

Group ESG Policy



MEDIOBANCA

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Introduction and document objectives



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1. Introduction and document objectives

1.1 Introduction

The Mediobanca Group is convinced of the need to embrace environmental, social and governance principles (“ESG”) as a matter of priority in its operating criteria, to consolidate investor and market confidence. ESG principles are a key factor in pursuing the creation of value in earnings and financial as well as sustainable social and environmental terms.

To pursue these objectives, the Group has developed and adopted an approach that seeks to identify, assess, prevent and reduce reputational and operational risks that would derive from lending to, and investing in, entities operating in sectors not considered to be socially responsible, with low ESG ratings and/or involved in serious events which impact negatively on social, environmental and governance issues (also known as indirect impacts), or which may do in the future.

1.2 Objectives

This policy defines the general principles and guidelines that require assessment of ESG factors in decision-making in activities performed by the Group operating both on own account and on behalf of clients.

In particular, the principles on which the Policy is based are intended to:

- ◇ Promote knowledge and facilitate the application of responsible lending and investment processes within the Group;
- ◇ Reduce the risks and indirect impact related to the businesses managed by the Group;
- ◇ Prevent the Group from being involved in activities that do not conform to the principles of ethics and integrity that constitute the foundation of the Group’s way of doing business.

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Scope of application



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2. Scope of application

This Policy applies, based on the principle of proportionality and gradualness, to the following activities performed by the Mediobanca Group (hereafter, including generically, the “Business Activities”):

- ◇ With counterparties and/or clients, transactions in the following areas:
 - ◇ Lending and credit for counterparty risk;
 - ◇ Corporate and Investment Banking (Equity and Debt Capital Market, M&A and debt advisory and capital market solutions);
- ◇ With reference to financial instruments in which the Group companies, on their own behalf (i.e. proprietary investing) and/or on behalf of its clients, invest by means of individual and collective portfolio management services and provide investment advisory services to clients¹(“MiFID Advice²

The scope of application includes the following companies and subsidiaries in addition to Mediobanca:

- ◇ Mediobanca International Luxembourg S.A.;
- ◇ MBFacta S.p.A.;
- ◇ MBCredit Solutions S.p.A.;
- ◇ CheBanca! S.p.A.;
- ◇ Compass Banca S.p.A.;
- ◇ SelmaBipiemme Leasing S.p.A.;
- ◇ CMB Monaco S.A.M.;
- ◇ C.M.G. Compagnie Monégasque de Gestion S.A.M.;
- ◇ Mediobanca SGR S.p.A.;
- ◇ Mediobanca Management Company S.A.;
- ◇ Cairn Capital Group Limited;
- ◇ RAM Active Investements S.A.;
- ◇ Spafid S.p.A.;

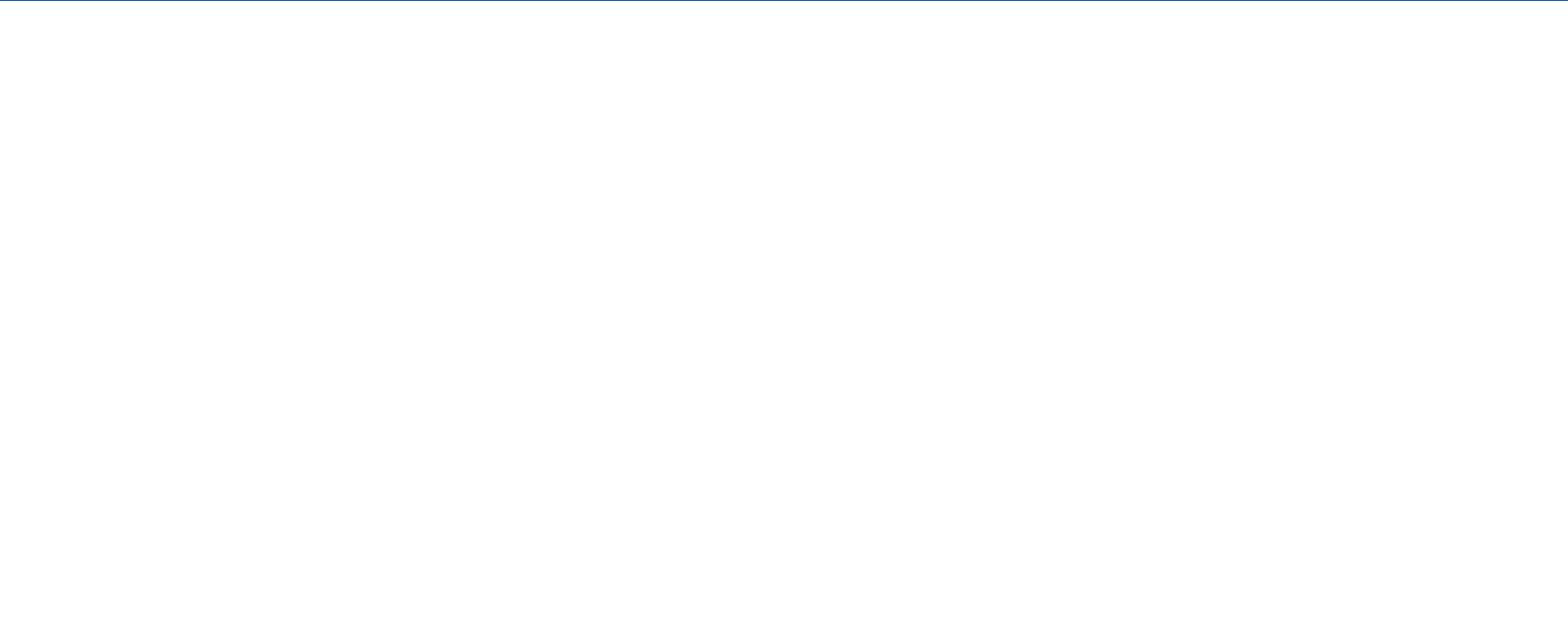
1. With reference to advisory activity, the principles set out in section 4.1 are applied exclusively to the selection of instruments that meet certain ESG criteria made available to clients, as described in section 4.5 below. Trades executed directly by clients at their own initiative without any advice provided by the Mediobanca Group are excluded from the scope of application of this Policy.

