



MEDIOBANCA

**PRODUCT GOVERNANCE
INFORMATION ABOUT THE PRODUCT APPROVAL
PROCESS OF MEDIOBANCA**

September 2021



1 Scope

This document has been prepared to provide distributors with information about the product approval process of Mediobanca – Banca di Credito Finanziario S.p.A. (the “**Bank**” or “**Mediobanca**”) according to Directive 2014/65/EU (“**MiFID II**”), Delegated Directive 2017/593/EU as implemented in Italy by the Consob Resolution n. 20307/2018 “Regulation containing implementation rules of Italian Legislative Decree no. 58 of 24 February 1998 on intermediaries” (“**MiFID II Product Governance rules**”).

2 Product Governance Policy

In compliance with MIFID II product governance rules the Bank has adopted a Product Governance Policy that provides *inter alia* that any financial instrument and product manufactured and/or distributed by Mediobanca is subject to an internal specific approval process with respect to the analysis of the product and the definition of the target market and the distribution strategy.

3 Analysis of the Product, definition of the Target Market and the distribution strategy

Any instrument manufactured by Mediobanca is evaluated and approved with respect to its financial features, its complexity, charging structure, risks, conflict of interests, its target market and distribution strategy.

3.1 Charging structure

The Bank assesses the instrument's charging structure to ensure that: instrument's costs and charges are compatible with the needs, objectives and characteristics of the target market; charges do not undermine the instrument's return expectations; and the charging structure of the instrument is appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand.

3.2 Scenario analysis

The Bank undertakes a scenario analysis to assess the risks of poor outcomes for end investors posed by the instrument and in which circumstances these outcomes may occur.

Where applicable, the Bank assesses the instrument under negative conditions covering what would happen if for example: the market environment deteriorates; the Bank or a third party involved in manufacturing and or functioning of the instrument experiences financial difficulties; the instrument fails to become commercially viable.

For PRIIPs instruments addressed to retail clients, the Bank performs scenario analysis based on the favourable, moderate, unfavourable and stress performance scenarios calculated with the methodology set forth by Regulation 653/2017/UE.



3.3 Conflict of interests

The Bank implemented procedures and measures to ensure the manufacturing of the instruments complies with the requirements on proper management of conflicts of interest, including remuneration.

In particular, the Bank ensures that the instruments manufactured do not adversely affect end clients, including by taking into account its exposures, and assesses whether the instrument may represent a threat to the orderly functioning or to the stability of financial markets.

3.4 Target Market and distribution strategy (potential)

For any instrument manufactured and addressed to the distribution, the Bank identifies its "potential" target market and distribution strategy, specifying the type(s) of client for whose knowledge and experience, ability to bear losses, risk tolerance, objectives and needs the instrument is/is not compatible (on the basis of the ESMA categories).

The Bank determines whether the instrument manufactured meets the identified needs, characteristics and objectives of the target market, including by examining if: the instrument's risk/reward profile is consistent with the target market; and the instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

The Bank provides third-party intermediaries in charge for the distribution on the primary market with the information on the financial instrument manufactured², its the target market and distribution strategy; moreover, for instruments issued by Mediobanca or entities of the Mediobanca Group available on the secondary market, the Bank provides third-party distributors, with access to the infoprovider ICE, with updated information in the form of EMT (European MiFID Template).

4 Review of the instruments, the target market and the distribution strategy

Mediobanca reviews the instruments manufactured in case of events that could materially affect the potential risk to the identified target market.

Mediobanca considers if the instrument remains consistent with the needs, characteristics and objectives of the target market and if it is being distributed to the target market, or is reaching other investors, for whose needs, characteristics and objectives the instrument is not compatible.

Furthermore, Mediobanca reviews all the instruments it manufactures, their target market and distribution strategy at least annually. For instruments manufactured by Mediobanca, the review is made also on the basis of the information collected from the distributors on sales outside the target market and the received complaints.

¹ ESMA Guidelines on MiFID II product governance requirements (05/02/2018 ESMA35-43-620).

² Whether issued by Mediobanca or by third-party issuers with whom Mediobanca collaborates for the creation, development, issue and/or design of the financial instruments in its capacity as manufacturer or co-manufacturer.



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Each instrument is assessed and a determination is made as to its suitability for ongoing sale to the target market and to its distribution strategy.