



MEDIOBANCA

## **Regulations governing transactions with related parties and their associates**

**Approved by the Board of Directors at a meeting held on 27 June 2024**



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## Introduction

These Regulations, adopted in pursuance of the Consob regulations and Bank of Italy instructions, are approved by the Board of Directors on 27 June 2024, subject to favourable opinions from the Related Parties Committee and Statutory Audit Committee, and provide the instructions with which the Bank must comply to ensure the transparency, proper conduct, objectivity and impartiality of transactions with related parties executed directly or via subsidiaries, and compliance with the prudential limits on risk assets versus related parties.

These Regulations also apply to Transactions with Related Parties entered into by Mediobanca Group Legal Entities as governed by Section 5 of this document. The scope of the related parties to which such companies refer is as defined in these Regulations.

These Regulations use a definition of “Related party” which combines the scope of application provided under the Consob regulations and Bank of Italy instructions in respect of Procedural obligations, providing for a unified regime in terms of procedures as permitted by Article 4, paragraph 2 of the Consob regulations.

Conversely, for transparency and approval issues and for prudential limits, the scope of application provided by the respective relevant regulations is maintained.



## 1. Definitions

- ◆ **“Independent directors”**: Directors qualifying as independent in accordance with the provisions of Italian Ministerial Decree no. 169/2020 and Article 19 of the company’s Articles of Association.
- ◆ **“Related directors”**: Directors of Mediobanca who, in relation to a specific Transaction, are the counterparty in the transaction or a related party to the counterparty and who have interests in the transaction as defined under Article 2391 of the Italian Civil Code or other interest such as would jeopardize their independence.
- ◆ **“Non-executive directors”**: directors who are not vested with executive powers and do not perform duties, including *de facto*, related to the management of the company.
- ◆ **“Risk assets”**: net exposures as defined in the regulations governing large exposures (Regulation (EU) 575/2013, Part IV, as amended and supplemented). Equity investments and other assets deducted from own funds are not included in the definition of risk assets.
- ◆ **“Bank”, or “Company”, or “Parent company” or “Mediobanca”**: Mediobanca S.p.A.
- ◆ **“Urgent cases”**: the urgency is assessed by the approving body with respect to the company’s needs, based on objective circumstances not exclusively attributable to individual decisions. For instance, the cases which qualify as urgent are those in which a delay would have the effect of:
  - ◆ Provoking a negative impact on the results of the transaction;
  - ◆ Preventing the Bank from benefiting from favourable market conditions or avoiding unfavourable market conditions;
  - ◆ Preventing the transaction from being completed or making its completion more difficult;
  - ◆ Impacting negatively on the Bank’s financial or earnings situation.
- ◆ **“Related parties committee” or “Committee” or “RPC”**: a committee consisting of at least three independent directors appointed by the Board of Directors, with the duties and powers provided by these Regulations.

A quorum for the meeting is reached when at least three members of the Committee are present, and resolutions are adopted with a majority of those in attendance voting in favour.

If in relation to a Transaction, it proves impossible to establish the Committee with at least three independent unrelated directors, the following alternative equivalent measures shall be applied according to the following order: i) prior opinion of two independent, unrelated directors; ii) prior opinion of the single unrelated independent director with the opinion of the Statutory Audit Committee, without prejudice, in this last case, to the obligation incumbent upon each member of the Statutory Audit Committee, where they have an interest in the transaction, either on their own behalf or on behalf of third parties, to provide notice to such effect to the other statutory auditors, specifying the nature, terms, origin and extent thereof.

Where it is not possible to adopt the above alternative equivalent measures, an independent expert will be sought, to be chosen jointly by the Chairman of the Board of Directors and the Chairman of the Statutory Audit Committee.

- ◆ **“Terms equivalent to market or standard terms”**: terms equivalent to those usually applied to unrelated parties for transactions of a corresponding nature, size and risk, or based on regulated



tariffs or tariffs charged to parties with which the Bank or the Mediobanca Group company executing the transaction is bound by law to agree a given price, or terms defined following a suitably documented and verifiable competitive procedure, or set as part of a syndicated financing in which the Bank is participating along with other parties not related to the counterparty.

- ◆ **“Control”**: save where specified otherwise, this refers to the instances listed in Annex 1.
- ◆ **“Framework resolution”**: resolution adopted independently of specific deals for equivalent transactions sufficiently determined with individual Related parties or categories of Related parties.
- ◆ **“Management with strategic responsibilities”, or “Strategic management”**: parties, other than company representatives, with power and responsibility, directly or indirectly, for the planning, direction and control of the company’s activities as identified by the Board of Directors.
- ◆ **“Bank of Italy instructions”**: Bank of Italy regulations in respect of “Risk assets and conflicts of interest with related parties” contained in Part III, chapter 11, of the Supervisory Instructions for Banks (Circular no. 285 dated 17 December 2013 as amended).
- ◆ **“Division/unit responsible for the Transaction”**: the division or unit of the Bank or the Group company which intends to commence negotiating the transaction with the Related party.
- ◆ **“Independent experts”**: experts with acknowledged professional expertise and competence, who qualify as independent on the basis of their economic, capital and financial relations, or not, as the case may be, with: (i) the Bank, the companies controlled by the Bank, the directors of the Bank and its Group companies; and (ii) the counterparty in the Transaction, the companies controlled by it, the companies subject to joint control with it, and the directors of the foregoing companies. A review of the proposed experts’ independence is carried out by the Related Parties Committee before they are appointed.
- ◆ **“Company representative”**: directors, members of the Statutory Audit Committee, the General Manager and the deputy general manager of the relevant companies.
- ◆ **“Information dossier”**: the documentation referred to in section 2 of these Regulations.
- ◆ **“Mediobanca Group”, or the “Group”**: parent company Mediobanca and its subsidiaries, including those controlled indirectly, as defined by Article 2359 of the Italian Civil Code.
- ◆ **“Mediobanca Banking Group”, or the “Banking Group”**: parent company Mediobanca and the banking, financial and instrumental companies controlled by it, including indirectly, falling within the scope of Article 60 of the Italian Banking Act.
- ◆ **“Significant influence”**: save where specified otherwise, this refers to the instances listed under Annex 1.
- ◆ **“Regulated intermediaries”**: securities brokerages, EU investment firms, third country non-bank firms, asset managers as defined by the Italian Finance Act, non-Italian asset managers, electronic money institutions (EMIs), financial intermediaries included in the register instituted under Article 106 of the Italian Banking Act and payment institutions which form part of a banking group and have own funds at the individual level which exceed 2 percent of the amount of the own funds at the consolidated level of the banking group to which they belong at the consolidated level (currently SelmaBipiemme Leasing and MBFACTA).
- ◆ **“Significant interests”**: significant interests of Related parties are said to exist where such parties hold an investment, in a Mediobanca Group company or associate company, which enables



them to have a significant influence over such a company.<sup>1</sup> Without prejudice to the foregoing, the provision of further instances of Significant interests, which is evaluated by the Internal division responsible, takes into account any benefits (e.g. incentivization schemes based on financial instruments or variable remuneration) linked to the results achieved by the subsidiary or associate company with which the Transaction is being executed from which one or more Company representatives or Strategic managers stand to benefit.

- ◆ **“Prudential limits”**: consolidated prudential limits up to which risk assets may be taken on by the Banking Group, which refer to consolidated own funds (as defined in Regulation (EU) 575/2013, Part II), vis-à-vis Related parties, distinguished according to the type of Related party to which they refer, and individual Prudential limits up to which risk assets may be taken on by Mediobanca and the individual banks included in the Group, which refer to individual own funds (as defined in Regulation (EU) 575/2013, Part II), vis-à-vis Related parties regardless of the financial or non-financial nature of the Related party (cf. table in Annex 2).