2. I.e. advice that qualifies as an investment service or activity as listed in MiFID II (cf. Directive EU 2014/65, Annex I, section A, no. 5).

◇ Messier & Associés S.C.A..

Sono escluse dall'ambito di applicazione della presente Politica:

- ◇ Products managed by Group companies with a "passive" management style which replicate the composition and performance of a given index. Furthermore, application of the negative screening criteria to individual and collective management products which have benchmarks, is assessed specifically, in order to limit any effects in terms of distortion due to not being able to replicate the benchmark;
- ◇ Any management mandates delegated to third parties external to the Group in force on 1 October 2021. If new management mandates are issued to third parties to the Group, or if existing ones are renewed (at the next contractual expiry date or at the earliest opportunity, as the case may be), specific criteria will be agreed with the managers for adoption in line with the principles set out in this Policy;
- ◇ Proprietary investments made as part of trading activity.



Principles of reference



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3. Principles of reference

The Mediobanca Group, in defining this Policy, has based its considerations on the following principles:

- ◇ Universal Declaration of Human Rights;
- ◇ Ten principles of the UN Global Compact, recognized globally and applicable to all economic sectors;
- ◇ Seventeen UN Sustainable Development Goals (SDGs).

As a result of the Group's commitment in this area, Mediobanca SGR, RAM Active Investment and Cairn Capital Limited are all signatories to the UN-supported Principles for Responsible Investment ("PRI").

The PRI are criteria established by the United Nation, to which a network of certified investors adheres, the objective of which is to develop a more sustainable global financial system, and support its signatories in incorporating these factors into their investment and active ownership decisions.

The principles contained in the PRI are a set of best practices to incorporate ESG issues into investment decision-making processes.

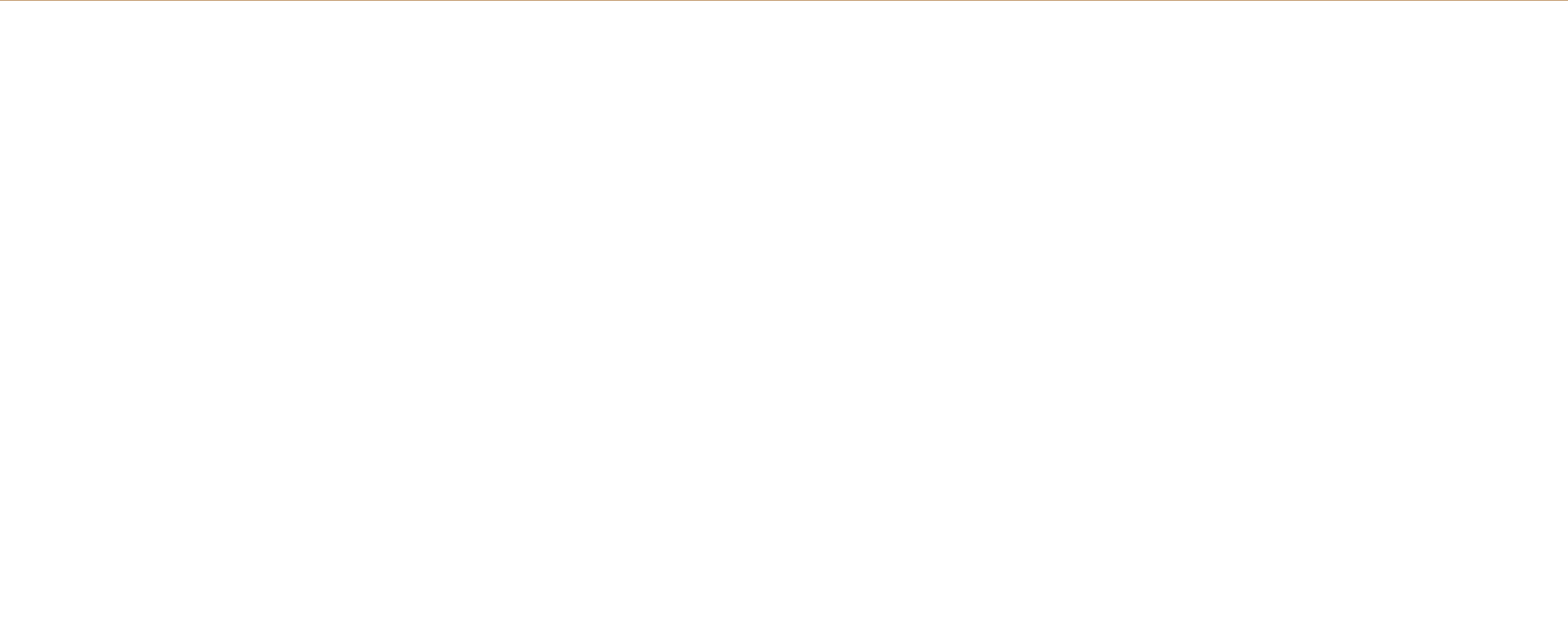
The principles are:

