

**ANNUAL REPORT
ON
CORPORATE GOVERNANCE**

Annual Report on Corporate Governance

Mediolanum S.p.A prepared this report for the purpose of presenting its corporate governance system in accordance with article 124-bis of Legislative Decree 58/98.

Since Mediolanum S.p.A. has adhered to the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana in March 2006, this Report includes information on the progress made in the implementation of the recommendations set out therein, in accordance with the “comply or explain” principle, i.e. describing the actions already taken, or planned, to implement said recommendations or explaining any reasons for departure from recommendations.

1. CORPORATE GOVERNANCE SYSTEM

Introduction and information pursuant to art. 123 bis of the Consolidated Finance Act

At December 31, 2007, the company’s subscribed and fully paid up share capital amounted to €2,947,592.90 divided into 729,475,929 ordinary shares, each with par value of €0.10. There are no shares other than ordinary shares.

The shareholders who, directly or indirectly, own over 2% of Mediolanum S.p.A.’s subscribed share capital represented by shares entitled to vote, based on the company’s records as supplemented by notices and other information received by the company, are as follows.

	No. of SHARES	%
SILVIO BERLUSCONI INDIRECTLY THROUGH:		
- FININVEST S.P.A. (OWNERSHIP)	261,708,000	35.876
ENNIO DORIS		
- DIRECTLY:		
OWNERSHIP	23,119,070	3.169
- INDIRECTLY THROUGH:		
HERULE FINANCE S.A.	194,449,557	26.656
TOTAL	217,568,627	29.825
LINA TOMBOLATO DIRECTLY		
- OWNERSHIP	24,307,595	3.332
- INDIRECTLY THROUGH		
- T-INVEST S.A.	20,072,300	2.752
TOTAL	44,379,895	6.084

On September 14, 2007, Fininvest S.p.A., as one party, and Ennio Doris, Fin.Prog.Italia S.a.p.a. di Ennio Doris & C. and Herule Finance SA, as the other party (collectively referred to as “Doris Group”), renewed the shareholders’ agreement, whereby they undertook to lock up their respective equal shareholdings totalling at least 51% of the company’s share capital.

The key terms and conditions of the Shareholders’ Agreement are set out below.

Shares locked up under the Shareholders’ Agreement

372,630,000 Mediolanum S.p.A. ordinary shares, equal to 51.08% of share capital represented by shares entitled to vote.

The Parties to the agreement committed to lock up any further shares as may be necessary

following any share capital increases under which pre-empting rights are excluded or not exercised, so that the total amount of shares equally contributed by each party and locked up under the agreement continues to be equal to at least 51% of Mediolanum S.p.A's share capital.

Parties to the Shareholders' Agreement and Shares Contributed by Each Party

FININVEST S.p.A. is one party, and ENNIO DORIS, FIN.PROG.ITALIA S.a.p.a. di Ennio Doris & C., HERULE FINANCE S.A. (hereinafter "HERULE" and together with FIN.PROG.ITALIA S.a.p.a. "Doris Group Companies") is the other party. Ennio Doris and FIN.PROG.ITALIA S.a.p.a. have the rights under articles 5) and 6) of the Shareholders' Agreement (appointment and composition of the bodies governing the Mediolanum S.p.A. Shareholders' Agreement). In relation to the exercise of those rights, Ennio Doris and the Doris Group Companies agreed to be represented by Ennio Doris or, in case of his impediment, by another individual or company of the Doris Group, as promptly indicated by the Doris Group Companies.

Parties to the shareholders' agreement	Number of shares locked up	% of shareholding locked up	% of share capital
FININVEST S.p.A.	186,315,000	50%	25.54%
Total Fininvest	186,315,000	50%	25.54%
HERULE FINANCE S.A.	186,315,000 (*)	50%	25.54%
Total Doris Group	186,315,000	50%	25.54%

Total shares locked up	372,630,000	100%	51.08%

() of which 46,260,000 shares held under right of property with voting rights while usufruct is jointly held by Ennio Doris and Lina Tombolato.*

By virtue of the agreement no party thereto exercises control over Mediolanum S.p.A.

Type and content of the agreement

The agreement regulates voting and transfers of shares for the purpose of ensuring equal control and joint management of Mediolanum S.p.A. by FININVEST and the Doris Group.

The current Agreement replaced the Agreement signed by the Parties on September 14, 2004, without materially changing its content.

At Mediolanum S.p.A. General Meetings, the Parties to the Agreement undertook to vote their locked up shares as indicated in the resolution of the Board of the Shareholders' Agreement.

The Parties undertook to compile and present within the term set forth in the company's bylaws a common list of nominees for the position of director, as follows. Each party nominates an equal number of directors (including one Independent Director pursuant to Legislative Decree 58/1998) so that FININVEST and the Doris Group are always represented by the absolute majority of directors on the Mediolanum S.p.A. Board of Directors. The Chairman is chosen from the directors nominated by FININVEST; the two Deputy Chairmen (one acting in the Chairman's stead) are chosen as follows, one from the directors nominated by FININVEST and the other from those nominated by the Doris Group; the Chief Executive Officer is nominated by the Doris Group in the person of Ennio Doris; in the event that, for any reason whatsoever, Ennio Doris cannot hold the position of Chief Executive Officer, then the chief executive officer of Mediolanum S.p.A. shall be nominated by the Board of the Shareholders' Agreement upon the

favourable votes of four of its members, who shall decide in the best interest of Mediolanum, the growth of its assets, its operations and those of its subsidiaries.

Ennio Doris, or in case of his impediment, the Doris Group Companies, shall have the right to propose the nominee for the position of Chief Executive Officer.

In compliance with statutory and regulatory requirements, the majority of statutory standing auditors of Mediolanum S.p.A. are designated by FININVEST, when possible, and the Chairman of the Board of Statutory Auditors, when possible, is designated by the Doris Group. In any case, the Parties shall compile and present within the term set forth in the company's bylaws a common list of nominees for the position of statutory auditors, as follows. The first name on the list of nominees for the position of standing auditor shall be a person nominated by Ennio Doris, or in case of his impediment, by the Doris Group Companies, followed by the names of two persons nominated by FININVEST. The first name on the list of nominees for the position of alternate auditor shall be a person jointly nominated by FININVEST and by Ennio Doris, or in case of his impediment, by the Doris Group Companies, while the person ranking second on that list shall be nominated, every three years, in turn by FININVEST and by Ennio Doris, or in case of his impediment, by the Doris Group Companies. For the first three years the person ranking second on the list of alternate auditor nominees shall be designated by FININVEST.

