



MEDIOBANCA

**Directive on production and distribution of investment
research reports prepared by the
Equity Research team**



MEDIOBANCA
SECURITIES

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Agenda

1	Introduction.....	4
2	Compliance measures	4
3	Activities of analysts	5
4	Review and comments on research notes	7
5	Timing and dissemination of research	8
6	Coverage decisions	9
7	Supervision and remuneration of research analysis	9



1 Introduction

This document defines policies and principles that apply to investment research notes published by Mediobanca Equity Research department. The goal of this document is to define the arrangements that intend:

- ◆ to ensure compliance with the rules on market abuse and insider trading, taking into account the importance that the content of the research notes may have on the price of the financial instruments examined in the research notes;
- ◆ to guarantee the integrity and independence of research notes prepared by Mediobanca's analysts.

This document is available on the company's intranet (Compliance/AML) and lays down some of the principles contained in the Mediobanca's Policy for managing the conflicts of interest with particular reference to the production and distribution of investment research reports.

2 Compliance measures

Banks which provide investment services are responsible for identifying and managing insider trading risks and conflicts of interest arising in their own business. In relation to Equity Research activity, Mediobanca's policies provide for:

- a) physical restrictions to the access of other employees to the Equity Research unit;
- b) research to be produced autonomously from all areas that provide investment banking services and therefore have access to inside information;
- c) Chinese walls to avoid the exchange of information between the Equity Research unit and other investment banking areas;
- d) monitoring and surveillance arrangements to ensure the proper functioning of Chinese walls.



In accordance with the market abuse regulations, Mediobanca has in place specific procedures to ensure disclosure of any interest or conflict of interest relevant to the research.



3 Activities of analysts

Mediobanca restricts research analysts and colleagues of the investment banking department from performing activities that could prejudice the independence of the researches. In particular:

- ◆ colleagues of the investment banking department are forbidden, especially in the course of primary or secondary market transactions, to exert pressure on analysts in any form, with the aim of influencing the judgment of the analyst, in order to obtain or maintain investment banking transactions. Analysts must inform the Head of the Compliance Unit in case they receive pressure from colleagues of the investment banking department with reference to the content of a research note;
- ◆ research analysts are not permitted (except in the case of wall-crossing procedures) to participate in pitches for investment banking mandates or to prepare or review materials for such pitches, or to or liaise with companies with the aim of soliciting investment banking business. In any case, pitch documentation must not contain any promise of research coverage, in a manner that suggests, directly or indirectly, that the Bank might provide favourable research;
- ◆ research analysts may not be involved in the promotional or marketing activities of an issuer. For this reason, analysts are not permitted to promote "road show" presentations by issuers that are clients of the Bank relating to offerings of securities or any other investment banking transaction;
- ◆ analysts are permitted to attend investor presentations by issuers, including those that are clients of the Bank, that do not relate to offerings of securities or other investment banking transactions, provided that investment banking personnel are not present (except in the case of widely-attended conferences mentioned below);
- ◆ analysts are not permitted to attend meetings with clients of the Bank jointly with investment banking personnel, except in specific circumstances as detailed below;
- ◆ analysts are permitted to attend and speak at widely attended conferences or other widely attended events at which investment banking colleagues and clients, among others, may also be present. Such widely-attended conferences/events may include some investor presentations by clients of the Bank;
- ◆ analysts may be consulted by investment banking personnel on matters such as market and industry trends, conditions, developments, structuring, pricing and expected market reception of securities offerings or other market operations. In no case, however, the analyst may be required to indicate potential investment banking transactions. However, for the purpose of providing support to the investment banking areas, while at the same time minimizing the risk of possible breaches of the market abuse and/or MiFID regulations, the head of Equity Research (and, if necessary, a person authorized by him) is considered as "out of the walls", without prejudice to the Chinese Walls already in place (in particular the email filter block) for all analysts. In any case, the wall crossing of the analyst must be performed in compliance with the procedure set out in the Directive about the handling of confidential information. In the event of his coming into possession of inside information, the head of Equity Research shall





refrain from producing directly research on the issuer and from disclosing the information to other analysts. Otherwise, also the single analyst will be included in restricted;