- ◇ Incorporation of environmental, social and governance issues into investment analysis and decision-making processes;
- ◇ Incorporation of environmental, social and governance issues into active ownership policies;
- ◇ Seeking appropriate disclosure on ESG issues by entities in which the signatories invest;
- ◇ Promoting acceptance and implementation of the PRIs within the investment industry;
- ◇ Working together with the financial community to enhance effectiveness in implementing the Principles;
- ◇ Disclosure/reporting on activities and progress towards implementing the PRIs.

Mediobanca has also recently adhered to the Principles for Responsible Banking (the "PRB"), six voluntary commitments launched at the United Nations' General Assembly in September 2019, and which, forming part of the political and institutional framework outlined by the Paris Climate Agreement and the 2030 Agenda 2030 for Sustainable Development – seek to integrate social and environmental issues into the banking sector, incentivizing banks to set objectives for sustainable growth, and promoting measurement of the impact of banking activities on individuals and on the planet.

The principles provide for commitment in the following areas:

- ◇ Aligning business strategies to be consistent with and contribute to individuals' needs and society's goals (alignment);
- ◇ Continuously increasing positive impacts while reducing negative impacts on, and managing risks to, people and environment resulting from our activities, products and services; to this end, targets are set and published where the impact is expected to be most significant (impact and target setting);
- ◇ Working responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations (clients and customers);
- ◇ Proactively and responsibly consulting, engaging and partnering with relevant stakeholders to achieve society's goals (stakeholders);
- ◇ Implementing commitment to the PRB through effective governance and a culture of responsible banking (governance and culture);
- ◇ Periodically reviewing individual and collective implementation of the PRB, and being transparent about and accountable for positive and negative impacts and the contribution being made to society's goals (transparency and accountability).



Responsible Business Activities



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4. Responsible Business Activities

To promote responsible Business Activities based on ESG criteria, the Mediobanca Group has defined activities and indicators for analysis that each legal entity is required to take into consideration in making its assessments.

Such analysis is performed by each Group company, in accordance with the needs and specific features of its own business, by using one or more of the following sources (where available):

- ◇ Information in the public domain (e.g. communications and documents available on websites, contained in financial statements, etc.);
- ◇ Specialist information providers³;
- ◇ Other specific reports for measuring and valuing companies;
- ◇ Information obtained directly from the companies and/or counterparties involved.

The approach is based on a combination of:

- ◇ **Negative screening** through use of exclusion criteria, to identify parties involved in specific activities and/or in the production and/or sale of goods with particular technical characteristics;

and/or:

- ◇ **Positive screening** based on criteria to identify parties that are valued positively and/or assets with positive characteristics from an ESG standpoint.

4.1 General negative screening criteria

The Group does not knowingly engage in Business Activities that are contrary to the Mediobanca Group's principles or that otherwise are in breach of principles and/or regulations that could expose the Group to reputational risk. In particular, Business Activities that regard and/or involve directly any of the following are excluded:

- ◇ Companies involved (unless only marginally) in the production and/or sale of weapons that violate fundamental humanitarian principles;
- ◇ Companies convicted⁴ of serious breaches of human rights (including/with reference in particular to those in the area of child labour);

3. Info-providers of high standing selected by each Group company based on specific needs related, for example, to the type of business performed, the characteristics of the products managed and/or offered to clients, and other particular needs as the case may be.

4. In this Policy, every time the term "conviction" or "convicted" is used, the definition shall also include non-definitive sentencing handed down.

- ◇ Companies convicted of serious breaches of the regulations in the areas of accounting fraud, money laundering and/or bribery and corruption;
- ◇ Companies convicted for crimes in connection with the health and safety of their staff and/or serious damage to the environment (regarding, for example, deforestation, damage to the ecosystem, etc.);
- ◇ Parties sanctioned by supranational entities (e.g. the UN, EU, OFAC, etc.) or nation states with serious shortcomings in their legislation for tackling terrorism financing and money laundering⁵.

The Group, in accordance with its Policy on tackling money-laundering and terrorism financing, has also instituted a ban on entering into relations⁶, with reference specifically to its clients, with:

- ◇ “Shell” banks or fiduciary companies, trusts, anonymous companies or subsidiaries owned through bearer shares based in high-risk third countries included in the EU list; these measures also apply to entities, with different names, based in such companies for which it is not possible to identify the effective owner or to check their identity;
- ◇ Parties convicted of the following crimes: conspiracy for terrorist purposes, including international, or in order to subvert the democratic order, weapons crimes against the state, conspiracy in mafia-style organizations, aiding and abetting the commission of the underlying crimes of money laundering or terrorism financing, human trafficking or drugs trafficking;
- ◇ Parties resident in or who otherwise perform the majority of their activities in countries under total embargo⁷.

Executing transactions that involve, on any grounds, parties included in the applicable national or international anti-terrorism blacklists (e.g. EU regulations, UN resolutions), is also not permitted.

