



MEDIOBANCA
MANAGEMENT COMPANY SA

REMUNERATION POLICY 2017

**APPROVED BY THE BOARD OF DIRECTORS ON
24/07/2017**



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1 Introduction

Mediobanca Management Company SA (hereinafter also the “Company”) approves and adopts the remuneration policies of Mediobanca Group (hereinafter also the “Group Policies”) approved annually by their respective shareholders’ meetings, 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.

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 Luxembourg legislator transposed the UCITS V Directive by amending and aligning the legislation on AIFM (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).



1.2. Definitions

For the purposes of this document:

- ◆ **Parent company:** Mediobanca S.p.A.
- ◆ **Control functions:** Compliance, Internal Auditing and Risk Management at the Company.
- ◆ **Applicable legislation:** Law of 10 May 2016.
- ◆ **Staff:** members of the bodies with responsibility for strategic supervision, management and control; all employees and contractors of the Company.
- ◆ **Identified staff:** means staff whose professional activities have or could have a material impact on the risk profile of the Company or the fund managed, as identified by the Company.
- ◆ **Company:** Mediobanca Management Company SA.
- ◆ **Supervisory authority:** Commission de Surveillance du Secteur Financier (CSSF).

2 Governance

The Human Resources Department – Group HR will take the lead in the annual review 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 review of the remuneration policies in relation to their duties and responsibilities as provided by law.

Amendments to the remuneration policies shall be approved by the Board of Directors.

3 Principle of proportionality

At the time of writing, Article 111-bis of the applicable legislation provided that: *"The management companies referred to in this Chapter shall establish and apply remuneration policies and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, the fund rules or instruments of incorporation of the UCITS that they manage nor impair compliance with the management company's duty to act in the best interest of the UCITS."*

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 31\12\2016, the Company had approximately €2 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 time of writing, the organisational structure consisted of 9



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 applies.

4 Identification of identified staff

In line with the principles set out in the ESMA Guidelines and in Article 111bis¹ 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.

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) the responsibilities allocated to staff, hierarchical levels and activities carried out;
- c) the impact of the position on the Company's risk profile;
- d) the remuneration structure;
- e) the amount of variable remuneration received;
- f) the total remuneration received in the same bracket as identified staff.

The following categories of staff are considered identified staff (with the number of resources at the time of writing):

- ◆ Non-executive members of the Board of Directors of the Company (2 resources);
- ◆ Chief Executive Officer of the Company and any other executive directors (2 resources)
 - ◆ Managing Director and Directors
- ◆ Heads of Functions (1 resource)
 - ◆ Conducting Officers
 - ◆ Managers reporting directly to Conducting Officers
- ◆ Heads of Control Functions outsourced to Mediobanca Group/Parent Company (2 resources)

1) 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 UCIS that they manage.



- ◆ Internal Audit
- ◆ Compliance
- ◆ Risk Management
- ◆ Other staff with total remuneration in the same bracket as identified staff²

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.

5 Elements of remuneration and incentive systems

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

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

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

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.

5.1. Principles and objectives

Staff remuneration and incentive policies, consistent with those of the Mediobanca Group, are an essential tool for achieving the objectives of the strategic plan. They are designed to:

- ◆ Guide behaviour towards achieving the targets set by the Board of Directors, particularly through risk management
- ◆ Create sustainable value for stakeholders over time
- ◆ Increase professional motivation
- ◆ Attract and retain quality resources

2) At the time of writing, no resource was identified in this category.



- ◆ Foster a meritocracy, transparency, teamwork and partnership
- ◆ Reward the most deserving resources.

6 Remuneration of corporate officers

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 Remuneration of identified staff

The parent company defines and establishes the total remuneration (fixed and variable) of the Chief Executive Officer directly, taking into account the various roles held within the Group.

The remuneration of other individuals categorised as identified staff consists of a fixed annual salary and performance-based remuneration linked to the attainment of specific targets.

The variable component links the incentive not only to the performance of the individual, but to that of the Company and Group as a whole. It is based on an annual and multi-annual performance assessment in view of the operational and financial, risk and qualitative targets set.