In the event of their being a series of relationships between the Bank or the Banking Group and a Related party entailing the application of various Prudential limits, the lower limit shall apply.

Risk assets between companies forming part of the Banking Group, and the exposures referred to in Article 390(6) a), b), c) and d) of Regulation (EU) 575/2013,<sup>2</sup> are not included in the application of Prudential limits.

Also excluded are equity holdings in insurance, reinsurance or insurance investment companies for which the Bank does not deduct its investments in such companies pursuant to Article 471 of Regulation (EU) 575/2013.

- ◆ **“Transactions”**: the transaction completed by the Bank, or by a subsidiary as defined in section 5, with Related parties which entails taking on a Risk asset, a transfer of resources, services or obligations, regardless of whether or not a fee has been agreed. Transactions include, but are not limited to:
  - ◆ Provision of advisory services to an unrelated Party in connection with a transaction involving it and another party related to Mediobanca;
  - ◆ Renegotiations of loans, i.e. changes to the principal terms of the initial approval which result in the Bank taking a loss through the profit and loss account;
  - ◆ Transactions which generate losses, reclassifications to non-performing status, or in-court or out-of-court settlements;
  - ◆ Deals involving SPVs, even if the latter are not directly attributable to Related parties, in which the benefits nonetheless accrue to Related parties.
- ◆ **“Cumulative transactions”**: set of comparable Transactions or Transactions performed in execution of a single design with the same Related party, or with parties related to both the

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<sup>1</sup> No significant interest exists in cases where the investment itself constitute the only grounds for the relation, as is the case with the stake held by Banco BPM S.p.A. in SelmaBipiemme Leasing S.p.A. Accordingly, the Transactions executed by Mediobanca or by Mediobanca Group companies with SelmaBipiemme Leasing S.p.A. are not covered by these regulations (cf. section 3.2).

<sup>2</sup> In particular: in the case of foreign exchange transactions, exposures incurred in the ordinary course of settlement during the two working days following payment; in the case of transactions for the purchase or sale of securities, exposures incurred in the ordinary course of settlement during five working days following payment or delivery of the securities, whichever the earlier; in the case of the provision of money transmission services, including the execution of payment services, clearing and settlement in any currency and correspondent banking or financial instruments clearing, settlement and custody services to clients, delayed receipts in funding and other exposures arising from client activity which do not last longer than the following business day; in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking, intraday exposures to institutions providing those services.



latter and the Bank, which despite not qualifying individually as Most significant transactions, still, however, exceed the limit for classification as such when considered cumulatively over the course of a financial year.

- ◆ **“Cumulative transactions for transparency purposes”**: set of Cumulative transactions with Related parties for transparency purposes. No account is taken - for the purpose of reaching the thresholds of relevance - of Ordinary transactions, Exemptions and Transactions which, including those adopted under the terms of a Framework resolution, have already been included in an information document published during the financial year.
- ◆ **“Acquisitions and disposals of assets functional to Group strategic development”**: the total or partial acquisition and disposal of investments (controlling or minority, as the case may be) or assets (business units, etc.) that alter the scope of the Group or are otherwise functional to the pursuit of the strategic objectives of one or other of the companies in the Mediobanca Group.
- ◆ **“Most significant transactions”**: Transactions in which at least one of the relevance indicators described under Annex 3, applicable according to the specific Transaction, is above the threshold of 5%.

The Chief Executive Officer may identify further Transactions from time to time, which despite not exceeding any of the thresholds, may impact on the Bank’s independence in operating terms and which are therefore to be treated as Most significant transactions (for instance, the disposal of intangible assets, such as brands or patents).

- ◆ **“Transactions of minor significance”**: Transactions with Related parties other than Most significant transactions and Transactions involving negligible amounts, the latter of which are included under Exemptions.
- ◆ **“Exemptions”**: Transactions with Related parties described under section 3 of the Regulations.
- ◆ **“Ordinary transactions”**: Most significant transactions or transactions of minor significance which, with respect to the business of the party which executes the Transaction (Mediobanca itself, or the other Group companies) - and with reference to their objectives, to the recurrence of the type of Transaction within the Company’s activities, to the objective nature of the conditions, size, terms and simplicity of the earnings/contractual structure, the contractual conditions, including with respect to the characteristics of the fees, the nature of the counterparty and the timing of their approval and completion, fall within the ordinary exercise of the Bank’s operating activity or related financial activity and are concluded on Terms equivalent to market or standard terms.

The following do not in any case qualify as Ordinary transactions:

- ◆ The acquisition and sale by/to a Related party of significant equity investments, as defined in Article 18(2)(5) of the company’s Articles of Association;
- ◆ The acquisition and sale by/to a Related party of tangible and intangible fixed assets with a value in excess of €10m;
- ◆ The acquisition and sale by/to a Related party of treasury shares and other equity instruments;
- ◆ Transactions executed with Identified Staff, as defined below;
- ◆ Rights issues with option rights excluded in favour of Related parties;
- ◆ Extraordinary transactions with an unlisted Related party, in which Mediobanca is co-shareholder with significant influence along with another Related Party;



- ◆ Non-pro rata mergers and spinoffs which involve a Related party.

In cases where the Company executing the Transaction is a vehicle company set up especially for this purpose, the issue of whether or not the Transaction is ordinary is assessed with respect to the business carried out by the Mediobanca Group.

- ◆ **“Participant”**: the party, other than the parent company and the party which exercises Significant influence, which is bound to apply for the authorizations described under Articles 19ff of the Italian Banking Act in relation to a relevant company.
- ◆ **“Related party”**: the party which meets the definition of a Related party for transparency purposes or as a Related party.
- ◆ **“Related party for transparency purposes”**: parties included in the definition of Related party under the Consob regulations which refer to IAS 24 (cf. Annex 4). With reference to the regulations on transparency under the present Regulations, for the definition of Related party for transparency purposes (i) the notions of Control and Significant influence as described in the Consob regulations which refer to the International Accounting Standards shall apply, and (ii) within the meaning of Article 4 paragraph 2 of the Consob regulations, shareholders with investments equal to or above 3%, with the exception of market makers and asset managers, Italian or international, which, in the exercise of their collective fund management activity, do not propose to take an active role in the management of the companies in which they invest.
- ◆ **“Related party for prudential purposes”**: parties included in the definition of Related party provided in the Bank of Italy instructions (cf. Annex 4) and shareholders with investments equal to or above 3%, with the exception of market makers and asset managers, Italian or international, which, in the exercise of their collective fund management activity, do not propose to take an active role in the management of the companies in which they invest (including them in the identification of the prudential limit to be applied in the definition of Participant). With reference to the regulations on prudential limits under the present Regulations, the notion of Control and Significant influence as described in the Bank of Italy instructions shall apply.
- ◆ **“Non-financial related party for prudential purposes”**: a Related party for prudential purposes which primarily exercises, either directly or via Group companies, non-financial activities as defined by the Bank of Italy instructions and referred to by them (a party is a Non-financial related party when those of its activities which are not banking, financial and insurance activities constitute more than 50% of the total).
- ◆ **“Identified Staff”**: the Group’s Material Risk Takers (MRT), identified annually on the basis of the Mediobanca Group Remuneration Policy.
- ◆ **“Regulations”**: these Regulations adopted pursuant to Article 4 of the Consob regulations and Part 2, section III of the Bank of Italy instructions.
- ◆ **“Consob regulations”**: Consob regulations containing provisions in respect of Transactions with related parties adopted under resolution no. 17221 on 12 March 2010 as amended by Consob resolution no. 21624 of 10 December 2020, and clarifications including in light of Consob communication no. 10078683 dated 24 September 2010, providing guidance and direction for applying the Consob regulations.
- ◆ **“Head of Division/Unit”**: the heads of division or unit as shown in the Group’s organizational chart in force at the time.
- ◆ **“Controlled company”**: companies, Italian or non-Italian, controlled as defined under Article 2359 of the Italian Civil Code, by Mediobanca.