In addition to such general principles which are applicable to all the Business Activities performed by the Mediobanca Group companies that fall within the scope of this Policy, the Group has also identified a series of additional criteria for exclusion or inclusion, regarding specific Business Activities, as described in the following sections.

Without prejudice to the ban on entering into new Business Activities with parties for which the Group’s legal entities become aware of the existence of one or more of the above general negative screening criteria, or of other negative screening criteria specified in later sections, the legal entities may assess whether or not to resume operations with such parties on a case by case basis, including in view of any mitigation actions implemented by the parties involved and/or the characteristics of the controversy itself⁸.

In particular, assessment regarding the seriousness or otherwise of the particular instance, or regarding the decision to maintain, reduce or resume operations with parties at the centre of controversies, or that have been sanctioned and/or convicted in relation to the foregoing, depending on the organizational, and governance structure and the specific features of the Business Activities performed by each individual Mediobanca Group company, may entail recourse to the competent committees.

The Group companies also monitor any serious controversies that may arise in connection with the above factors, in order to assess whether or not to take action to avoid entering into new Business Activities or increasing Business Activities already in progress with parties and/or companies that may be convicted of the above crimes in the future.

5. Reference is made to the list published and updated by the European Union on a regular basis.

6. “Relations”, for the purposes hereof, refers to the provision of banking and/or financial services.

7. “Embargo” is defined for the purposes hereof as an absolute ban on trade and exchanges with countries under sanctions, generally for reasons of international security, with the aim of placing the governments of such countries in a difficult political and economic situation.

8. For example, if the event that gives rise to the controversy is not attributable to a problem that may be assessed as structural, in the sense that the conditions for the event to reoccur have ceased to exist, if these were due, say, to deficiencies in the corporate culture, lack of adequate governance or adequate internal supervision.

4.2 Additional criteria applied to lending and credit activities for counterparty risk and certain proprietary investments

As part of its activities in the following areas:

- ◇ Lending and risk taking versus counterparties, i.e. loans (in any form, including margin loans), financial guarantees and activities in derivatives, securities lending and repos and for money market activities, (such instances defined jointly also as “Loans” or “Lending Activity”);
- ◇ Direct proprietary investments (excluding investments made via UCITS, whether closed or open-ended, and other equivalent investment products or vehicles, such as CLOs and CDOs) made by the Principal Investing Division of Mediobanca S.p.A. (such instance subsequently referred to also as “PI Direct Investments” or “PI Direct Investing Activity”),

the Group companies carry out specific assessments (as illustrated below) of companies (counterparties and/or issuers) with turnover of over €30m or belonging to a group with consolidated turnover of over €30m. In cases which involve holding companies that are not required to draw up consolidated financial statements, the limit applies to their subsidiaries instead. In factoring operations, the analysis is carried out with respect to the ceding parties, to reverse borrowers or borrowers ceded with “deferred maturity”.

Such criteria apply to Loans and PI Direct Investments in an amount of over €2.5m (or which translate to an exposure versus the counterparty by the lender, and/or the party that makes the investment in an amount of over €2.5m).

The assessment process is carried out using different methodologies and instruments by the various Group companies according to the type of Business Activity they perform and the type of product/service managed/instituted or provided to the client.

The assessments may be made on an ESG rating provided by specialist info-providers and/or research performed internally.

With reference specifically to research performed internally, each Group company, insofar as applicable to the different types of Business Activity performed on the basis of the principle of proportionality and gradualness, carries out, based on information in the public domain (e.g. public databases), an assessment of the degree of attention devoted to ESG issues, behaviours adopted, and the integration of such criteria into the corporate policies by the client and/or counterparty concerned.

Internal analysis performed without data from external providers, is intended to gain understanding and make an assessment of the following key aspects:

- ◇ Environmental factors: the environmental risk that the company has to address, its possible impact on operating performance, competitiveness and reputation, and the policies pursued by it in this connection;
- ◇ Social factors: management of issues such as labour, health and safety, and community relations, to understand the potential reputational and/or litigation risk;
- ◇ Governance factors: the standards of governance adopted by the company, any issues or problems it faces and the potential risks associated with them. Other institutional factors are also assessed in this connection, such as the political stability of a company, civil rights, political rights, etc.

The results of the analysis constitute one of the items of information used to support the decisions taken with reference to Loans and PI Direct Investments.

4.2.1 Exclusion criteria – negative screening

In connection with Loans and PI Direct Investments, as well as applying the general exclusion criteria set out in section 4.1, the Group companies carry out specific assessments in order to identify counterparties and/or issuers considered to be most at risk and/or companies operating in sectors considered not to be responsible socially, with ESG ratings, and/or with disputes pending deemed able to impact on reputational and risk-return profile.

The Mediobanca Group has identified certain areas of activity in particular as being sensitive in ESG terms, and has drawn up specific lists of exclusion criteria for the following industries: mining, forestry and use of forested areas, production of agricultural goods, the energy sectors, defence and arms, and infrastructure and transport. It has also compiled a list of materials of which it does not support (either through Loans or PI Direct Investing activity) the production, processing and/or sale, and has put together a policy to protect biodiversity. Reference is made to the annex on “Specific Lending and Investment Policies” for further details.