This component is subject to a maximum amount and gates, as well as malus and clawback mechanisms. It does not provide for any minimum guaranteed amount. In line with market practice and the practice of the Mediobanca Group, a minimum threshold has been introduced for the variable component below which no deferral mechanisms are applied.

7.1. 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 and the excellence and overall quality of the contribution to the Company's performance.

Fixed remuneration must represent a sufficiently high proportion of the total remuneration, in such a way that the variable component can be reduced or even cancelled altogether, depending on actual performance.

The fixed component consists of:

- ◆ Contractual level under the collective bargaining agreement
- ◆ Productivity bonuses
- ◆ Personal allowance



◆ Duty allowance

Any increases in the fixed component are decided annually, partly in consideration of the following aspects:

- ◆ Contractual status
- ◆ Market average for a given position and seniority
- ◆ Average within the Group for the position held
- ◆ Seniority in the role held and duration of employment with the Group over 12 months

7.2. Variable remuneration

The Company dedicates itself to collective asset management by managing a fund portfolio. Therefore, the variable component is predominantly established on a quantitative basis according to the actual profitability of the Company, taking into account any risk alignments.

The amount of individual bonuses may vary at the discretion of the management, according to assessments made regarding compliance with the business model, the attainment of targets and the absence of any critical situations or other prejudicial factors (i.e. in relation to Risks, Compliance and Anti-Money Laundering and Human Resources).

To measure performance, this discretion will be accompanied by a performance measurement system introduced at the start of each financial year in line with the allocated budget. The system will be quantitative and qualitative in nature and will consider corrective elements linked to the areas of compliance referred to above. The guidelines for the incentive scheme are determined in accordance with the policies of Mediobanca Group.

With regard to the deferral of variable remuneration, a materiality threshold is established of €100,000.00, as stipulated by the parent company. Above this, 60% of the amount allocated is deferred in cash over a three-year period.

For any Group material risk takers, banking industry regulations apply (CRD IV), save for any decisions relating to share-based payment.

8 Remuneration policy for staff in control 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. They are identified as the Head of Internal Audit, the Head of Risk Management, and the Head of Compliance and Anti-Money Laundering.

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 staff of control functions are not specifically remunerated for the work they do for the Company, which incurs the costs of the activities carried out according to the terms of the relevant outsourcing agreements.

In this regard, based on the remuneration policies adopted by the parent company, and in view of the role of control functions, rules apply according to the principles that, for these individuals, "the weighting of the variable component should be limited" and "independent of economic performance".

9 Other staff remuneration

The remuneration of individuals not categorised as identified staff also consists of a fixed annual salary and performance-based monetary remuneration linked to the attainment of specific targets.

Fixed remuneration rewards the role held and the level of responsibility of staff. It reflects the experience and skills required for each position and the excellence and overall quality of the contribution to the Company's performance.

The variable component links the incentive not only to the performance of the individual, but to that of the Company and Group as a whole. It is based on an annual performance assessment in view of the operational and financial, risk and qualitative targets set.

10 Ex-post adjustment mechanisms

For the purposes of payment of the amount due, Control Functions will send Human Resources evidence of any detrimental conduct by employees/external contractors with regard to management aspects of the various risk categories.

The variable component is also subject to ex-post mechanisms (malus, clawback and correction factors) that reflect performance net of any risks taken.

The incentives recognised and/or paid to individuals who engaged in or were complicit in the following are subject to clawback:

- ◆ conduct resulting in a significant loss for the Company or the Mediobanca Group;
- ◆ fraudulent conduct or gross negligence to the detriment of the Company or the Mediobanca Group.

The clawback conditions and correction factors may also apply to the deferred component, if they result from conduct in previous years, or otherwise relate to the allocation of the variable incentive.

Such mechanisms, like all ex-post corrections (i.e. on incentives already approved and/or disbursed), may lead to a significant reduction in or cancellation of the variable component itself.



11 Severance policies

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

In addition, the remuneration and incentive scheme implemented by the Company does not provide:

- ◆ for the payment of any type of discretionary pension benefits other than those contractually provided for;
- ◆ for any form of remuneration agreed upon in view of or upon the early termination of the employment relationship or the early termination of office (excluding any golden parachute).

12 Additional information on the remuneration structure

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.

13 Disclosure

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

The fund prospectuses 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.

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