- ◆ if it is not possible to use the procedure said above, the analyst must be preemptively brought “over the wall” (wall crossing) for a period of time strictly limited to the needs concerning the operation. During such period, the analyst is obliged to respect the specific restrictions on operating laid down internally. Hence, researches on relevant issuers must be posed in “restricted” as long as the information is not public;
- ◆ the following do not form part of those activities for which “wall crossing” is required: conference calls or meetings between analysts and bankers, investors or customers of the bank in which research reports already published or general views on specific sectors are discussed. In such cases, at the start of such meetings, bankers, investors or customers must be informed that the discussion must not entail inside information being disclosed to the analyst. In such cases the Compliance unit may also attend in a chaperoning role to ensure that no inside information is disclosed to the analyst and that the analyst does not disclose the contents of any research reports soon to be published by third parties, in both cases, even involuntarily;
- ◆ in all cases analysts and investment banking staff are required to comply with the information barriers in place to prevent inside information being disclosed, even involuntarily, by investment banking staff to analysts. Apart from the barriers instituted to prevent email exchanges, analysts and investment bankers are also not permitted to use other communication channels (phone calls, meetings, personal emails, Bloomberg chats etc.) involving inside information. If an analyst involuntarily receives inside information, they must report it to the Compliance unit immediately;
- ◆ without prejudice to the Personal Dealing Regulation, analysts must not undertake personal transactions in financial instruments that are covered by the investment research or that relate to the same industry, if they are aware of the likely timing or content of such investment research, and this information is not available either to the general public or to clients and cannot be readily inferred, until the recipients of the investment research have had a reasonable opportunity to take action on the basis of the research. Exceptions may be made with the prior approval of Heads of Equity Research and the Compliance unit in special circumstances such as the disposal of (i) pre-existing positions, or (ii) positions obtained as a result of extraordinary activities on the part of the issuer. In any case, when analysts hold instruments to which investment research relates, they are required to disclose their interests in the research reports themselves. Any trades that analysts make must be in line with their recommendation(s), contained in the last published research note. An analyst is prohibited from producing research on an issuer if the analyst carries out activities for which he/she receives compensation from the issuer. If an analyst's household member/relative/relative in-law (up to the second degree) serves in a high capacity for the issuer (i.e. manager or director), the analyst must inform the heads of Equity Research and the Compliance unit, who will consider whether the analyst should cease covering the issuer;
- ◆ for capital markets deals, analysts must comply with the guidelines prepared by Mediobanca's Compliance unit or by legal external advisors, if any;
- ◆ Pre-Deal Research: in the course of IPOs or capital increases followed by the Bank, the analyst's role is to educate the market and provide a Pre-Deal Research. The Pre-Deal Research is typically subject to procedures and guidelines provided by the legal advisers of the Bank. Any revision by third parties of the Pre-Deal report is limited to verify facts and any comments should in any case be evaluated by the Head of Equity Research Department or the Compliance Unit. Any discussion between the analyst and the Investment Banking staff on the content of the Pre-Deal report must be approved in advance by the Head of Equity Research or the Head of Compliance. In addition, prior to the publication of the research note, the analyst must discuss the content with the Head of Equity Research or his delegate.
- ◆ research analysts are not permitted to participate in the management of virtual portfolios.



4 Review and comments on research notes

All those that have interests which may be potentially in conflict with those of the recipients of research notes cannot review or comment the research in a manner which might affect its impartiality. In particular:

- ◆ an analyst may check the accuracy of factual statements with the company covered in the research report, prior to publication. This is permitted if the issuer is provided only with a summary of facts to check or a draft of the research report that contains no valuation, recommendation or target price.



Similarly, employees that provide investment banking services are not permitted to review any research report prior to publication but solely for the purposes of verifying factual statements.

In any case, an analyst must send a draft of the research note to the Compliance Unit and record the reasons for any subsequent material change made to a research report that results from sending it to the company or to the investment bank employees (where review is permitted as provided above). These changes must be sent for approval to the heads of both the Equity Research and Compliance units prior the publication of the report;

- ◆ any complaints, although informal, by issuers concerning the content of research should be referred to, and are managed by the Head of Equity Research, in conjunction with the Head of Compliance, and not by employees of investment banking areas. Any meetings between the analyst and company's representatives, related to any claims by the company, shall be carried out in the presence of the Head of Compliance Unit, in order to ensure that there is no disclosure of inside information by the company to the analyst and that consequently the analyst should not be included in restricted list;
- ◆ under no circumstances may an analyst be prosecuted for research that has affected the Bank's present or potential investment banking relationships with the company covered by the research.