- ◆ **“Relevant company”**: Mediobanca or a bank or a regulated intermediary forming part of the Mediobanca Banking Group;
- ◆ **“Unrelated shareholders”**: all parties entitled to voting rights which are not the counterparty in the Transaction or related simultaneously to such counterparty and to Mediobanca.
- ◆ **“Related party”**: the aggregate consisting of a Related party for prudential purposes and all parties connected to it. The regulations on Prudential limits apply also to connected parties.
- ◆ **“Connected parties”**: parties included in the definition of connected parties provided in the Bank of Italy instructions.

For purposes of clarity and with reference to the regulations on prudential limits under the present Regulations, the notion of Control and significant influence as described in the Bank of Italy instructions shall apply.

- ◆ **“Close relations”**:
  - 1) Relatives up to the second degree;
  - 2) Spouse or partner living with the party as if married and their children;
  - 3) Any other family members who might reasonably be expected to influence or be influenced by the party in relations with the Company. These include dependents of the party, his/her spouse, and/or his/her cohabitant partner).
- ◆ **“Internal division responsible” or “IDR”**: the internal division of the Bank designated under these Regulations to:
  - ◆ Provide support to the Related parties committee;
  - ◆ Classify Transactions;
  - ◆ Monitor Transactions;
  - ◆ Assess the existence of Significant interests;
  - ◆ Ascertain compliance with Prudential limits.

This division will be helped, from time to time, by staff from the Division/unit responsible for the Transaction, and, in its relations with the Committee and the heads of the divisions involved in the Transactions from time to time, may act through the agency of a person appointed by it.



## 2. Procedural issues

The procedure is activated when a Head of the Division/unit responsible intends to implement a Transaction.

During the stage prior to the launch of the Transaction, the Head of the Division/unit responsible provides the IDR with the necessary information (counterparty, type of Transaction and amount) to assess whether or not the Transaction constitutes a Risk asset, and, if so, whether or not it falls within the Prudential limits applicable to the Related party involved.

Having obtained clearance from the IDR to the effect that the Prudential limits are complied with, the Head of the Division/unit responsible for the Transaction sends the IDR a document, as soon as possible and in any case before negotiations are launched, containing the following information: the counterparty, the nature of the relation, a description of the Transaction, the amount, an estimate of the financial terms applicable to the Transaction, the benefit of the Transaction in earnings terms for the Company and the relative risks, plus an estimate of the impact on the Prudential limits, documentation considered adequate to express market or standard terms, or alternatively, the reasons for the terms that are applied.

The IDR classifies the Transaction and defines the process for approval, informing the Head of the Division/unit responsible for the Transaction based on the following cases:

### A. Most significant transactions:

#### A.1 Non-ordinary

Approval is strictly the responsibility of the Board of Directors, save for instances where approval is reserved under law or the company's Articles of Association to shareholders in general meeting, subject to the binding opinion of the RPC, according to the following process:

The Head of the Division/unit responsible for the Transaction informs the IDR and Group Corporate Affairs that negotiations have commenced, and the latter informs the RPC in a timely manner, sending them all the up-to-date information and documents regarding the Transaction. During these phases, the Committee may ask for clarification and make observations to the parties appointed to carry out the negotiations.

In particular, for cases which involve Most significant transactions of acquisition and disposal of assets functional to Group strategic development, the Committee is informed in a timely manner if, following the sending or receipt of an expression of interest or a non-binding offer, the counterparty expresses a concrete intention to follow up on the proposal, including through an exchange of views of possible options by which to execute the Transaction or proposals to amend it.

If the result of the negotiations is favourable, the Head of the Division/Unit responsible prepares the Information dossier, containing the following information:

- ◆ Counterparty;
- ◆ Nature of the relation;
- ◆ Indication of the amount of the Transaction;
- ◆ Compliance with the Prudential limits in the case of a Transaction which entails a Risk asset and estimated impact on the Prudential limits, at both individual and consolidated level;
- ◆ Whether or not the Transaction qualifies as one of the instances of exclusion or Exemption, total or partial, under the Regulations;



- ◆ An indication of whether the Transaction qualifies as one of the Most significant transactions, or Transactions of minor significance;
- ◆ Existence of Significant interests, if any;
- ◆ Indication of which body is responsible for approving or deciding on the Transaction under the legislative, regulatory and statutory provisions applicable and the resolution in force in respect of operating powers, without prejudice to cases reserved to the jurisdiction of the Board of Directors as established under the Regulations;
- ◆ Methods envisaged for executing the Transaction, and the terms, including financial, contemplated for its execution; if the Transaction is to be completed on Terms equivalent to market or standard terms, documentation proving this fact; if the Transaction deviates from the standard market conditions, the reasons for this will be shown;
- ◆ Valuation procedure used;
- ◆ Interest for and reasons underlying the Transaction as well as the risks it entails, and therefore,
- ◆ Advantage of the Transaction as far as the Company is concerned, and impact on the interests of the parties involved.

In the event of changes to the terms of the Transaction that might impact on its classification, the Head of the Division/unit responsible will update the Information dossier with the new information, notifying the IDR without delay so that it can evaluate the impact.

The Information Dossier is sent to the Chief Executive Officer or the Group General Manager, or, where provided, to the Credit and Market Committee, for prior approval of the Transaction. The documents must then be forwarded to Group Corporate Affairs to be sent to the Related Parties Committee in good time ahead of the meeting called to discuss the Transaction.

If approved, the Committee expresses its justified opinion, formalized and supported by suitable documentation to show the checks and comments made, on the Bank's interest in executing the Transaction and the advantageousness and substantial fairness of the terms of the Transaction, as well as on the existence of other Related parties' interests, if any. Where gaps or shortcomings are detected in the stages prior to approval, the Committee shall represent these in the opinion. In issuing its opinion, the Committee is entitled to avail itself of the assistance of one or more Independent experts chosen by the Committee itself at the Company's expense, or of those appointed by the Company, provided the terms of the mandate make express provision for such assistance to be provided specifically to the RPC as well. The RPC's opinion is binding, and the Transaction cannot be approved if the opinion is negative.<sup>3</sup>

The opinion must be sent to the Board of Directors and the Statutory Audit Committee in good time ahead of the meeting called to review the Transaction.

If the Board of Directors approves the Transaction, the minutes for the meeting must include formal analysis of the reasons for the approval, with reference to the following in particular:

- ◆ The Bank's interest in executing the Transaction;
- ◆ The convenience and financial advantage to the Bank in executing the Transaction, and confirmation that the terms on which it is to be executed are substantially fair;

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<sup>3</sup> In cases where the RPC's opinion is conditional, the Transaction must be approved pursuant to a resolution in favour to be adopted by the Statutory Audit Committee.