4.2.2 Inclusion criteria – positive screening

Concrete commitment in the area of corporate social responsibility and protection of human rights are considered priority criteria in the screening of counterparties and/or issuers which is performed as part of the lending or investment decision-making process. In particular, virtuous conduct is assessed positively in view of its contribution to mitigating ESG risk and hence impacting positively on borrowers’ creditworthiness and the investment profile of the parties analysed. The methodologies used and the risk factors considered in this analysis are structured by the Group companies according to the type of counterparty (or indeed the type of asset) involved in the Loan or PI Direct Investment activity.

4.3 Additional criteria applied to ECM and DCM, M&A and debt advisory activities in CIB

In performing DCM and ECM, M&A and Corporate Finance activities, each Mediobanca Group company performs individual analysis for every client, based inter alia on data supplied by a specialist info-provider (where available), and applies, in addition to the general criteria set forth in section 4.1, further criteria in order to take ESG factors into consideration.

In line with the commitment made by the Group in tackling climate change issues:

- ◇ Operations are not permitted for clients operating in the energy generation sector or which own or manage coal-fired power stations and for which the energy generated from coal contributes more than 20% of their total sales (consolidated where applicable) unless they have formalized a diversification strategy to reduce the percentage of coal in their energy generation mix, including clearly identified objectives and deadlines for achieving these targets;
- ◇ The Group does not provide financial products and services specifically related to projects to build, expand or enhance coal-fired power stations or to explore or produce oil and gas from unconventional resources.

4.4 Additional criteria applied to proprietary investing and individual/collective portfolio management

In performing proprietary investment activities, and in providing individual/collective portfolio management services, the Mediobanca Group companies apply, in addition to the general criteria set forth in section 4.1, further criteria in order to promote responsible investment processes and take ESG factors into consideration, performing individual analysis for every issuer, based inter alia on data supplied by a specialist info-provider (where available) as well as by the parties themselves.

PI Direct Investments are excluded from the present section (because the criteria set forth in section 4.2 apply to them instead), as are proprietary investments in closed-end AIFs and other equivalent products, including those incorporated under non-Italian law, CLOs and CDOs made by the individual Group legal entities. For such investments, the Group legal entities implement specific measures to govern the selection of counterparties and asset managers, integrated into their own due diligence processes and including inter alia specific aspects for assessment of ESG criteria.

In order to factor in assessment of ESG factors in addition to the information traditionally considered in the selection of investments, criteria are used to give priority, all other conditions being equal, to investment in financial instruments and open-ended UCITS with high or improving ESG ratings based on the Group companies' assessment, and that have not been involved in serious controversies.

Such criteria may be implemented in the form of specific limits being set by each Group company⁹ on investing in UCITS and financial instruments with low ESG ratings or for which no ESG rating is available, or in companies involved in very serious controversies (i.e. companies for which issues have already materialized or are in the process of materializing, with possible adverse impact in earnings and reputational terms for the company concerned).

In addition to these principles, further criteria may be applied specifically by certain Group companies for specific products promoting, inter alia, environmental or social characteristics or a combination of such characteristics (cf. Article 8, Regulation (EU) 2019/2088) or which have sustainable investment as their objective (cf. Article 9, Regulation (EU) 2019/2088).

4.5 Additional criteria applied to investment advisory services

In the provision of investment advisory services (as defined by the MiFID II regulations), the Mediobanca Group, in order to support responsible investment processes that take ESG factors into consideration, offers the possibility of investing in instruments focused on one or a combination of the above areas, including through the creation of specific lists of products that are compliant with ESG criteria.

In selecting the instruments focused on ESG issues recommended by them, in addition to the general criteria set out in section 4.1 above, each Mediobanca Group company performs individual analysis for every issuer, based inter alia on data supplied by a specialist info-provider (where available) or by the parties themselves.

The Mediobanca Group companies are also committed to gradually introducing consideration of positive screening criteria for ESG issues to its selection of products made available to their clients¹⁰.

9. For details of the policies implemented by the individual Mediobanca Group companies, reference is made to the information published on their respective websites.
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Engagement activities



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5. Engagement activities

The Mediobanca Group believes that meeting ESG criteria can help deliver improved performances for investors in the long term. For this reason, at every meeting and/or contact useful for such purposes, the Group undertakes to encourage the companies in which it has invested (or in which it intends to invest) to adopt an open dialogue on the responsibility of their approach, and on how ESG factors affect their activities.

The Mediobanca Group is also committed to “active ownership” practices, insofar as these are applicable to the different types of activity, taking an active part in the annual general meetings of our investee companies in accordance with their specific voting policies/directives.

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Control bodies



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6. Control bodies

The Corporate Social Responsibility Committee¹¹, in accordance with its responsibilities, monitors the progress made in achieving the objectives set forth in this Policy, including through appraisal of the individual Group legal entities' lending, investment and advisory processes.

The Group's control units carrying out the checks required in their respective areas of responsibility.

11. The Corporate Social Responsibility Committee was appointed by the Board of Directors at a meeting held on 19 September 2019, with responsibility for prior analysis of sustainability issues to be submitted to the Board, including the Group's CSR policy in particular.





Corporate Responsibility



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7. Corporate Responsibility

The Mediobanca Group is convinced that fair, transparent and responsible conduct enhances and protects its reputation, credibility and consensus over time, laying the foundations to deliver sustainable growth for the business with a view to creating and protecting value for all stakeholders.

The Mediobanca Group shares and promotes ESG practices in its operations, with the objective of pursuing a sustainable business and management strategy.