Any sales or transfers to any third parties of Mediolanum S.p.A. shares held by the Parties and locked up under the Shareholders' Agreement shall be pre-emptively offered to the other Party.

In addition, if the Board of the Shareholders' Agreement:

(a) does not designate – promptly, and in any case within 10 days of the request – the new chief executive officer pursuant to the Shareholders Agreement, in the event that Ennio Doris can no longer hold the position of Mediolanum S.p.A Chief Executive Officer for any reasons whatsoever;

(b) does not revoke – promptly, and in any case within 10 days of the request of either Party, the Mediolanum S.p.A Chief Executive Officer, whether Ennio Doris or another person designated by Ennio Doris or, in case of his impediment, by the Doris Group Companies;

(c) does not approve strategic alliances and agreements submitted to it or if the decisions above made by the Board of the Shareholders’ Agreement are not immediately implemented,

(i) FININVEST shall have the right to request HERULE to sell all lockup shares held by HERULE in Mediolanum S.p.A to FININVEST. FININVEST shall send its request to HERULE in writing within 30 days of the date of the Meeting of the Board of the Shareholders’ Agreement at which the decision in relation to (a), (b) and (c) was not taken or not immediately implemented. Should FININVEST fail to do so, its request shall be null and void;

(ii) upon receipt of the request from FININVEST, HERULE shall have the right to request FININVEST to sell all lockup shares held by FININVEST in Mediolanum S.p.A. to HERULE;

(iii) If FININVEST fails to send the request within the term set out under (i), HERULE shall have the right to request FININVEST to sell all lockup shares held by FININVEST in Mediolanum S.p.A. to HERULE. If HERULE exercises said right, the provisions and the procedures set out under (i) and (ii) will apply *mutatis mutandis*, replacing "FININVEST" with "HERULE" and "HERULE" with "FININVEST" respectively.

Governance Bodies

The Shareholders’ Agreement is governed by the Board, the Chairman and the Secretary, if appointed.

(a) The Board consists of five members, of whom two elected by each Party and the fifth jointly by the *pro-tempore* Chairman of FININVEST and by Ennio Doris or, in case of his impediment, by the Doris Group Companies.

Guido Roveda, Notary Public in Milan, was appointed Chairman of the Shareholders’

Agreement.

The Board meets no later than the day before any General Meetings, any meetings of the Board of Directors or of the Executive Committee (when established) of Mediolanum S.p.A. which include on the agenda any of the matters under letters (a)1 to (a)8 of article 5 of the Shareholders' Agreement (in brief: assessments of results, proposals to change share capital or amend the Bylaws, matters reserved to the General Meeting and proposals for the designation of nominees for the position of director and statutory auditor of Mediolanum S.p.A. and its subsidiaries, as well as strategic guidance, acquisitions of shareholdings or other significant assets, shareholders' agreements or strategic alliances which may be in the interest of the Mediolanum Group), provided that the meeting is called by at least one member of the Board of Directors designated by FININVEST or the Doris Group, or any time the Chairman of the Shareholders' Agreement deems it expedient or at least two members of the Board of the Shareholders' Agreement request it in writing.

(b) The Chairman of the Shareholders' Agreement represents the Shareholders' Agreement before third parties, convenes and chairs the meetings of the Board of the Shareholders' Agreement, and implements the resolutions of the Board of the Shareholders' Agreement within the scope of his authorities.

(c) The Board of the Shareholders' Agreement can appoint a Secretary who may also not be one of its members. The Secretary is responsible for ensuring the proper operation of the Shareholders' Agreement, assisting the Board and the Chairman of the Shareholders' Agreement.

Term

The renewed Shareholders' Agreement entered into effect on September 14, 2007 – the date on which it was signed – and it will remain in force for three years.

Unless otherwise agreed between the Parties, the Shareholders' Agreement shall be terminated if:

- a) following any de-mergers or mergers with other companies, the total number of shares held by the Parties is less than 51% of Mediolanum S.p.A. share capital or of the merging company or the company resulting from any said transactions;
- b) following any sales or transfers of Mediolanum S.p.A. shares or the loss of control by FININVEST and HERULE, either Party holds, either directly or indirectly, a shareholding which is lower than 25.5% of Mediolanum S.p.A. share capital.

Register of Companies

A copy of the Shareholders Agreement was deposited with the Milan Register of Companies on September 17, 2007.

Delegated authorities pursuant to art. 2443 of the Italian Civil Code

Readers are referred to article 6 of the company's Bylaws available on the website of Borsa Italiana and on the corporate website www.mediolanum.it under Corporate Governance/ Documents of Business Conduct, for information on authorities delegated to the Board of Directors to effect capital increases pursuant to art. 2443 of the Italian Civil Code.

Governance structure

The Company has a traditional governance structure consisting of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors responsible for auditing the accounts.

The term of the current members of the Board of Directors will expire upon the approval of the financial statements for the year ending December 31, 2007. On that same date, the term of the current members of the Board of Statutory Auditors will also expire.

Information on the composition of corporate governing bodies at December 31, 2007 is set out in the relevant sections below.

Reconta Ernst & Young S.p.A. have been serving as the company's independent auditors for nine years. They are responsible for auditing the accounts, including the separate and consolidated annual financial statements as well as for carrying out the limited audit of the interim financial statements. Their audit mandate will expire upon the approval of the financial statements for the year ending December 31, 2010. However, as required under article 160, paragraph 1 quarter of Legislative Decree 58/98, in 2008 a new firm partner will take responsibility for auditing the company's accounts since the term of his predecessor expired.

The Board of Directors

Reflecting international best practices, the Code of Conduct sets out a more refined definition of the role of the Board of Directors (cf. implementation rule 1.C.1. of the Code).