- ◆ The reasons for any differences, in terms of financial and/or contractual terms and other typical aspects of the Transaction versus Terms equivalent to market or standard terms (the supporting documentation for the approval must contain sufficient items of information to explain the decision).

The RPC's opinion is included in the minutes of the meeting.

The RPC is informed that the deal has been executed at its first successive meeting.

If the Transaction involves a Related director or a Related party via them, without prejudice to the procedure under Article 136 of the Italian Banking Act, the director concerned shall confine themselves to providing the requisite clarification and shall abstain from voting on the Transaction.

This section also applies to cases in which the upper limit for relevance is exceeded as a result of Cumulative transactions.

## A.2 Ordinary transactions with Related Parties for Transparency purposes

In application of the provisions of the Consob Regulations (Article 13, paragraph 3, letter c), such transactions are approved by the relevant bodies/parties based on the resolution in respect of operating powers currently in force.

The IDR notifies the RPC via Group Corporate Affairs within seven days of approval of the counterparty, the subject and the consideration payable in respect of those transactions which have benefited from exclusion from the procedure, and the reasons why it is considered that the transaction concerned constitutes an ordinary transaction and has been entered into on terms equivalent to market or standard terms, and provides objective evidence to prove this is the case. The same details are sent to the Statutory Audit Committee for their information.

The RPC checks at its earliest meeting that the conditions for exemption from the procedure for Most significant transactions defined as ordinary and entered into on market or standard terms have been applied correctly.

## A3 Ordinary transactions with Related Parties for Prudential Purposes

For ordinary transactions with Related Parties for Prudential Purposes, the same procedure provided for non-ordinary Most significant transactions is followed (cf. Section A.1).

## B. Transactions of minor relevance

B.1 Ordinary transactions of minor relevance: these qualify as Exemptions, as governed by point 3.1 below.

B.2 Non-ordinary transactions of minor relevance: approval is strictly the responsibility of the relevant bodies/parties based on the resolution in respect of operating powers presently in force. Save in cases where such approval is reserved by law or the company's Articles of Association to shareholders gathered in annual general meeting, the procedure laid down under point A.1 above shall apply to this type of transaction, with the exception of the BoD's involvement as the approving body and reporting to the RPC during the negotiation phases.



The RPC, before the Transaction is approved, is required to give its non-binding opinion with reasons. If the Transaction is approved despite a negative opinion from the RPC or with reservations, the resolution must provide: (i) analytical justification for the reasons why it was taken regardless; and (ii) a precise response to the RPC's observations. Moreover, resolutions in respect of which the RPC has expressed a contrary or conditional opinion must be notified, immediately and individually, as soon as they have been approved, to the Board of Directors and the Statutory Audit Committee.

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For approvals of remuneration in cases which fall within the scope of these Regulations, the RPC's opinion is provided by the Remunerations Committee set up by the Board of Directors.

C. Exemptions (described in Section 3 below).



### 3. Exemptions

The procedures described above do not apply to the following types of Transactions, without prejudice to the checks carried out by the IDR on their classification, as described in sections 3.1, 3.2, 3.3 and 3.11 below.

**3.1 Ordinary transactions of minor relevance.** Approval is the responsibility of the relevant bodies/parties based on the resolution in respect of operating powers presently in force. Assessment of whether the Transaction constitutes an Ordinary Transaction which is an exemption, and, in particular, of the market terms in such cases, must be suitably documented and the evidence duly stored, and the resolution approved must provide adequate reasons regarding the financial convenience and advantage of the Transaction for the Bank, and of its status as an Ordinary transaction.

**3.2 Transactions with or between Group companies, including indirectly or jointly, by Mediobanca, and Transactions with companies subject to significant influence by Mediobanca,** if no other Related parties hold Significant interest in the same Group companies or companies subject to significant influence.

Transactions carried out by Mediobanca or the Group companies with SelmaBipiemme Leasing S.p.A. also fall into this category of Transaction.

The Chief Executive Officer may in any case identify Transactions with or between companies controlled, including jointly, by Mediobanca and Transactions with Companies associated with Mediobanca, which, despite qualifying among the exemptions described in this section, could raise critical issues for Mediobanca, and which are therefore to be treated as Most significant transactions or Transactions of minor significance and subject, therefore, to the relevant regulations.

**3.3 Resolutions in respect of:**

(i) Rights issues, including in connection with the issue of convertible bonds, and bonus issues pursuant to Article 2442 of the Italian Civil Code (capitalization of reserves);

(ii) Partial or total pro rata demergers; and

(iii) Share capital reductions via repayments to shareholders pursuant to Article 2445 of the Italian Civil Code and share buybacks pursuant to Article 132 of the Italian Finance Act.

**3.4 Resolutions adopted by shareholders in general meeting regarding the remuneration due to members of the Board of Directors pursuant to Article 2389, paragraph 1 of the Italian Civil Code, and of the Statutory Audit Committee pursuant to Article 2402 of the Italian Civil Code.**

**3.5 Resolutions in respect of remuneration for directors vested with particular duties as part of the total amount decided in advance by shareholders in general meeting pursuant to Article 2389, paragraph 3 of the Italian Civil Code.**

**3.6 Resolutions, other than those indicated in sections 3.4 and 3.5, in respect of remuneration for directors vested with particular duties, Company representatives and other management with strategic responsibilities,** provided that such resolutions comply with the Remunerations Policy approved by shareholders in annual general meeting with the Remunerations Committee in favour, based on criteria that do not entail discretionary assessments.



- 3.7 Compensation schemes based on financial instruments approved by shareholders in general meeting - compliant with the supervisory instructions issued by the Bank of Italy in respect of incentivization and remuneration schemes operated by banks - and their execution.**
- 3.8 Transactions to be executed based on instructions issued for stability purposes by the supervisory authorities, or on the basis of provisions issued by the Parent company to execute instructions from the authority in the interest of the Group's stability.**
- 3.9 Transactions involving negligible amounts:** Transactions with Related parties, the value of which is equal to or less than €1m if the counterparty is a legal person, and equal to or less than €500,000<sup>4</sup> if the counterparty is a natural person.
- 3.10 Market transactions in financial instruments (e.g. buying and selling shares and bonds, derivatives, money market activity performed primarily for treasury purposes, etc.) and executed in compliance with the counterparty and issuer risk limits accepted by the Bank and the terms set by the specific operating procedure.**
- 3.11 In urgent cases, for Transactions not within the jurisdiction of shareholders in general meeting, or which do not require to be authorized by them, the procedures described in section 2 shall not apply if:**
- ◆ The existence of the urgent nature of the deal is specifically proved by the approving body based on objective circumstances and not exclusively attributable to their own choices;
  - ◆ If the Transaction is the responsibility of the Chief Executive Officer, or the management committees delegated by the Board of Directors, the Board itself and the Statutory Audit Committee are informed of the reasons why the Transaction is so urgent in a timely manner and before the Transaction is executed. In cases which the Board of Directors or Statutory Audit Committee and the Related Parties Committee do not believe to be urgent, the other bodies must be informed in timely manner, and also the shareholders at the earliest Annual General Meeting.

Such Transactions are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution by shareholders at the first subsequent annual general meeting. The Board prepares a report for shareholders in general meeting giving adequate reasons for the urgency, and the Statutory Audit Committee reports to shareholders in general meeting giving its opinions on the existence or otherwise of such reasons. The above report and opinions must be published at least 21 days prior to the general meeting to be held at the company's headquarters and according to the methods set forth in Title II, Chapter I, of the Regulations for Issuers. Such documents may also be included in the Information dossier referred to in section 2 of these Regulations. The results of the vote are published, in accordance with the methods referred to above, by the end of the day following approval, with reference in particular to the number of votes cast by Unrelated shareholders.