The Mediobanca Group's sustainability strategy is focused mainly on:

- ◇ Tackling corruption, whether active or passive, in accordance with the highest ethical standards;
- ◇ Valorization of staff, with particular attention to protecting and promoting diversity and equal opportunities;
- ◇ Protection of the environment and reduction of the Group's impact on it, direct and indirect;
- ◇ Sensitivity to social context.

The Group Sustainability Policy, in accordance with the Code of Ethics and Code of Conduct adopted, helps strengthen and implement the values of ethics, integrity and responsibility as a form of respect towards people, the environment and society as a whole.





Effectiveness and application of the Policy



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8. Effectiveness and application of the Policy

The criteria set out in this Policy were approved by the Board of Directors of Mediobanca S.p.A. on 29 July 2021 and will be applied as from 1 October 2021. By the same date the criteria will also be adopted by Group's legal entities.

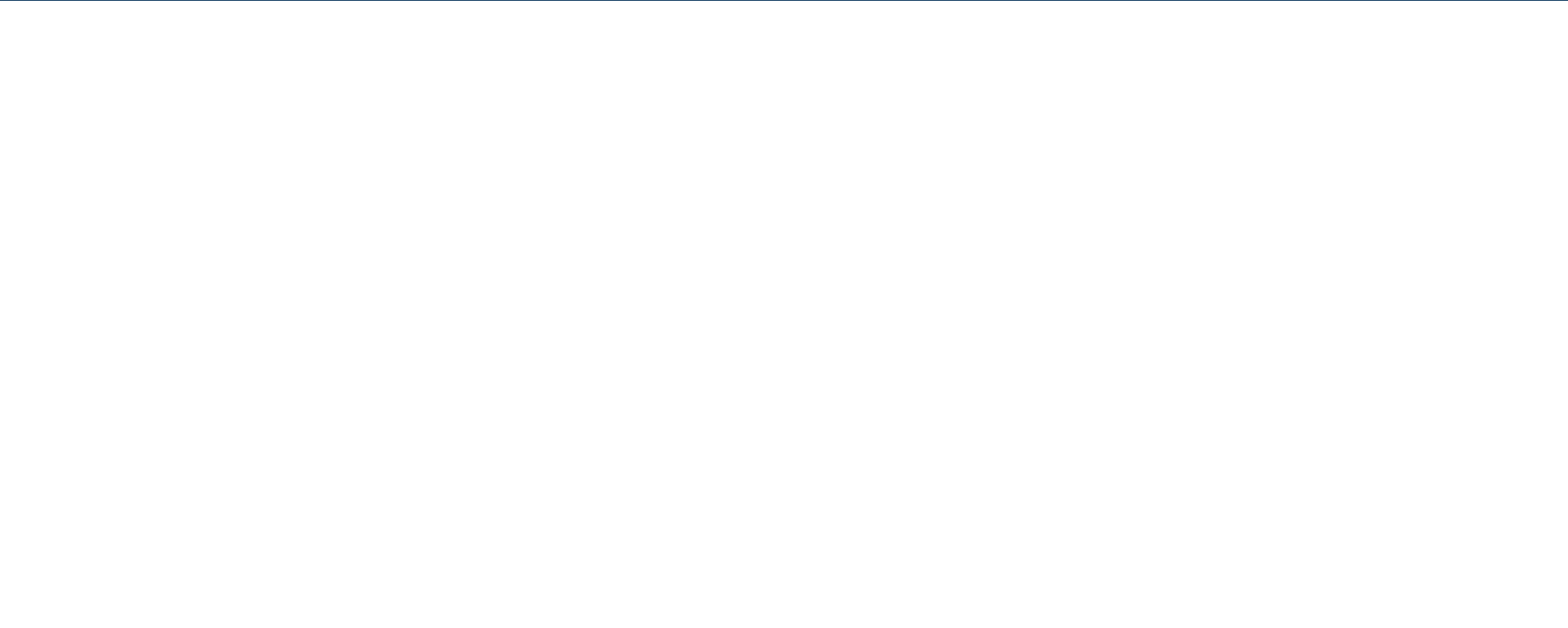
Without prejudice to the following, from that date existing positions cannot be increased or new relations entered into with clients or counterparties that do not meet the criteria thus set.

Loans granted (or for which the relevant documentation or a binding letter of commitment has already been executed) prior to that date and still outstanding were approved in accordance with the policy previously in force, and accordingly are to be considered as excluded from the scope of application of this Policy.

The adherence or otherwise of borrowers' conduct with the criteria set forth in this Policy shall be assessed in the event of new loans being granted, or existing arrangements being renewed. Renegotiation and/or restructuring activities with respect to transactions already approved before this Policy came into force even if they do not comply with its provisions, because the original risk was taken on before the date on which the Policy came into force.

The Group shall not enter into new lending arrangements with counterparties, and shall not finance initiatives, that do not meet the criteria set forth in this Policy (including the annex "Specific Financing and Investment Policies").







Annex: Specific Lending and Investment Policies



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Defence and arms

The policy covers the counterparties involved in the production, sale, stockpiling and/or maintenance of equipment for defence and security or otherwise involved in the supply of military, security or police services, and transactions involving companies operating in the defence and security sector and/or defence and security equipment sector.

The defence market is strictly regulated. Certain controversial arms in particular are prohibited under the international conventions, and the sale of equipment for defence and security purposes is subject both to the international treaties and to national regulations (regarding entities and states that export and acquire arms).