In 2005, exercising the authority vested in it by law and the Bylaws (art. 24 of the Bylaws), the Board of Directors elected the Chief Executive Officer (Ennio Doris) and, as in the prior mandate, conferred upon him all powers for the ordinary and extraordinary management of the company, except for those relating to significant and strategic matters, which remain exclusively reserved to the Board of Directors ("significant" transactions). Those matters include related party transactions, as further detailed herein.

In 2005, as in the prior mandate, all powers for ordinary management, including guidance and operational management with respect to tax affairs, corporate affairs, administration, management, control, finance, legal affairs and internal audit were conferred upon the Deputy Chairman (Alfredo Messina). The Board of Directors also conferred upon the Deputy Chairman the authority to oversee the internal control system as recommended by the Code of Conduct.

In 2005, as in the prior mandate, the authority to coordinate and supervise ordinary business and the regular operation of the company's offices and services was conferred upon the Executive Deputy Chairman (Edoardo Lombardi).

Any business under delegated authorities, as well as the performance and outlook of the company (and of its subsidiaries), any transactions which may have a significant impact on earnings, financial position and equity, and those transactions in which directors have an interest, either personally or to the benefit of any third party, are subject to the scrutiny of the Board of Directors and of the Board of Statutory Auditors, through a system of periodic reports to them submitted at least on a quarterly basis, as set out in the Bylaws.

Authorities are delegated to enable the Board of Directors to focus on the creation of value for the shareholders. The main responsibilities of the Board of Directors are to provide strategic guidance and management policies and to control the performance of the company. The Head of Corporate Affairs regularly reports and presents any main statutory and regulatory changes to the Board of Directors.

Again in 2007, the Board of Directors did not confer any operational authorities to the Chairman (Roberto Ruozi), to whom, however, the Bylaws reserve the power to represent the company. The Chairman, or anyone acting on his behalf, is also responsible for convening the meetings of the Board of Directors, which pursuant to the Bylaws are to be held at least on a quarterly basis.

At Board of Directors Meetings the exhaustive discussion of agenda items is assured and supported by the related documentation, which is generally delivered in advance to Directors and Statutory Auditors.

The Board of Directors defined general guidelines in relation to the maximum number of key positions held by its directors and statutory auditors in other companies (listed companies, banks, insurance companies, financial companies or companies of a material size):

I) an **executive** director should not:

- i) serve as executive director of another Italian or foreign listed company, or financial, banking or insurance company;
- ii) serve as non-executive director or statutory auditor (or member of any other control body) in more than five of the companies above;

II) a **non-executive** director, in addition to the position held with the company, should not:

- i) serve as executive director in more than three of the companies above, or as non-executive director or statutory auditor (or member of any other control body) in more than five of the companies above;

or

- ii) serve as non-executive director or statutory auditor (or member of any other control body) in more than eight of the companies above.

Any multiple positions held within the same Group of companies – that have the same key shareholder/s and/or are controlled by the same parent – shall be considered to be a single position.

The Board of Directors reserves the right to make different decisions which will be duly disclosed in the annual report on corporate governance.

Insider Dealing

Insider dealings previously governed by the Regulation of Markets managed by Borsa Italiana SpA, are now regulated by the provisions of art. 114, paragraph 7 of the Consolidated Finance Act which became effective on April 1, 2006.

Pursuant to said provisions, the Board of Directors of Mediolanum S.p.A. approved the company's **“Rules for purchases and sales made by insiders and their close family members**

- INSIDER DEALING CODE – as supplemented by resolution dated July 10, 2007”. The Insider Dealing Code is available on and can be downloaded from the company’s website.

The Insider Dealing Code sets out statutory and regulatory requirements (abstracts appended to the Code) for purchases and sales of shares of the Issuer and related financial instruments amounting to or higher than €5,000.00/year made by “insiders” - as defined in art. 152 sexies of the Consob Regulations for Issuers (Consob Resolution 11971/99) - either directly or through third-parties or trustees, as well as by their close family members.

In addition to insiders as set out in the regulation (i.e. directors, statutory auditors and their close family members), the Company identified certain additional senior management officers falling within the purview of the Act above, due to the authorities delegated to them in relation to strategic matters, i.e. Mr. Luigi Del Fabbro, Chief Financial Officer and Officer responsible for preparing accounting and financial reporting documents and Mr. Giuseppe Lalli, General Manager International Operations.

As allowed under current regulations, insiders and their close family members delegated the company and, on its behalf, the Head of Corporate Affairs to disclose any such purchases and sales of shares and related financial instruments in the manner and within the term set out in art. 152 octies of the Regulations for Issuers.

Information on any such purchases and sales is published on the Company’s website within the next trading day of their disclosure, and disclosed to Consob, Borsa Italiana S.p.A and the public.

Confidential and privileged information

Article 115 bis of the Consolidated Finance Act requires the establishment of the register of officers having access to privileged information, i.e. information not in the public domain that directly or indirectly relates to one or more issuers of financial instruments, which if made public would materially influence the price of said financial instruments.

Pursuant to the implementation rules set out in art. 152 bis *et seq.* of the Consob Regulation, each company within the Group proceeded to establish its own register, which is managed and regularly updated by the parent company Mediolanum S.p.A. on behalf of all subsidiaries and in accordance with a specific policy.

Said policy, including procedures for the maintenance of the Register and the management of information, is set out in the “**Policy Document on confidential and privileged information**” distributed to all subsidiaries and published on the corporate website.

In accordance with the law, the individuals whose names are entered in said Register are informed about it and on the consequences thereof, also by reference to the abstracts of statutes published on the corporate website.

2. ADHERENCE TO THE CODE OF CONDUCT

At its meeting of November 9, 2006, the Board of Directors of Mediolanum S.p.A. resolved to adhere to the current version of the Code of Conduct and identified the wholly owned subsidiary, Banca Mediolanum S.p.A., as a strategic subsidiary, both for its size and the role it plays within the Group.

At its meeting of March 4, 2008, the Board of Directors noted that Banca Mediolanum S.p.A uses an “Organisational Policy” to describe its organisational structure, management and control systems and consequently its operations. Said policy sets out the organisation of the Bank as well as the key tasks and responsibilities of each individual unit.

