular reference to those most relevant to reputational risk.

At the end of the year, the managers carry out the evaluation of each resource on the basis of the objectives. Interim feedback during the year allows managers and individual resources to share the degree of achievement of objectives in a moment of objective comparison on their performance. In this way, it ensures that the organization achieves its objectives in



compliance with corporate values, giving transparency to training opportunities, professional development, and evaluation criteria.

#### **e) Incentive system for CEO and business functions**

The CEO's annual variable component may only accrue if the gateways provided for in these policies are complied with, as well as in the policies of the Mediobanca Group in the case of inclusion in the perimeter of the Group's most significant personnel. It is commensurate with the achievement of performance indicators contained in an individual performance evaluation form assigned at the beginning of the year by the Parent Company's General Management.

For the resources belonging to the business units, the evaluation reflects:

- ◆ the economic results achieved, such as the achievement or otherwise of budget targets and performance improvements compared to the previous year and cost/income;
- ◆ qualitative criteria: development of product offer, professional correctness and reliability, quality of customer relations, technical and analytical skills, cost control, the emphasis placed on the pursuit of management efficiency and collaboration with the other structures of the Company and the Group, reputational and compliance issues, adherence to values.

For fund managers with greater seniority and level of decision-making autonomy, the individual incentive system takes into account the risks generated for Mediobanca Management Company SA for the managed funds and their results; the financial and non-financial criteria used to measure risks and performance are as consistent as possible with the level of decision-making autonomy of the individual employee on the operations of the managed funds.

#### **f) Remuneration Policy for control, staff and support functions**

Control functions may be outsourced to the parent company or other companies in the Group already subject to banking regulations on remuneration policies and practices. In this situation, the remuneration payable to staff of control functions, including heads of functions, is defined by their respective companies, which are also responsible for its payment.

The remuneration package for personnel belonging to the Control Functions is structured with a predominantly fixed component and a contained variable part attributed annually on the basis of qualitative and efficiency criteria. It should be noted that the personnel of the Control Functions, when outsourced to the Parent Company, is not specifically remunerated for the activities performed in favour of the asset management company, which sustains the costs of the activities carried out on the basis of the respective outsourcing contracts.

The remuneration of the resources belonging to the staff and support areas is normally determined on the basis of the salary position with respect to the reference market, modulated with respect to the value of the resources, their role, the quality of their performance and retention strategies. For these resources, the variable component, normally contained, is not related to the economic performance of the company but rather to the individual qualitative performance.

For all these functions and units, the main evaluation elements are a function of qualitative objectives and a broader assessment regarding regulatory compliance, cost containment, efficient management of resources. In particular, for the resources of the accounting / management control areas - if not outsourced - we consider the correct fulfilment of all the mandatory obligations, of those relating to the supervision and financial information to the



markets, the monitoring in terms of efficiency and fairness of all accounting processes, related IT procedures and tax obligations. For the personnel of the Control Functions, the evaluation focuses on the constant monitoring and control of the Company's processes and operations in an independent and autonomous way for the prevention of the risk situation and for the timely detection of abnormal behaviour or events; the assessment of compliance with the regulations through appropriate verification plans; updating of procedures and internal guidelines; training for internal structures; correct modelling, methods, and metrics for risk measurement with adequate production of reporting for their monitoring.

## **9 Variable remuneration's structure: timing of issue and payment instruments**

The structure of the variable component is predominantly benchmarked to performance indicators for the manager and assets managed and is measured net of risks related to operations over multiple years, taking into consideration the level of capital resources and liquidity necessary for the business activities and investments undertaken. The variable component seeks to anchor the incentive to the performance of the Group, Company, and of related assets managed for the individual recipients.

With regard to the disbursement methods for the variable component, taking into account the proportionality principle applicable to Mediobanca Management Company SA as described under section 2. *supra*, the Company established a materiality threshold of EUR 100,000, at which 40% of the total assigned variable amount is deferred in cash over a three-year period, subject to ex-post correction mechanisms, while the remaining 60% is assigned at the end of the performance observation period (upfront).

Moreover, a significant part of the variable remuneration of the most important personnel within the Group's perimeter may also be deferred and disbursed in part through financial instruments in order to link incentives to the creation of value over the long term, allowing positive results to continue.

For any such Staff member within the "Group identified staff perimeter", the rules established by the current banking sector apply, without prejudice to any decisions regarding the payment of financial instruments.

## **10 Ex – post adjustments mechanism**

Following the evaluation of performance in the reference time horizon, the deferred component of variable remuneration is disbursed, provided that:

- ◆ the beneficiary is still an employee of Mediobanca Management Company SA and/or of the Mediobanca Group, and not in the period of notice due to voluntary resignation or dismissal;
- ◆ in each financial year, the performance conditions that coincide with the "gateways" identified are met;





- ◆ the beneficiary has not perpetrated a compliance breach (i.e. has not been subject to disciplinary measures based on, inter alia, that set out in the internal regulations of Mediobanca Management Company SA or of the Group, with specific reference to the "Directive on Compliance Breaches") and no losses are reported attributable to his/her actions.

This methodology is consistent with the requirement that staff, in line with their role and business activities, engage in conduct that is always focused on maintaining for Mediobanca Management Company SA the sustainability of the operator's performance, control of all risks and, in general, positive economic results, ensuring the long-term sustainability of the remuneration systems.

The Company reserves the right to activate all the initiatives aimed at returning the variable remuneration previously disbursed ("clawback") in the event of evidence of damage to the integrity of its capital, profitability or economic-financial situation or reputation attributable to the conduct of single resources, also in the absence of negligence or wilful misconduct.

Clawback clauses may be applied to the most important staff members up to the fifth year following the disbursement of a share of variable remuneration, whether upfront or deferred, and up to a year for remaining staff.

## **11 Prohibition of hedging strategies**

Staff is not permitted to avail of hedging strategies or insurance on remuneration, or on other factors that may alter or invalidate the effects of alignment to the risk inherent in the remuneration mechanisms, especially if they refer to the variable component paid in financial instruments. Verifications by the control functions are planned in this regard.

## **12 Severance policies**

With regard to the criteria for determining the remuneration to be granted in the event of early termination of office, as well as the policies to be adopted in the event of termination of the employment relationship, including the limits established for that remuneration in terms of annual fixed remuneration and the maximum amount that results from their application, the Company refers to that defined on the subject by the Mediobanca Group Remuneration Policies.

## **13 Disclosure**

The Company provides adequate information on the policies and remuneration and incentive schemes adopted in accordance with the provisions of current legislation.

The fund prospectuses contain an adequate summary of the staff remuneration and incentive policies and practices, referring to the Company's website for more detailed information, including the criteria and methods of calculation of remuneration and other benefits and the persons responsible for determining the remuneration and the allocation of other benefits. A



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paper copy or other durable medium containing such information is available to investors, free of charge upon request.