Despite acknowledging the right of individual states to adopt means of defence and therefore to develop, produce and hold weapons (within the limits set by law), the Mediobanca Group operates only in countries that comply with the principal international arms control treaties and conventions, and hopes that the companies operating in the defence sector with which it is in relations will in turn comply with the regulatory framework in force in this area.

In view of this, the Mediobanca Group intends to exclude lending or investment relations with counterparties which:

- ◆ Manufacture, carry out maintenance for, store or sell weapons that are controversial¹², such as anti-personnel mines, biological weapons, chemical weapons¹³, cluster bombs, nuclear weapons, and depleted uranium ammunition, or components specifically designed for such weapons (dedicated components) and/or that represent an essential component of the functioning of such weapons (essential components), or which otherwise provide assistance, technologies or services for such weapons:
- ◆ Have deliberately violated international embargoes on arms or arms materials imposed by the United Nations or the European Union, or that have breached Italian Law 185/90 on the export, import and transit of arms materials;

Have deliberately provided arms or arms materials to parties known to be involved in systematic, serious and indiscriminate war actions against civilians, which materials such parties – based on data from reliable sources – are known to have used to commit genocide, crimes against humanity and/or war crimes.

The Group companies also monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or – to the degree to which it is possible and advisable – to reduce and/or not increase their own

12. If one of the above activities is performed by a subsidiary, the parent company is considered as being involved in controversial weapons if it holds a majority interest in the subsidiary's share capital.

13. Government programmes for nuclear weapons in countries authorized by NATO to possess nuclear weapons under the terms of the Treaty on the Non-Proliferation of Nuclear Weapons (1968) are an exception.

exposure to the counterparty, in view, among other things, of any mitigation action taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

The same assessments are made regarding the advisability of whether or not to resume business relations with the party convicted or otherwise involved in the above controversies.

In particular, assessment regarding the seriousness or otherwise of the particular instance, or regarding the decision to maintain, reduce or resume operations with parties at the centre of controversies, or that have been sanctioned and/or convicted in relation to the foregoing, depending on the organizational, and governance structure and the specific features of the Business Activities performed by each individual Mediobanca Group company, may entail recourse to the competent committees.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives, securities lending and repos and for money market activities) and to direct proprietary investments made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

Forestry and use of forested areas

The Mediobanca Group devotes particular attention to protecting the planet's forestry resources in view of its fundamental role in safeguarding biodiversity and the social and cultural heritage of local communities, and also in containing the effects of climate change (as a primary instrument for absorbing greenhouse gas emissions).

The Policy applies to all counterparties or groups whose main business involves one or more of the following areas:

- ◇ Forest management;
- ◇ Production of timber (planting and felling trees);
- ◇ Saw mills;
- ◇ Production and sale of wood pulp.

The Policy does not apply to:

- ◇ Manufacturers of paper that do not produce pulp;
- ◇ Paper distributors and retailers.

Within the above scope of application, the Group does not grant finance and does invest in, the amount of which is principally¹⁴ intended to support initiatives for which:

- ◇ Activities are performed in, or otherwise impact negatively on, world heritage sites designated by UNESCO, protected areas such as the High Conservation Value Areas¹⁵, Alliance for Zero Extinction sites¹⁶, Ramsar wetlands sites¹⁷, areas included in IUCN Categories I-IV¹⁸, rainforests¹⁹ or primary

14. I.e. at least 50%.

15. The High Conservation Areas (HCVAs) are natural habitats - classified into six different categories - whose biological, ecological, social or cultural value is considered to be of exceptional significance or critical importance at a national, regional or global level and therefore requiring to be managed in such a way as to maintain or increase their value. With reference to forests in particular, the term High Conservation Value Forests (HCVFs) was coined at the Earth Summit held at Rio de Janeiro in 1992 and developed by the Forest Stewardship Council (FSC) in 1999 as part of the forest certification process. The FSC has defined HCVFs as forests having "outstanding and critical importance due to their environmental, socioeconomic, cultural, biodiversity and landscape value." In 2005 the HCV Resource Network was set up - <https://hcvnetwork.org/> - which broadened the concept from "HCV Forest" to "HCV Area" (HCA) and compiled the criteria still adopted to define the sustainability standards for the farming/extraction/production of palm oil, soya, sugar, biofuels and coal, and for mapping the territory and for the conservation and planning for natural resources.

16. Launched at global level in 2005, the Alliance for Zero Extinction (AZE) - <https://zeroextinction.org/> - was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide.

17. The Ramsar Convention - <https://www.ramsar.org/> - officially the Convention on wetlands of international importance, is a treaty signed at Ramsar in Iran on 2 February 1971 by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl, promoted by the IWRB - International Wetlands and Waterfowl Research Bureau, in conjunction with the IUCN (International Union for the Nature Conservation) and the ICBP (International Council for Bird Preservation).

18. The International Union for the Conservation of Nature and Natural Resources ("IUCN") - <https://www.iucn.org/> - has developed a system for classifying protected areas, in order to define, record and classify the wide variety of goals and specific concerns in the classification of protected areas and their objectives. This method is recognized on a global scale and distinguishes between the following: Category Ia - strict nature reserve, Category Ib - wilderness area, Category II - national park, Category III - natural monument or feature, Category IV - habitat/species management area, Category V - protected landscape/seascape, and Category VI - protected area with sustainable use of natural resources.