Based on said policy, which is annually reviewed by the Board of Directors of Banca Mediolanum S.p.A., the Board of Directors unanimously agreed that the organisational structure, management and control systems of that subsidiary are appropriate.

The Board of Directors also resolved that any transaction of strategic significance or that may have a significant impact on the earnings, financial position and equity of Mediolanum S.p.A. that any of its subsidiaries intends to carry out is to be submitted to the Board of Directors of the Parent Company Mediolanum S.p.A. for its *prior* examination and approval.

Board of Directors

Pursuant to the Code, in addition to the already existing Audit Committee, the Board of Directors of Mediolanum S.p.A. established the Compensation Committee.

Information on the Compensation Committee is set out in the relevant section below.

The Board of Directors verified the qualifications of certain directors to serve as independent directors against the requirements set out in the Code of Conduct and the information provided by each individual director.

The Board of Directors also established that transactions in excess of €200,000.00/year are to be

considered as “significant transactions” and confirmed the definition of close family members as relatives within the second degree.

The Board of Directors elected by the shareholders at the General Meeting of April 26, upon a proposal of the members of the Shareholders’ Agreement under 1), will remain in office until the approval of the financial statements for the year ending December 31, 2007.

Following the resolutions and verifications above, the current members of the Board of Directors are as follows:

1. Roberto Ruozi, Chairman (no delegated authorities)	Independent
2. Alfredo Messina, Deputy Chairman	Executive
3. Edoardo Lombardi, Executive Deputy Chairman	Executive
4. Ennio Doris, Chief Executive Officer	Executive
5. Luigi Berlusconi,	Non Executive
6. Marina Berlusconi, Director	Non Executive
7. Pasquale Cannatelli, Director	Non Executive
8. Maurizio Carfagna	Non Executive
9. Massimo Antonio Doris, Director	Non Executive
10. Bruno Ermolli, Director	Non Executive
11. Mario Molteni, Director	Independent
12. Angelo Renoldi, Director	Independent
13. Paolo Sciumè, Director	Non Executive
14. Antonio Zunino, Director	Non Executive

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

The independent directors, who beginning from 2007 meet at least once a year, prepare a report for the Board of Directors, which sets out their assessment of the adequacy of the size, composition and operation of the Board of Directors and its Committees and includes recommendations on the recruitment of any professional figures, whose presence on the Board may be useful (so called self-assessment). The independent directors also monitor the Company Governance system and present their recommendations on required amendments thereto, if any, to the Board of Directors. In this respect, it should be noted that, since the Chairman of the Board of Directors has no executive powers, there was no need to appoint a *Lead Independent Director*. In 2007, there were 3 meetings of Independent Directors. Independent Directors assisted the Board of Directors in relation to the 2006 corporate governance report and reported their positive opinion as well as self-assessment on the occasion of the next Board of Directors Meeting. In relation to self-assessment, the Independent Directors decided to use a questionnaire to be filled out by all Board members. Based on the analysis of answers given by directors, the Independent Directors and the Board of Directors concluded that directors are satisfied with the size, composition and operation of the Board of Directors.

During 2007 the Board of Directors held 8 meetings.

For the year 2008, 6 meetings of the Board of Directors are planned, of which 2 have already been held.

The Board of Directors has identified **significant transactions** as those set out in art. 23 of the Bylaws, which under the Bylaws are exclusively reserved to the Board of Directors.

The Board of Directors has exclusive authority also over **related party transactions**, as defined by the combined provisions of article 2, paragraph 1, letter h) and article 71bis of Consob Regulation 11971/1999, as subsequently amended, and article 2391-bis of the Italian Civil Code, pending further regulation from the competent authorities.

In order to further clarify and supplement the International Accounting Standard (IAS) 24, which is the standard explicitly referred to in the regulations above, the Board of Directors of Mediolanum S.p.A. resolved that

- a) close members of the family as defined under IAS 24 are relatives within the second degree;
- b) significant influence is exercised if the voting shareholding held in the entity is at least 10% if the entity is listed on a regulated market, or at least 20% in other cases;

The limit values for which a transaction is to be disclosed to the market due to its potential effects on the company's equity, are as follows:

- €10,000,000.00 for any type of purchase or sale;
- €125,000,000.00 for interest-bearing credit facilities (excluding any deferred payment facilities granted to the company in connection with the supply of goods and the provision of services), excluding credit facilities maturing within one year and connected to the day-to-day business of the company and its subsidiaries.

The Board of Directors also decided that resolutions regarding related party transactions, as set out above and reserved to its exclusive competence, the individual value of which is greater than €250,000.00 be taken subject to the prior opinion of Independent Directors and with the assistance of independent experts, if so needed in consideration of the nature, value or features of the transaction.

Directors, if any, with vested interests in any such transactions shall comply with the requirements of art. 2391 of the Italian Civil Code. In addition, the Board of Director may decide from time to time to apply approval rules under which any directors with vested interests in the transaction are required to abstain from voting or temporarily withdraw from the meeting for the sake of decision-making transparency.

Nomination Committee

Based on its experience Mediolanum S.p.A. deemed unnecessary to establish a Nomination Committee, also considering its narrow shareholder base. In fact, as the Code reads, a Nomination Committee “is typical of organisations with a broad shareholders base (...) and especially in that case it plays a particularly important role in the selection of candidates for the position of director”.

Compensation Committee

The Compensation Committee replaced the Stock Options Plan Committee, that was responsible for setting policies for part of the compensation of senior management officers of the company and the group as well as key contract workers, through the assignment of stock options linked to the achievement of certain targets.

In accordance with the Code of Conduct, the “**Compensation Committee**” is composed of non-executive, mostly independent, directors. Specifically the members of the Compensation Committee are:

- Mario Molteni - Independent;
- Bruno Ermolli – Non-executive;
- Angelo Renoldi – Independent.