The foregoing is without prejudice to the transparency required for Most significant transactions and Transactions of minor significance under the terms of the Regulations, where applicable.

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<sup>4</sup> For contracts with a duration, this limit is to be understood as annual.



#### **4. Transactions requiring the approval of shareholders in general meeting**

When a Transaction - by law, or under the Articles of Association - is the responsibility of shareholders gathered in general meeting (mergers, spinoffs, etc.) or must be authorized by them, for the phases of negotiation, processing and approval of the proposal by the governing bodies the rules set forth in Section 2 shall apply.

A Most significant transaction cannot be submitted to the approval of shareholders in general meeting if the Committee has expressed a contrary opinion.





## 5. Transactions executed by Banking Group companies

These Regulations apply to the Transactions with Related parties carried out by Mediobanca Group companies.

The procedures set forth in Section 2 apply to transactions with Related parties executed by Group companies.

Save in cases where the exemptions provided for in Section 3 apply, the procedures set forth in Section 2 shall apply to Transactions with Related parties carried out by Mediobanca Group companies, without prejudice to the powers of approval vested in the Group companies themselves, subject, where requested, to the prior favourable opinion of the RPC of the parent company Mediobanca S.p.A., and also, in cases which involve Most significant transactions, the approval of the Bank's Board of Directors.

For such Transactions, the internal procedures and circulars require that the persons responsible for the Transactions of the individual Group company concerned shall liaise with the IDR of Mediobanca S.p.A. in order to activate and implement the approval, prudential and transparency measures required under the terms of these Regulations.

The provisions of Sections 3, 6, 7, 9 and 10 hereof shall apply, *mutatis mutandis*, according to how the Transaction is classified.

In cases where the Group companies' decisions are subject to direction and co-ordination by Mediobanca S.p.A., the resolution approved by the company's Board of Directors shall contain a statement of the reasons for, and advantage in, executing the Transaction concerned, and, if appropriate, consideration of the overall result the such direction and co-ordination activity on the Group.



## 6. Framework approvals

The Bank may approve Framework approvals for categories of equivalent and sufficiently determined Transactions with individual Related parties or categories of Related parties.

To this end:

- ◆ For the adoption of Framework approvals, the mechanisms provided for Most significant transactions or Transactions of minor significance (see section 2) must be followed, based on the likely maximum cumulative amount of the Transactions covered by the Framework resolution;
- ◆ Framework approvals have a duration of one year, refer to defined Transactions and show their likely maximum amount during the reference period and all likely items of information available for the Transactions to which they refer;
- ◆ Execution of the Framework approvals must be notified on at least a quarterly basis to the Board of Directors and the Statutory Audit Committee;
- ◆ If a Transaction, even though initially attributable to a Framework resolution, does not meet the requirements in terms of being specific, equivalent and determined on which the resolution is based, it cannot be performed in execution of the Framework resolution; accordingly, the rules established generally for each Transaction shall apply to this Transaction.

The approval procedures described under Section 2 do not apply to the individual Transactions completed in execution of a Framework resolution.



## 7. Transactions covered by Article 136 of the Italian Banking Act

The procedure for “*Obligations on Company representatives under Article 136 of the Italian Banking Act*” requires that the additional procedural measures provided for in the Consob regulations and Bank of Italy be put in place for this type of Transactions.

The individual Transaction with a counterparty under Article 136 of the Italian Banking Act and Related party, the Prudential limits and the processing regulations described in Section 2 shall apply (depending on how the Transaction is classified), and the transparency regulations shall also apply apart from in the case of Exemptions.

The RPC’s opinion is not required, and the body responsible for approving the deal is defined pursuant to Article 136 of the Italian Banking Act;<sup>5</sup> the resolution approving the deal must give adequate reasons for the advantage and economic benefit of the Transaction as far as the Bank is concerned.

Framework approvals made under Article 136 of the Italian Banking Act will also be co-ordinated with the regulations and limits applicable described in Section 6.

The upper limits approved by the Board of Directors for Transactions with counterparties qualifying as relevant under Article 136 of the Italian Banking Act,<sup>6</sup> also Related parties, may be used and drawn against solely for Ordinary transactions.

The Prudential limits apply, as do the approval rules set forth in the second paragraph; the Transparency regulations provided under the Regulations apply to the individual Ordinary Transactions with Related parties for transparency purposes actually executed against the upper limits referred to above. Assessment of the ordinary nature of the Transaction and market conditions follows the procedural steps set out in the Regulations.

**Without prejudice to the foregoing, Group Corporate Affairs shall send full and adequate information regarding the Transaction to the Related parties committee and Board of Directors at least three days prior to the date set for the Board of Directors and the Statutory Audit Committee to approve the Transaction.**

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<sup>5</sup> Transactions which are relevant pursuant to Article 136 of the Italian Banking Act must ordinarily be unanimously approved by the Board of Directors, with all members of the Statutory Audit Committee also voting in favour. Quarterly reporting on transactions is also made to the Board of Directors.

<sup>6</sup> Such resolutions set, purely for internal purposes, the maximum potential exposure to a group of customers over a given period of time and are never notified to the customers themselves, nor do they represent transactions that will actually be made or executed in their entire maximum amount.



## 8. Transactions with Identified Staff

Transactions executed by the Group's Identified Staff with the Group companies are subject to these Regulations, with the exception of:

- The assignation of remuneration and financial benefits defined in accordance with the Group Staff Remuneration Policy;
- Transactions to which special company or Group terms are applied or to which standard terms applied to all clients are applied (including the most advantageous terms for the best clients, up to the limits set by the commercial departments of each company).



## 9. Transparency

### Disclosure to the public:

- ◆ The Bank prepares an information document drawn up in accordance with Article 5 of the Consob regulations for:
  - ◆ Most significant transactions, not ordinary, with Related parties for Transparency purposes;
  - ◆ Cumulative transactions for Transparency purposes; and
  - ◆ Framework approvals with Related parties for Transparency purposes for which the cumulative maximum amount exceeds the relevance threshold for Most significant transactions.

The Committee's opinions and excerpts from the Independent experts' opinions are attached as an annex to the Information document or on the Bank's website.<sup>7</sup>

If the Transaction is price-sensitive (as defined under Article 114 of the Italian consolidated finance act), the press release shall also provide the information required under Article 6 of the Consob regulations.

- ◆ For Transactions of minor significance which are not Ordinary transactions, executed with Related parties for Transparency purposes, without prejudice to the provisions in respect of inside or price-sensitive information (as defined under Article 114 of the Italian Finance Act), in the event of a negative opinion from the Committee, within 15 days of the closure of each quarter of the financial year a document shall be published, at the Company's headquarters and according to the methods indicated in Title II, Chapter I, of the Regulations for Issuers, containing an indication of the counterparty, subject and fee involved in any Transactions of this type approved during the reference period and the reasons why such opinion is not shared. By the same deadline the opinion shall be disclosed to the public as an annex to the above document or on the Company's website.

**Disclosure in interim and annual review of operations:** the interim and annual review of operations contain information regarding:

- ◆ All individual Most significant transactions completed during the reference period with Related parties for transparency purposes.

