



**MEDIOBANCA**  
MANAGEMENT COMPANY SA

## **REMUNERATION POLICY 2019**

Approved by the Board of Directors on 15 October 2019



## Contents

<b>Section 1: Remuneration and incentive policies for the 2018/2019 financial year .....</b>	<b>2</b>
<b>1 Introduction .....</b>	<b>2</b>
<b>Section 2: New remuneration and incentive policies for the 2019/2020 financial year.....</b>	<b>3</b>
<b>1 Principles and objectives .....</b>	<b>3</b>
1.1 Regulatory environment .....	3
1.2 Definitions .....	4
<b>2 Principle of proportionality .....</b>	<b>4</b>
<b>3 Governance .....</b>	<b>5</b>
<b>4 Identification of identified staff.....</b>	<b>6</b>
<b>5 Elements of remuneration .....</b>	<b>7</b>
5.1 Fixed remuneration.....	8
5.2 Variable remuneration.....	8
5.3 Additional information on the remuneration structure .....	8
<b>6 Remuneration of corporate officers.....</b>	<b>9</b>
<b>7 Incentive system: variable remuneration definition and correlation between risks and performance.....</b>	<b>9</b>
<b>8 Variable remuneration's structure: timing of issue and payment instruments .....</b>	<b>12</b>
<b>9 Ex – post adjustments mechanism .....</b>	<b>12</b>
<b>10 Prohibition of hedging strategies .....</b>	<b>13</b>
<b>11 Severance policies .....</b>	<b>13</b>
<b>12 Disclosure .....</b>	<b>13</b>



## **Section 1: Remuneration and incentive policies for the 2018/2019 financial year**

### **1 Introduction**

The Mediobanca Group closed the financial year ended at 30 June 2019 with positive results that rank it among the top European groups for growth in revenues, profitability, shareholder remuneration, stock market performance and the results linked to the positive performance of all divisions. The objectives of the 2016/19 Business Plan were exceeded due to our distinctive business model, profitability earned and financial solidity, factors which allow the Mediobanca Group to focus on growth and place us in the privileged position of being able to strengthen distribution, organically and via acquisitions.

The Wealth Management Division, which Mediobanca Management Company SA is a part of, reported assets under management/administration that rose to € 39 billion and revenues up by 4% to € 547 million, driven by fees (+9%) which represented over 45% of Group fees at the end of June. ROAC stood at 16%.

The final balance of Mediobanca Management Company SA at 30 June 2019 closes with a profit after tax of € 1.3 million vs. the previous year (€ 3 million).

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



## **Section 2: New remuneration and incentive policies for the 2019/2020 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 and AIFM directives 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. It is also authorised to provide discretionary and alternative investment fund management. Given the nature of its business, it is subject to European Directives 2011/61/EU on Alternative Investment Fund Management (AIFM) and 2014/91/EU 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 and AIFM directives have been completed by the ESMA guidelines 2013/232 (AIFM) and 2016/575 (UCITS) on sound remuneration and ESMA Questions and answers on the application of the AIFMD (ESMA34-32-352).



The Luxembourg legislator transposed the UCITS V Directive by amending the Law of 17 December 2010 relating to undertakings for collective investment while the AIFM Directive had been implemented through the Law of 12 July 2013 on alternative investment funds.

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.
- ◆ **AIFMD:** Directive 2011/61/UE - AIFM - «Alternative Investment Fund Management Directive». Transposition law: *Loi du 12 juillet 2013*.
- ◆ **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 2014/65/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)* and Annexe II – point 1 of the Law of 12 July 2013 (AIFM) provide that when establishing and applying the remuneration policies, AIFMs/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\2019, the Company had approximately € 1,4 billion 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 standardisation of the products managed. At the same date, the organisational structure consisted of 6 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 IV (CRD IV).

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>1</sup> members within the Group's perimeter. Further details in this respect may be found under section 8. Infra.

### **3 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;

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<sup>1</sup> See chapter 4



- ◆ annually reviews the Remuneration Policy's general principles; and
  - ◆ is responsible for its implementation.
- ◆ 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 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.

## **4 Identification of identified staff**

In line with the principles set out in the ESMA Guidelines and in Article 111bis<sup>2</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;
- 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.

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2) 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.



At 30 June 2019 the following categories of staff are considered identified staff (with the number of resources at the time of writing) with no changes vs. 2018:

Cluster	Definition	PPR # 2019	PPR # 2018	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	(3)	(3)	==
<b>Chief Executive Officer of the Company and any other executive directors</b>	Managing Director and Directors	1	1	==
<b>Heads of functions</b>	Conducting Officers	1	1	==
<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>	0 <sup>3</sup>	0	==
<b>Other risk takers</b>	<ul style="list-style-type: none"> <li>◆ Heads of trading desks, sales, managers</li> </ul>	0	0	==
<b>Quantitative criteria</b>	Other staff with total remuneration in the same bracket as identified staff	0 <sup>4</sup>	0	==
		2 (3)	2 (3)	

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.

## 5 Elements of remuneration

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

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3) The Audit function, staff and support functions are outsourced to the Parent Company. The responsibility for Compliance and Risk Mngt is entrusted to the Conducting Officer  
 4) There are no resources with total compensation in the same bracket as identified staff or over € 500k





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.

## **5.1 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.

## **5.2 Variable remuneration**

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.

## **5.3 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 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.

## **7 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 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 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 business functions**

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.

## **8 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, beyond 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.

## **9 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.

## **10 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.

## **11 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.

## **12 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 and KIIDs 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.



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