The Compensation Committee is responsible for

- a) submitting proposals for the compensation of chief executives and other directors holding special positions to the Board of Directors, as well as monitoring the implementation of resolutions passed by the Board of Directors;
- b) periodically assessing the policies for the compensation of key management officers, overseeing their implementation on the basis of the information

provided by chief executives, and presenting general recommendations on the matter to the Board of Directors;

- c) drafting the rules governing all aspects of the Stock Options Plan, which are submitted to the Board of Directors for approval;
- d) managing all actions required for the implementation of the Plan, including the selection of the Beneficiaries, the number of options to be allotted to each of them and the conditions for their exercise;
- e) setting operating and/or financial performance targets for option granting;
- f) in general, all tasks and duties previously assigned to the Stock Option Plan Committee

The Compensation Committee presents its annual budget.

In 2007, the Compensation Committee performed its duties in relation to the Stock Option Plan implementing the Stock Option Plan approved by the shareholders at the Extraordinary General Meeting of April 26, 2005. The Committee presented its 2007 annual budget on the occasion of the Board of Directors Meeting of May 10, 2007 and its 2008 annual budget at the Board of Directors Meeting of March 18, 2008.

In relation to a), noting the imminent expiration of the term of the Board of Directors and the subsequent election of the new Board at the upcoming General Meeting, the Committee unanimously resolved to postpone any decisions after the General Meeting and the next Board Meeting considering that Board Committees, including the Compensation Committee will be renewed.

In relation to b) the policies for the compensation of Group's key management officers, were examined together with the Human Resources team and were considered appropriate. The Committee recommended that compensation scales adopted by the Mediolanum Group continue

to be monitored vis-à-vis market developments in that area.

Internal Control System

Pursuant to the Code of Conduct, the Board of Directors appointed the Deputy Chairman Alfredo Messina officer responsible for the internal control system.

You are reminded that internal audit is conducted for the entire group, including Mediolanum S.p.A., by the internal audit staff of the subsidiary Banca Mediolanum S.p.A. under specific outsourcing arrangements.

It should be noted that the **Chief Auditor** of the Mediolanum Group Andrea Alessandri resigned effective from January 6, 2008. In announcing his resignation, the subsidiary Banca Mediolanum also informed that the responsibilities for supervising and coordinating the operation of the internal control system was temporarily assigned to Giovanni Pirovano, Director and General Manager of Banca Mediolanum.

At its Meeting held on March 18, 2008, upon a proposal of the Deputy Chairman who is also responsible for overseeing the effectiveness of the internal control system, and with the favourable opinion of the Audit Committee, the Board of Directors of Mediolanum SpA appointed Ms Serenella De Candia born in Nuoro on February 6, 1967, **Chief Auditor**.

The Chief Auditor is vested with the powers she needs for the performance of her duties. She provides assistance to the officer responsible for overseeing the effectiveness of the internal control system, in order to

- identify key corporate risks and report them to the Board of Directors;
- implement the internal control policies set by the Board of Directors through internal control system planning, management and monitoring.

The Chief Auditor is a direct report of the Deputy Chairman (executive), however, she is vested with broad powers and independence in the performance of her duties. Being a direct report of

the Deputy Chairman, who is responsible for overseeing the effectiveness of the internal control system, is largely a function of the shareholders' agreement under which one party has strategic/operational responsibilities and the other party exercises control.

You are reminded that at the end of 2005, action was taken to strengthen risk management and monitoring. That also entailed the establishment, in 2006, of the "Risk Management and Compliance" function, which is responsible for ensuring the adequacy of risk management procedures for financial, operational and credit risks as well as regulatory compliance of the financial conglomerate headed by Mediolanum S.p.A..

Specifically, in relation to "Financial Risk and Operational Risk Management" the relevant function of Banca Mediolanum carries out the following activities for the entire Group under specific outsourcing agreements:

- overseeing the definition of risk measurement methods applied by the risk management units of subsidiaries;
- validating the flows of information needed to ensure timely control of exposure to operational and financial risks associated with assets managed by subsidiaries, taking mitigating actions and, when possible, preventing any anomalies;
- preparing reports to the Audit Committee, Senior Management and heads of operating units on risk evolution within Group companies, including any proposed corrective measures;
- assisting the line control units of subsidiaries in assessing Asset Liability Management models and techniques for proper understanding and management of risk exposures arising from any asset/liability mismatch.

In relation to "Regulatory Compliance", the following activities are also carried out:

- assessment of the impact of regulations on the business at Group level, and changes in operating processes and/or procedures;
- assessment of compliance of processes with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as with any other applicable rules. This is done working together with Corporate Affairs and Organisation officers.

Audit Committee

The Audit Committee consists of three members who will remain in office until the expiration of the entire Board of Directors, i.e. until the General Meeting convened to approve the financial statements for the year ending December 31, 2007. The members of the Committee are the Directors Mario Molteni (independent), Angelo Renoldi (independent) and Paolo Sciumè (non executive). All the members of the Audit Committee have knowledge of accounting and financial reporting.

The membership of the Committee is in accordance with the recommendation of the Code.

In 2007, the Audit Committee held 3 meetings. Another 2 meetings were held in 2008, namely on February 27, 2008 and March 14, 2008. During said meetings the members of the Audit Committee reviewed and assessed, *inter alia* i) Risk Assessment activities; ii) internal control activities both carried out and planned; iii) the annual report of the Supervisory Board established pursuant to Legislative Decree 231/2001; iv) the activities conducted by the Officer responsible for preparing accounting and financial reporting documents that lay the groundwork for the report required under article 154 bis, paragraph 5 of the Consolidated Finance Act – which pending the issue of regulations by Consob will be in the version prior to the implementation of Legislative Decree 195 of November 6, 2007 (“Transparency”); v) in conjunction with the Officer

responsible for preparing accounting and financial reporting documents, the adequacy of the accounting standards applied and their consistency in relation to the preparation of the consolidated financial statements, taking into account any changes in regulations and audit work.

The Audit Committee provides advice and proposals in relation to internal controls to the Board of Directors. The Audit Committee coordinates its activities with those of the Board of Statutory Auditors, the Independent Auditors, the Chief Auditor, within their respective competence.

The Audit Committee presents its annual budget, and in an emergency, it is assisted by Executive Directors for the funding of its expenses.