Where such Transactions do not qualify as Ordinary transactions, the required information may also be included in the form of references to the individual information documents, possibly updating them;

- ◆ Any individual Transactions with Related parties for transparency purposes completed during the reference period which have impacted materially on the Bank's financial situation or earnings results;
- ◆ Any change or development in the Transactions with Related parties for transparency purposes described in the most recent annual report which have impacted materially on the Bank's financial situation or earnings results during the period.

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<sup>7</sup> Where there are reasonable grounds to do so, it is possible to ask Consob for permission not to publish them.



The Consob regulations require specific indication of the Transactions referred to under the foregoing points which have been completed using the exemption permitted for Ordinary transactions that are Exemptions.

The following must be included in such disclosure: Transactions with Related parties for transparency purposes which qualify as Ordinary transactions and/or as Exemptions, those completed in Urgent cases and those executed under the terms of Framework approvals.

Such regulations do not apply to the Transactions described in sections 3.3, 3.4, 3.5 and 3.9.

The disclosure must contain: the name of the counterparty in the Transaction, the nation of the relation with the Related party for transparency purposes, the subject of the Transaction, the value of the Transaction, and all other information that might be necessary to understand the effects of the Transaction with Related parties for transparency purposes on the Company's accounts.

**Disclosure to Consob:** the following information must be disclosed to Consob within 7 days of approval: the counterparty, subject and value of Ordinary transactions with Related parties for transparency purposes which qualify as Most significant transactions. Such disclosure shall also contain the reasons why it is considered that the Transactions constitute Ordinary transactions and have been concluded on Terms equivalent to market or standard terms, providing objective evidence to substantiate such an opinion.



## 10. Internal reporting

The Board of Directors, the Related Parties Committee, and the Statutory Audit Committee are informed at least once every three months (on a quarterly and cumulative basis) of the transactions executed with related parties for prudential and for transparency purposes in line with the procedures set forth in Section 2.



## 11. Recording and listing Related parties

The list of Related parties is updated on an ongoing basis by the Group Corporate Affairs unit.

Within the Group Technology and Operations area, the Static Data unit monitors and updates the Related parties, Related parties for transparency purposes and connected parties entered in the records. It is also responsible for recording the Group's Material Risk Takers.

To enable this duty to be performed, Group Corporate Affairs regularly requests the parties involved to provide the necessary information.

Parties which qualify as Related parties under the Regulations co-operate with the Bank and Mediobanca Group companies with which they have relations to allow Related parties, Related parties for transparency purposes and Connected parties to be recorded fully and correctly, in particular with reference to identifying Connected parties.

Related parties must also inform the office promptly of any changes in circumstances of which they are aware that might lead to changes in the scope of parties considered to be relevant under the terms of the Regulations.





## 12. Internal procedures

The Company's procedures, adopted in compliance with the Consob regulations and the Bank of Italy instructions, regulate the operating process and information flows so as to allow:

- ◆ Related parties, Related parties for transparency purposes and Connected parties to be entered correctly;
- ◆ Transactions to be identified in ordered and effective fashion;
- ◆ Transactions to be classified by the IDR;
- ◆ Specific functions and related responsibilities to be assigned accurately to the units involved;
- ◆ Risk assets versus connected parties to be reported to the Bank of Italy at the intervals and with the level of detail required by the relevant prudential reporting requirements;
- ◆ Ongoing compliance with the Prudential limits for Risk assets versus Connected parties; the activities to be implemented in the event of such limits being breached, in accordance with the detailed procedures required in the Bank of Italy instructions; assessment of the effects of their being breached, and in general of the risks associated with operations with Connected parties, if relevant to the company's operations, as part of the ICAAP process;
- ◆ Monitoring of repayment schemes;
- ◆ The processes for approval and disclosures to the public to be launched and executed;
- ◆ The upper limits for the Framework approvals to be monitored, along with their regular usage *inter alia* by the individual members of the Banking Group;
- ◆ The procedures to be co-ordinated with the Company's other internal procedures, including its administrative and accounting procedures instituted pursuant to Article 154-bis of the Italian consolidated finance act and those instituted pursuant to Article 136 of the Italian Banking Act;
- ◆ Transactions to be monitored for the purposes of identifying Cumulative transactions;
- ◆ Mapping the "relatives" of Related Parties up to the second degree of kinship;
- ◆ Rules to be adopted for the Most relevant staff identified in accordance with the provisions in respect of remuneration and incentivization policies and practices;
- ◆ Internal procedures and circulars to be adopted by Group companies in accordance with the Bank of Italy instructions, and, where applicable, the Consob regulations which conform and are consistent with the Regulations. The scope of the Related parties to which such companies refer is that defined in the Regulations.

Such Internal procedures and circulars shall oblige the Group companies to:

- (i) Make use, in their own processing and approval procedures in respect of all Transactions, of the IDR and RPC of Mediobanca; and
- (ii) Inform the Parent company of all Transactions approved and completed with Related parties (including an indication of those which qualify as Ordinary transactions), including the Exemptions, at monthly intervals, through appropriate information flows and quarterly in summary form for reporting to the Parent company's governing bodies.



### **13. Internal controls policies**

The Internal controls policies on Risk assets and conflicts of interest versus Connected parties are set out in Annex 5, have been finalized by the units responsible in accordance with the Bank of Italy instructions, and have been submitted to the approval of the Board of Directors.

The Internal controls policies are disclosed to shareholders in general meeting.



## 14. Final provisions

Every substantial change or addition to the Regulations and the Internal controls policies must be approved by the Bank's Board of Directors, after receiving the binding opinions of the RPC and the Statutory Audit Committee regarding the overall adequacy of the Regulations and the Internal controls policies in terms of achieving the regulatory objectives.

The Board of Directors revises the Regulations at least once every three years after receiving the opinions of the Committee and the Statutory Audit Committee, taking into account *inter alia* any changes that have occurred to the ownership structure and the effectiveness shown by the Regulations in its applications, and also of the Internal controls policies. The opinions of the Committee and the Statutory Audit Committee are obtained even when it is decided not to make any amendments to the Regulations in force and the Internal controls policies.

Any amendments that do not involve essential elements of the Regulations may be adopted, at the IDR's proposal, by the Chief Executive Officer, having consulted with the Chairman of the Board of Directors and having obtained the RPC's opinion.

The Statutory Audit Committee monitors the Regulations' compliance with the principles set forth in the Consob regulations and Bank of Italy instructions, and on the observance of it, and reports on these issues to shareholders in general meeting.

These Regulations are published on the Bank's website, without prejudice to the obligation to publication, via reference to the website itself, in the Annual review of operations.

The Regulations supersede in their entirety the Regulations in respect of transactions with related parties and their associates approved in June 2021 which shall therefore be considered to have been rescinded.



## Annex 1

◆ **“Control”** as defined under Article 23 of the Italian Banking Act means:

- (i) The instances contemplated under Article 2359, paras 1 and 2, of the Italian Civil Code;
- (ii) Control pursuant to contracts or statutory provisions concerning or resulting in power to exercise management and co-ordination activity;
- (iii) Instances of control in the form of dominant influence.

In addition, control is presumed to exist where a party possesses, directly or indirectly via its subsidiaries, more than half of the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such possession does not constitute control. Control also subsists where an entity possesses half, or a smaller number, of the voting rights that can be exercised in general meetings, if said entity has:

- 1) Control of half of the voting rights by virtue of an agreement with other investors;
- 2) The power to determine the financial and operating policies of the entity by virtue of the articles of association or some other agreement;
- 3) The power to appoint or remove the majority of the members of the Board of Directors where control of the entity is held by the Board;
- 4) The power to exercise the majority of the voting rights in Board meetings where control of the entity is held by the Board.