5 Timing and dissemination of research

In order to reduce the risk of violation of market abuse regulation, research notes are required to be simultaneously disseminated to the sales force, clients and, if requested, to the relevant authority, in compliance with market abuse regulations.

The timing and any content of research notes - including estimates, target prices and decisions to issue research reports or comments - may not be disclosed by any means to anyone, either inside or outside of the Bank, until the research has been disseminated in accordance with above regulations. Draft research reports cannot be provided to, nor reviewed by, the company or by employees that provide investment banking services, except as provided in section 4 above.



Particular attention has to be paid to discussions with clients or sales which could provide selective information (eg short term view, preview on the results, not published sentiment) that could anticipate any changes in judgment or rating.

Communication via email or Bloomberg chat must always be based on the “newspaper rule”, avoiding expressions that may give rise to possible interpretations of the message that can damage the Bank.

Any teach-in to the sales force can only be performed after the dissemination of the research notes to the clients.

Where the Bank has a significant role in an offering of securities or acts as advisor for the issuer, in addition to complying with any eventual restrictions on the distribution of research reports imposed by applicable laws, Mediobanca may restrict publication of research relating to an issuer. The decision whether to impose such a restriction and, if so, the nature, timing and length of restriction is evaluated by the Head of Compliance unit and head of Equity Research and authorized by the General Manager. Alternatively, a research note may be published without indication of a recommendation or target price.

In view of the specific obligations in terms of diligence and independence of analysts and of transparency on conflicts of interests established by the regulations, every research report must contain an appropriate disclaimer, which identifies all conflict of interest. Moreover, specific disclaimers have been defined by the Compliance Department for the dissemination of Daily Navigators, Models and Blast voice mail and are available on the company’s intranet. The Compliance unit reserves the right to add ad hoc disclaimers in particular circumstances (e.g. advisor to offerors on takeover bids).

The research notes can be disseminated only in the countries for which Mediobanca has obtained the needed authorizations or the Compliance Unit has verified that the dissemination does not imply additional measures.



6 Coverage decisions

The head of Equity Research is responsible for deciding whether to initiate, continue or terminate coverage with respect to a company, without taking into account the revenues linked to possible investment banking transactions¹.

Any requests for coverage received by analysts from investment banking staff or from other colleagues must be notified promptly to the Compliance unit. The decision to end coverage of one or more issuers is notified on the Equity Research dedicated website.

7 Supervision and remuneration of research analysis

Research analysts neither report to nor are supervised by personnel from other areas of the Bank (in particular investment banking personnel) whose interests may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-Equity Research personnel do not exert inappropriate influence over analysts.

Analysts are supervised by, and report to, the Head of Equity Research and Equity Research unit reports directly to Mediobanca General Manager.



The remuneration of research analysts is determined on the basis of multiple factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients and employees in other parts of the Bank with whom analysts interact, also taking into account the performance of the company followed by the analyst or of the price of its shares, compared with the contents of the research notes of the analyst on the same company. Analysts' remuneration, however, is not directly linked to specific transactions or the profitability of particular trading or investment banking desks, but reflects in part the overall profitability of the Bank, including the profitability of the Mediobanca Corporate & Investment Banking division. Mediobanca does not permit investment banking personnel to participate in the Bank's evaluation of research analysts. This does not preclude the possibility that any input from Mediobanca Securities staff are taken into account, while indications from other investment banking areas cannot be taken into account. Equity Research Management is responsible for ensuring that any evaluation input by investment banking personnel is not communicated to analysts in a way that could amount to inappropriate pressure on the individual analyst.

Remuneration policies and practices for the Bank's personnel are defined according to the existing remuneration policy approved by the Board of Directors and shareholders in annual general meeting.

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1) This criterion is not applicable with respect to coverage decisions by category (industry, market capitalization, geographic area).