The Statutory Auditors, the Chief Executive Officer, the Chairman, the Deputy Chairmen, and the Chief Auditor are entitled to attend the meetings of the Audit Committee.

The Audit Committee elects its Chairman and meets anytime is needed, also upon request of the Chief Auditor and in any case no less than every six months on the occasion of the approval of the interim report and the annual financial statements.

Any Committee member who has a personal interest in the matter which is being voted shall abstain from voting.

Resolutions are passed by majority voting of the members of the Committee.

The responsibilities of the Audit Committee are those set out in the Code of Conduct, i.e.

- to assist the Board of Directors in defining internal control system guidelines which ensure the proper identification, measurement, management and control of major risks for the issuer and its subsidiaries, and guidelines for the assessment of the consistency of those risk with the sound and proper management of the business;
- to assist the Board of Directors in the selection of an executive director (generally one of the chief executives) responsible for overseeing the effectiveness of the internal control system;

- to assist the Board of Directors in the assessment, at least annually, of the adequacy, efficiency and effectiveness of the internal control system;
- to assist the Board of Directors in drafting the corporate governance report with respect to the description of the key elements making up the internal control system and the assessment of its overall adequacy;
- to verify, in conjunction with the Officer responsible for preparing accounting and financial reporting documents and the independent auditors, the proper application of accounting standards and their consistency for the purpose of consolidated financial reporting;
- to express opinions on specific aspects relating to the identification of main corporate risks as well as the design, implementation and management of the internal control system, upon request of the executive director;
- to review the audit plan prepared by the Chief Auditor as well as her periodic reports;
- to evaluate proposed audit mandates presented by independent auditors in addition to the scope of audit and the recommendations set out in their management letters and reports
- to verify the efficacy of the audit process;
- to carry out any other activities required by the Board of Directors;
- to report on work performed and the adequacy of the internal control system to the Board of Directors at least every six months, concurrently with the approval of interim and annual financial statements.

The Audit Committee is authorised to access corporate information and receive assistance from those staff members that may help the Committee in the performance of its duties as well as to avail itself of external advisors when necessary.

The Audit Committee presented its annual budgets for 2007 and 2008 to the Board of Directors for approval.

From the examination of the activities, as reported by the Committee and analysed by the Board of Directors, no significant issue emerged with respect to the internal control system.

Officer responsible for preparing accounting and financial reporting documents

Following regulatory changes and the subsequent amendments to the company's bylaws resolved by the shareholders at the Extraordinary General Meeting of April 19, 2007, after ascertaining he was qualified for the position and upon the favourable opinion of the Board of Statutory Auditors, on May 10, 2007 the Board of Directors appointed Luigi Del Fabbro Officer responsible for preparing accounting and financial reporting documents and conferred upon him all related authorities.

Since his appointment, said Officer has issued the certifications required under art. 154 bis, paragraph 2 of the Consolidated Finance Act, and collated information needed for the issue of the certification required under art. 154 bis, paragraph 5 of the Consolidated Finance Act, in connection with the approval of the financial statements for the year 2007.

The Officer responsible for preparing accounting and financial reporting documents regularly reports on his activities to the Board of Directors and the Audit Committee.

Supervisory Board (pursuant to Legislative Decree 231/2001)

Upon the adoption of the "Organisation, Management and Control Models" as required under art. 6 of Legislative Decree 231/2001 (Liability of Legal Persons) the Board of Directors of the Company established the Supervisory Board responsible for overseeing the effectiveness, compliance and update of said Models.

The Supervisory Board is composed of the following members:

- Angelo Renoldi, (Independent) Director, as Chairman;

- Alfredo Messina, Deputy Chairman of Mediolanum S.p.A.;
- Ettore Parlato Spadafora, Head of the Group's Legal Affairs Department.

Annually the Supervisory Board prepares a report on the activities carried out during the year and planned for the following year, including its annual budget, and submits it to the Audit Committee, the Board of Directors and the Board of Statutory Auditors.

In 2007, the Board of Directors approved the action taken by the Supervisory Board in relation to flows of information and procedures in connection with the “Organisation, Management and Control Models” pursuant to Legislative Decree 231/2001” and approved the annual budget presented by the Supervisory Board.

Investor Relations

Mediolanum has an **Investor Relations** office, under the responsibility of the Chief Executive Officer, and headed by the Investor Relations Manager. This office is responsible for, *inter alia*, dealing with institutional Investors, and complying with market disclosure requirements for privileged information pursuant to the regulations in force.

The **Corporate Affairs Department** is responsible for dealing with all investors other than institutional investors especially with respect to corporate information.

As to General Meetings, the action of the Board of Directors is aimed at maximising shareholders' attendance, favouring the exercise of shareholders' rights and taking the General Meeting as an occasion to communicate company information to the shareholders.

Any relevant corporate information is published in a specific section of the corporate website which is easily found and accessible.

At the corporate website, which is continuously upgraded and updated, you can also find all key corporate documents including the Bylaws, press releases, the Corporate Governance Report.

In addition, the Ordinary General Meeting of April 12, 2001 adopted the **Rules and Regulations**

of the General Meetings. The Rules and Regulations can be downloaded from the company's website.

Dividend Policy

In 2007, the company continued its policy of dividend distribution, which entails the distribution of interim dividends any time steadily positive business performance so allows. On November 8, 2007, the Board of Directors resolved the distribution of a 2007 interim dividend to the shareholders in the amount of €0.085 for each share with par value of €0.10 euro, before withholding tax, for a total amount of €62,005,453.96.

Board of Statutory Auditors

In 2007, the Board of Statutory Auditors held 14 meetings.

The alternate auditor Francesco Vittadini replaced Achille Frattini as standing auditor since Mr. Frattini resigned on June 27, 2007.

Article 27 of the Bylaws, as amended by the Board of Directors on June 27, 2007, pursuant to article 144 sexies of the Regulations for Issuers sets out that: Lists can be presented by shareholders entitled to vote who, either alone or together with other shareholders, represent at least the percentage of subscribed capital indicated by CONSOB at the date the list is presented.