Situations of joint control also constitute “control”, defined as the sharing, on a contractual basis, of the control of an agreement, that exists solely when, in order to take decisions regarding relevant activities, the unanimous consent of all parties sharing the control is required. In such cases the following are considered to be “controlling entities”:

- a) Parties which have the possibility to exercise a decisive influence over the strategic financial and operational decisions of a company (this situation occurs, for example, where there are two or more parties which each have the possibility of preventing strategic financial and operational decisions from being taken by the controlled company, through the exercise of a right of veto or as an effect of the quorum for the governing bodies to approve resolutions);
- b) Other parties able to condition the company’s management based on investments owned, agreements executed of whatever nature, statutory provisions concerning or resulting in power to exercise control.

Control also subsists in cases where it is exercised indirectly, through subsidiaries, fiduciary companies, or organizations or persons acting as intermediaries. Companies or firms controlled by entities which themselves are subject to joint control are not considered to be controlled indirectly.

◆ **“Significant influence”**: this is defined as the ability to participate in determining the financial, operational or management policies of an entity without having control of it. This may be obtained through ownership of shares, statutory clauses or agreements.

Significant influence is presumed to subsist in cases where an investment equal to or above 20% is owned, directly or indirectly, in the share capital or voting rights in ordinary general meeting, or equal to or above 20% for companies with shares listed on regulated markets.



If investments of under the above limits are owned, specific enquiries must be made to ascertain whether or not significant influence exists at least upon the occurrence of the following indications and taking every other relevant circumstance into due consideration:

- (i) Being represented on the body responsible for management or strategic supervision of the investee company; in accordance with the regulations governing issuers of shares listed on regulated markets, the mere fact of the representative expressing the views of the minority does not in itself constitute an indication of significant influence;
- (ii) Taking part in the company's strategic decision-making processes, in particular on the grounds of owning decisive voting rights in respect of decisions to be approved in general meetings on issues such as adoption of financial statements, allocation of profits and distribution of reserves, without this constituting an instance of joint control;
- (iii) The existence of relevant transactions, exchange of managerial staff, and provision of essential technical information.

The presence of a party in possession of an absolute or relative majority of the voting rights does not necessarily exclude the possibility of another party also having significant influence.

Significant influence also occurs when it is exercised indirectly, through subsidiaries, fiduciary companies, or organizations or persons acting as intermediaries.

Companies or firms controlled by entities which themselves are subject to joint control are not considered to be instances of significant influence.



## Annex 2 - Prudential limits for Connected parties within the following categories of related parties

	Company representatives of relevant companies	Parties which control Mediobanca or are able to exercise significant influence over relevant companies	Investors in relevant companies and parties entitled to appoint, on their own, one or more members of the Board of Directors of relevant companies	Parties subject to the control or significant influence of the relevant companies
<i>Consolidated limit (consolidated own funds)</i>	5%	Non-financial Related parties		
		5%	7.5%	15%
		Other Related parties		
		7.5%	10%	20%
<i>Individual limit (individual own funds)</i>	20%			

\* As defined by the Regulation (EU) 575/2013.



## Annex 3 - Relevance indicators

- a) **Value relevance indicator:** the ratio between the value of the Transaction and own funds (as defined by the regulatory provisions currently in force) taken from the most recent financial statements published (consolidated, if available).

If the financial terms of the Transaction are determined, the value of the Transaction is:

- (i) For the cash components, the amount paid to/by the contractual counterparty;
- (ii) For the components consisting of financial instruments, the value determined, at the date of the Transaction, in accordance with the applicable accounting regulations;
- (iii) For Transactions involving loans or the establishment of collateral, the maximum amount that can be disbursed;
- (iv) For the provision of services, the amount of the fees.

If the financial terms of the Transaction depend entirely or in part on ratios as yet unknown, the value of the Transaction is the maximum amount that may be received or paid under the terms of the agreement.

- b) **Asset relevance indicator:** the ratio between the total assets of the entity involved in the Transaction and the total assets of the Bank. The data to be used must be taken from the most recent financial statements published (consolidated, if available) by the Bank; where possible, similar data must be used to determine the total assets of the entity involved in the Transaction.

For Transactions involving the acquisition and disposal of shareholdings in companies which affect the area of consolidation, the value of the numerator shall be the investee company's total assets, regardless of the percentage of share capital available.

For Transactions involving the acquisition and disposal of shareholdings in companies which do not affect the area of consolidation, the value of the numerator shall be:

- (i) For acquisitions, the value of the Transaction plus any liabilities of the acquired Company taken on by the buyer;
- (ii) For disposals, the consideration for the asset sold.

For Transactions involving the acquisition and disposal of other assets (i.e. other than the acquisition of an investment), the value of the numerator shall be:

- (i) For acquisitions, the higher of the consideration and the book value to be assigned to the asset;
- (ii) For disposals, the book value of the asset.

For Transactions involving mergers and spinoffs, the threshold is to be calculated via the present indicator.

- c) **Liability relevance indicator:** the ratio between the total liabilities of the acquired assets and the total assets of the Bank. The data to be used must be taken from the most recent financial statements published (consolidated, if available) by the Bank; where possible, similar data must be used to determine the total liabilities of the company or business unit acquired.



## Annex 4 - Definitions of related parties

Consob regulations, as amended by resolution no. 21624 of 10 December 2020

A Related party is a person or entity related to the entity which draws up financial statements.

- a) A person or one of their close relations is related to an entity which draws up financial statements if such person or close relation:
  - (i) Controls or has joint control of the entity which draws up financial statements;
  - (ii) Has a significant influence over the entity which draws up financial statements;
  - (iii) Is a member of the Management with strategic responsibility for the entity which draws up financial statements or its parent company;
- b) An entity is related to an entity which draws up financial statements if one of the following conditions apply:
  - (i) The entity and the entity which draws up financial statements form part of the same group (meaning that each parent company, subsidiary and group company is related to the others);
  - (ii) The entity is an associate of, or a joint venture with, the other entity (or an associate or joint venture forming part of a group of which the other entity too forms part);
  - (iii) Both entities are joint ventures with the same (third) counterparty;
  - (iv) One entity is a joint venture with a third entity, and the other entity is an associate of the same third entity;
  - (v) One entity is a staff post-employment benefit scheme for employees of the entity which draws up financial statements or of an entity related to such entity;
  - (vi) The entity is owned or otherwise jointly controlled by a person included in the definitions provided under the foregoing point (a);
  - (vii) One of the persons included in the definitions provided under the foregoing point (a)(i) has a significant influence over the entity or is a member of the management with strategic responsibilities for the entity (or of its parent company).
  - (viii) The entity, or any member of a group to which said entity belongs, provides services of management with strategic responsibilities for the entity which draws up financial statements or the parent company of the entity which draws up financial statements.

In the definition of Related party, an associate includes the subsidiaries of any such associate, and a joint venture includes the subsidiaries of any such joint venture. For example, a subsidiary of an associate and an investor which has a significant influence over the associate are Related parties.