The percentage required to present a list will be indicated in the notice of the general meeting convened to elect the members of the Board of Statutory Auditors.

Each shareholder, either directly or through any third-parties or trustees, can present and vote only one list. Shareholders in the same group, intended as the parent, its subsidiaries and companies under its control, as well as shareholders that are members of a shareholders' agreement as per article 122 of Legislative Decree 58/1998 in relation to the company's shares can present and vote, either directly or through any third-parties, only one list.

The lists shall be delivered at the company's registered office no later than fifteen calendar days

before the date (first call) of the General Meeting convened to elect statutory auditors. The lists shall be accompanied by the following information

- a) the names of the shareholders that present the lists, the percentage of their voting rights in the aggregate and a document certifying their shareholding;
- b) a statement made by the shareholders other than those who, either individually or jointly, control or have a relative majority shareholding in the company, whereby they represent they are or are not related to shareholders who, either individually or jointly, control or have a relative majority shareholding in the company, in compliance with article 144-quinquies, first paragraph, of Consob resolution 11971/1999 (hereinafter also “Regulations for Issuers”);
- c) exhaustive information on the personal and professional profile of nominees as well as a declaration whereby the nominees personally warrant they meet the requirements of the law and the Bylaws and accept their nomination.

Individuals who hold the position of director or statutory auditor in a number of other companies which exceeds the limit set out in the regulations in force cannot be elected statutory auditors.

If, upon the expiration of the fifteen calendar days before the date (first call) of the General Meeting convened to elect statutory auditors, a single list is presented or lists are presented only by related shareholders as defined in article 144-quinquies of the Regulations for Issuers, then the term for the presentation of nominees’ lists can be extended up until the fifth calendar day subsequent to the original term for the presentation of lists. In this case the percentage of voting rights required to present lists under 3) above is halved”

You are reminded that by resolution 16319 of January 29, 2008 Consob resolved that the percentage for the presentation of lists is 1.5% of subscribed share capital as of the date the list is presented.

The Board of Directors decided to apply all the independence requirements for directors set forth

in section 3 of the Code of Conduct for Listed Companies also to the members of the Board of Statutory Auditors beginning from the expiration of the current Board of Statutory Auditors.

The members of the Board of Statutory Auditors, whose term will expire at the General Meeting convened to approve the financial statements for the year ending December 31, 2007 – are as follows:

Mauri Arnaldo - Chairman;

Vittadini Francesco – Standing Auditor;

Giampaolo Francesco Antonio - Standing Auditor;

Gatti Ferdinando – Alternate Auditor;

Finally, we inform you that the Chairman of the Board of Statutory Auditors Prof. Arnaldo Mauri does not hold any positions as Director or Statutory Auditor in any other Italian listed companies, the Standing Auditor Francesco Vittadini serves as Standing Auditor of Mediaset S.p.A. and DMT S.p.A., while the other Standing Auditor Francesco Antonio Giampaolo is Standing Auditor of Mediaset S.p.A..

3. Annual report on positions held by directors under principle 1.C.2. of the Code of Conduct for Listed Companies

In compliance with the Code of Conduct, on March 18, 2008, the Board of Directors of the company verified the positions as Director or Statutory Auditor held by Directors in other companies outside the Mediolanum Group which are listed on regulated exchanges, including exchanges located outside Italy, in financial companies, banks, insurance companies or companies of a material size. The positions were:

ROBERTO RUOZI - Chairman

Chairman of the Board of Directors of:

– Palladio Finanziaria S.p.A.

- Axa Assicurazioni S.p.A.
- Axa Interlife S.p.A.
- Axa Soluzioni Vita S.p.A.
- Touring Club Italiano (Association)
- Touring Servizi S.r.l.
- Touring Editore S.r.l.
- Retelit S.p.A. (previously Eplanet S.p.A.)
- Polis Fondi SGR S.p.A.
- Consorzio San Siro Duemila
- Venice S.p.A.

Member of the Board of Directors of:

- Lanificio Fratelli Cerruti S.p.A.
- Gewiss S.p.A.
- Convergence Com S.A.
- Collegio San Carlo S.r.l.
- Arena Agroindustrie Alimentari S.p.A.

Chairman of the Board of Statutory Auditors of:

- Borsa Italiana S.p.A.
- Monte Titoli S.p.A.

ALFREDO MESSINA – Deputy Chairman

Chairman of the Board of Directors and Chief Executive Officer of:

- Mediolanum Assicurazioni S.p.A;

Member of the Board of Directors of:

- Mediaset S.p.A.
- Gestelevision Telecinco S.A.
- Molmed S.p.A.

EDOARDO LOMBARDI – Executive Deputy Chairman

Chief Executive Officer of:

- Mediolanum Assicurazioni S.p.A.

Member of the Board of Directors of:

- Banca Esperia S.p.A.
- Istituto Europeo di Oncologia S.r.L.

ENNIO DORIS – Chief Executive Officer

Member of the Board of Directors of:

- Banca Esperia S.p.A.
- Mediobanca S.p.A.
- Fondazione Centro S.Raffaele del Monte Tabor
- Safilo Group S.p.A.

LUIGI BERLUSCONI - Director

He does not hold any material position in companies outside the Group.

MARINA BERLUSCONI - Director

Chairman of the Board of Directors:

- Arnoldo Mondadori Editore S.p.A.
- Fininvest S.p.A.

Member of the Board of Directors of:

- Mediaset S.p.A.

PASQUALE CANNATELLI – Director

Chief Executive Officer of:

- Fininvest S.p.A.

Member of the Board of Directors of:

- Arnoldo Mondadori Editore S.p.A.
- A.C. Milan S.p.A.
- Mediaset S.p.A.

MAURIZIO CARFAGNA – Director

Member of the Board of Directors of:

- Class Editori S.p.A.
- CIA S.p.A.
- Molmed S.p.A.
- First Atlantic Real Estate SGR S.p.A.
- H-Equity Sarl SICAR
- Futura Invest S.p.A.

MASSIMO ANTONIO DORIS – Director

Member of the Board of Directors of:

- Duemme SGR S.p.A.