### Bank of Italy instructions

- ◆ “*Related party*”, the persons or individuals listed below, on account of the relations entertained with a single bank, with a bank or regulated intermediary belonging to a group, or with the financial parent company:
  - 1) Company representative;
  - 2) Investor;





- 3) Party other than the investor, in a position to appoint, on its own, one or more members of the bodies for management or strategic supervision, including on the basis of agreements executed of any kind or statutory clauses involving or resulting in power to exercise such rights or powers;
  - 4) A company or a firm, even not incorporated as such, over which the bank or banking company group is able to exercise control or significant influence.
- ◆ *“Connected parties”*:
    - 1) Companies and firms, even those not incorporated as such, controlled by a related party;
    - 2) Parties controlling a related party of those listed under no. 2 and no. 3 of the relevant definition, or parties subject, directly or indirectly, to joint control with the related party;
    - 3) Close relations of a related party and companies or firms controlled by them.
  - ◆ *“Related and Connected parties”*: the set of a related parties and all parties connected to it. For application at the individual level, individual banks forming part of a banking group refer to the same scope of related and connected parties determined by the parent company for the entire banking group.



## Annex 5 - Internal controls policies

### 1. Introduction

Part III, Chapter 11, Section III of the prudential Supervisory Instructions for Banks issued in December 2013 - Circular no. 285 requires that banks approve their internal control policies, indicating their objectives in detail.

The policy is approved by the Board of Directors, having noted the opinion in favour expressed by the Risk Committee and the Statutory Audit Committee, disclosed to shareholders in general meeting and kept available for any requests made by the Bank of Italy.

### 2. Content

In accordance with the requirements laid down by the regulations, the policy:

- ◆ identifies the sectors of activity and products in relation to which conflicts of interest of interest may arise;
- ◆ establishes how levels of risk propensity are set which are consistent with the strategic profile and organizational characteristics of the Bank and the Banking Group;
- ◆ governs the organizational processes for identifying connected parties and the related transactions;
- ◆ identifies the duties of the control units, in relation to operations with Connected parties.

#### 2.1 Conflicts of interest with Connected parties

##### 2.1.1 Definition of conflicts of interest with Connected parties

For the purposes of these regulations, conflicts of interest are defined as situations in which the execution of a transaction with a related party may result in damage to the Bank or to one of its customers. In particular the regulations require the adoption of specific measures in order to minimize the risk of the proximity of certain parties to the Bank's decision-making centres compromising the objectivity and impartiality of the decisions made concerning the granting of loans, the taking of risks in general and other transactions, with possible distortion in the process of allocating resources, exposing the Bank to risks not adequately measured or covered and potential damage for both creditors and shareholders.

##### 2.1.2 Sectors of activity and types of relevant transaction

Conflicts of interest are recorded for the various areas of activity carried out by the Bank, including Private Banking, in particular as follows:

- ◆ Lending (loans, transactions with counterparty and issuer risk);
- ◆ Funding (issuance of bonds or other debt securities, current accounts);
- ◆ Investment services (trading, placement, investment advice);
- ◆ Ancillary services (advisory, equity research, securities custody);
- ◆ Equity investment;



- ◆ Other (managing suppliers).

The equivalent activities carried out by the other Group companies are also relevant in this respect.

### 2.1.3 Identifying instances of conflicts of interest

The methods by which individual conflicts of interest are identified are contained in the Policy on management of conflicts of interest approved by the Board of Directors, drawn up in accordance with the provisions of Commission Delegated Regulation (EU) 565/2017 and the Regulations for Issuers, with suitable additions to reflect the banking nature of the company's operations, to which reference is made.

Actual identification from the various transactions implemented by the Bank and the Group to connected parties is chiefly made through use of an IT instrument which generates alerts to the Compliance unit when transactions are executed with such parties. On a prudential basis the system also reports situations, where such information is available and known to the Bank, in which connected parties are the counterparty of the Bank's customers.

Such mechanisms constitute a second-level control relative to what is defined and required for the Bank's various units in application of the procedure for transactions executed with connected parties.

### 2.1.4 Managing conflicts of interest

Management of any conflicts of interest deriving from transactions with Connected parties is guaranteed first and foremost by compliance with the provisions set forth in the procedures in respect of related parties defined by the Bank.

In addition to the measures defined under the above procedures, the standard and/or additional measures defined in the Policy for managing conflicts of interest also apply insofar as they are compatible.

## 2.2 Risk appetite versus Connected parties

The levels of risk appetite versus individual Connected parties reflect the assessment of their credit standing according to certain criteria equivalent to those used for unrelated parties and in any case within the supervisory limits if lower. The aggregate exposure to all connected parties may not exceed the amount determined and revised annually by the Board of Directors.

## 2.3 Organizational processes for identifying Connected parties and related transactions

Group Corporate Affairs and, within the Group Technology and Operations area, the General Data Records - Static Data unit adopt, each within their own respective areas of responsibility, operating processes for identifying, classifying, recording and monitoring Related Parties, Connected parties and related and connected parties by:

- ◆ Specific requests to counterparties,
- ◆ External information providers,
- ◆ use of the IT system.

Group Corporate Affairs also prepares information flows for the Bank's units and the Group companies.



The Head of the Division/unit responsible for the Transaction (Division/unit responsible), using the information contained in the information flows referred to above, checks whether the counterparty may or may not be identified as a Related party.

If so, the Head of the Division/unit responsible for the Transaction provides the Internal division responsible (IDR) with the items of information necessary to assess whether the Transaction constitutes a risk asset.

Thereafter the IDR, with the help of the relevant IT system, checks that the Prudential limits and the limits on Cumulative transactions are complied with, and classifies the transaction in accordance with the Regulations.

For Transactions falling within the scope of operations covered by Framework approvals, control of compliance with these limits is still the responsibility of the Risk Management unit, which will act with the support of a specific computer system fed with data on exposures measured using the regulatory metrics supplied and verified by the relevant units of the Bank.

Insofar as regards the prior check of the amount available for use from the Framework approvals, the Head of the Division/unit responsible for the Transaction will report to the IDR, which, based on the information provided, will also assess whether the proposed transaction may be carried out in execution of a Framework resolution, on the grounds that it meets the criteria of being specific, equivalent and determined on which the resolution itself is based.

The Head of the Division/unit responsible for the Transaction sends the Information dossier to the IDR (cf. section 2 of the Regulations) which contains all the information required to approve the transaction, with reference in particular to the documentation proving that the transaction is being executed on Terms equivalent to market or standard terms.

Without prejudice to the powers vested in the Chairman and Chief Executive Officer, the IDR, once it has checked that the contents of the Information dossier are adequate, states that it is fair or contacts the relevant approving bodies. Finally, it also files the dossier.

The IDR is also responsible for the regular reports to the governing bodies in respect of the transactions executed on whatever grounds with related parties, in accordance with the methods and deadlines set forth in the Regulations.

## 2.4 Responsibilities of control units

The control units (Compliance, Risk Management and Group Audit), in compliance with their own spheres of responsibility:

- ◆ Ensure that risks taken on versus connected parties are managed and measured correctly, and
- ◆ Check that the policies and internal procedures are designed correctly and applied effectively.

In particular:

- ◆ The Compliance unit checks on an ongoing basis that the procedures and systems are able to ensure that all regulatory requirements and all requirements established by the internal regulations are complied with;
- ◆ The Risk Management unit is responsible for measuring risks - including market risks - underlying the relations with connected parties, for checking that the limits assigned to the various divisions and operating units are respected, and checking that the operations of each are consistent with the levels of risk propensity defined in the internal policies;
- ◆ The Group Audit unit checks that the internal policies are complied with, reports any irregularities promptly to the Board of Directors and the Statutory Audit Committee, and reports



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regularly to the governing bodies on the overall exposure of the Bank and the Banking Group to the risks deriving from transactions with connected parties and from other conflicts of interest, suggesting amendments, if appropriate, to the internal policies and organizational and control arrangements considered suitable to strengthen the coverage of such risks.