BRUNO ERMOLLI – Director

Deputy Chairman of the Board of Directors of:

- Fondazione Teatro alla Scala

Member of the Board of Directors of:

- Arnoldo Mondadori S.p.A.
- Fininvest S.p.A.
- Mediaset S.p.A.
- Mondadori France
- Fondazione Carialo
- Senior Advisor and Member of the European advisory council of JPMorgan

MARIO MOLTENI - Director

Member of the Board of Directors of:

- 8a+ Investimenti SGR S.p.A.
- Opera SGR
- Member of the Steering Board of Fondazione Cariplo

ANGELO RENOLDI – Director

Member of the Board of Directors of:

- Editoriale Domus S.p.A.

Member of the Board of Statutory Auditors of:

- Saf Wood S.p.A. – listed on Alternext, Paris

PAOLO SCIUMÈ – Director

Deputy Chairman of the Board of Directors of:

- Cremonini S.p.A.

ANTONIO ZUNINO - Director

He does not hold any material position in companies outside the Group.

Basiglio, Milano 3, March 18, 2008

on behalf of the Board of Directors
The Chairman
Roberto Ruozi

Position	Member	Executive	Non-executive	Independent	****	Number of other positions **	***	****	***	****	***	****	***	****
Board of Directors							Audit Committee •	Compensation Committee ♦ (^)	Nomination Committee if any ◇	Executive Committee if any				
Chairman	Ruozzi Roberto			x	88 %	18								
Deputy Chairman	Messina Alfredo	x			100%	4								
Executive Deputy Chairman	Lombardi Edoardo	x			100 %	3								
Chief Executive Officer	Doris Ennio	x			100 %	4								
Director	Berlusconi Luigi		x		83 %	0								
Director	Berlusconi Marina		x		0 %	3								
Director	Cannatelli Pasquale		x		100 %	4								
Director	Carfagna Maurizio		x		100 %	6								
Director	Doris Massimo Antonio		x		100 %	1								
Director	Ermolli Bruno		x		75 %	7			x	100%				
Director	Molteni Mario			x	88 %	3	x	100%	∇	100%				
Director	Renoldi Angelo			x	100 %	2	x	100%	∇	100%				
Director	Sciumè Paolo		x		88 %	1	x	67%						
Director	Zunino Antonio		x		75 %	0								

● Brief comment on the absence of the Committee or on a composition different from that recommended in the Code:

◆ Brief comment on the absence of the Committee or on a composition different from that recommended in the Code:

◇ Brief comment on a composition different from that recommended in the Code:

SCHEDULE 1: MEMBERSHIP OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Number of meetings held during the year	Board of Directors: 8	Audit Committee: 3	Compensation Committee: 1	Nomination Committee: -	Executive Committee: -
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NOTES

* An asterisk means that the director was elected from a nomination list presented by minority shareholders.

**This column indicates the number of directorships or positions as statutory auditor held by the specific member in other companies listed on regulated exchanges, including exchanges located outside Italy, in financial companies, banks, insurance companies or companies of a material size. The positions are detailed in the Corporate Governance Report.

*** An "X" in this column indicates the membership of the Board Director on the Committee.

**** This column shows the percentage of Board of Directors and Committee meetings attended by directors.

◇ Considered to be unnecessary given the current ownership structure, (see page 18).

SCHEDULE 2: BOARD OF STATUTORY AUDITORS

Position	Member	Attendance of Board of Statutory Auditors Meetings	Number of other positions**
Chairman	Mauri Arnaldo	100%	0
Standing auditor	Giampaolo Francesco Antonio	100%	1
Standing auditor (since June 27, 2007)	Vittadini Francesco	100%	2
Standing auditor (until June 27, 2007)	Frattoni Achille	100%	2
Number of meetings held during the year: 14			
Indicate the percentage of shares required of minority shareholders to present lists for the election of one or more statutory auditors (article art. 148 of the Consolidated Finance Act): 1.5% (cf. Consob Resolution 16319 of January 29, 2008)			

NOTES

* An asterisk means that the statutory auditor was elected from a nomination list presented by minority shareholders.

**This column indicates the number of directorships or positions as statutory auditor held by the specific member in other companies listed on regulated exchanges in Italy. The positions are detailed in the Corporate Governance Report.

SCHEDULE 3: OTHER CODE OF CONDUCT REQUIREMENTS

	YES	NO	Brief description of any reasons for any departures from the Code recommendations
<u>Delegated authorities and related party transactions</u>			
Did the Board of Directors delegate powers and define:			
a) limits	x		
b) manner of exercising powers	x		
c) and frequency of reports?	x		
Did the Board of Directors reserve for itself the authority to review and approve transactions which may have a material impact on earnings, financial position and equity (including related party transactions)?	x		
Did the Board of Directors establish guidelines and criteria for the identification of "significant" transactions?	x		
Are the guidelines and criteria above described in the report?	x		
Did the Board of Directors establish procedures for reviewing and approving related party transactions?	x		
Are the procedures for the approval of related party transactions described in the report?	x		
<u>Procedures for the most recent election of directors and statutory auditors</u>			
Were nominations for directorships received at least ten days in advance?	x ⁽¹⁾		
Did nominations for directorships include exhaustive information?	x		
Did nominations for directorships include evidence as to the suitability of the nominee as an independent director?	x		
Were nominations for statutory auditors received at least ten days in advance?	x ⁽¹⁾		
Did nominations for statutory auditors include exhaustive information?	x		
(1) requirement superseded by new regulations			

General Meetings			
Did the company approve Rules and Regulations for the General Meetings?	x		
Are the Rules and Regulations attached to the Report (or does it indicate where the Rules and Regulations can be obtained/downloaded)?	x		
Internal Audit			
Did the company appoint chief auditors?	x		
Are these officers independent of heads of operating functions?		x	Pursuant to the provisions of the shareholders' agreement.
Department responsible for internal audit	INTERNAL AUDIT		
Investor relations			
Did the company appoint an Investor Relations Manager?	x		
Investor Relations Manager's details (address/phone/fax/e-mail)	Alessandra Lanzone Investor Relations Manager fax: +39-02-9049-2413 e-mail: investor.relations@mediolanum.it		