19. Rainforests are located in regions with high annual rainfall (usually above 1,800 mm per annum), very hot climates and high vapour levels. Trees in these regions are evergreen.

tropical moist forests²⁰ with high conservation value or natural habitats at risk;

- ◆ Which exploit tropical timbers without the necessary certification, FSC (Forestry Stewardship Council certification) or PEFC (Programme for the Endorsement of Forest Certification) which guarantee compliance with correct forestry management principles.

The Group does not finance or invest in counterparties for which it has evidence of:

- ◆ Serious breaches of regulations on the environment, health, safety and human rights with reference to both workers and local communities (e.g. use of child and/or forced labour, damage to cultural heritage);
- ◆ Illegal deforestation activity;
- ◆ Use of bribery and corruption practices;
- ◆ Conduct seriously harmful to sources of biodiversity.

The Group companies also monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or – to the degree to which it is possible and advisable – to reduce and/or not increase their own exposure to the counterparty, in view, among other things, of any mitigation action taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

The same assessments are made regarding the advisability of whether or not to resume business relations with the party convicted or otherwise involved in the above controversies.

In particular, assessment regarding the seriousness or otherwise of the particular instance, or regarding the decision to maintain, reduce or resume operations with parties at the centre of controversies, or that have been sanctioned and/or convicted in relation to the foregoing, depending on the organizational, and governance structure and the specific features of the Business Activities performed by each individual Mediobanca Group company, may entail recourse to the competent committees.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives, securities lending and repos and for money market activities) and to direct proprietary investments made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

20. A forest is defined as primary if it is intact and if, being basically untouched by human activities, it continues to exist in its original condition. Primary forests are the ones with the highest biodiversity. A tropical moist forest is usually defined as a forest located in an area which receives at least 100 mm of rain each month every two years out of three and which has an annual average temperature of above 24° C. Each of these categories, however, also includes some forests in areas with longer dry seasons, but which have high enough cloud coverage to cause reduced evapotranspiration.

Production of agricultural goods, livestock farming and fishing

Agriculture, livestock farming and fishing are still vital means of sustenance for large swathes of the global population. The progress that has been made in production techniques is fundamental to improving the quality of life and food standards of these populations.

However, the ongoing growth in the demand for agricultural products, and the consequent increase in the surface areas used to cultivate them, creates a series of risks at the environmental level, as well as to the social fabric of the communities involved.

The Policy applies to counterparties or groups whose main business involves one or more of the following areas:

- ◇ Soil cultivation, selection or production of agricultural products;
- ◇ Rearing livestock and/or poultry (breeding, feeding and general care);
- ◇ Sourcing, transport and logistics/storage of agricultural products, from the production site to the place where they are produced to the place where they are stored or undergo their first transformation (including the commerce and trading of such produce);
- ◇ First transformation of raw materials, i.e. oil production, cocoa grinding, sugar extraction, drying tobacco leaves, milk powdering and slaughter of animals. With reference to the palm oil segment in particular, the Policy applies to companies operating in the production of crude palm oil (plantations and/or presses), and the refining and/or trading of crude palm oil;
- ◇ Fishing.

The Policy does not apply to:

- ◇ Producers or distributors of agricultural machinery, pesticides and fertilizers;
- ◇ Manufacturers of processed foods and drinks (secondary or additionally processed products, pre-packaged food);
- ◇ Food and drink retailers (including fish, seafood and other fresh water products);
- ◇ Producers or traders of palm oil derivatives and sellers of ingredients that contain palm oil.

Within the limits of this definition, the Group does not finance or invest in counterparties for which it has evidence of:

- ◇ Serious breaches of the environmental regulations; the regulations on health, safety and human rights with reference both to workers and to local communities (e.g. use of child and/or forced labour, damage to cultural heritage, use of prohibited substances, etc.);

- ◇ Illegal deforestation activities;
- ◇ Recourse to bribery and corruption practices;
- ◇ Behaviours which are seriously harmful of biodiversity sources;
- ◇ Failure to adopt a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum;
- ◇ Not having adopted a policy to minimize the use of pesticides and fertilizers that pollute the atmosphere;
- ◇ Production, refinery or sale of sell palm oil not certified by the Roundtable on Sustainable Palm Oil (or for which the procedure for obtaining such certification is not in progress);
- ◇ Animal experiments having been carried out for non-clinical purposes;
- ◇ Trade of any species or vegetable or animal product governed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (or CITES), not authorized by a CITES permit;
- ◇ Fishing using drift nets longer than 2.5km;
- ◇ Deep-sea trawling.

The Group companies monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or - to the degree to which it is possible and advisable - to reduce and/or not increase their own exposure to the counterparty, in view, among other things, of any mitigation action taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

The same assessments are made regarding the advisability of whether or not to resume business relations with the counterparty convicted or otherwise involved in the above controversies.

In particular, assessment regarding the seriousness or otherwise of the particular instance, or regarding the decision to maintain, reduce or resume operations with parties at the centre of controversies, or that have been sanctioned and/or convicted in relation to the foregoing, depending on the organizational, and governance structure and the specific features of the Business Activities performed by each individual Mediobanca Group company, may entail recourse to the competent committees.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives, securities lending and repos and for money market activities) and to direct proprietary investments (excluding those made via UCITS or other equivalent investment vehicles) made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

Mining industry

This Policy applies to counterparties, groups or joint ventures that own mineral resources representing a significant proportion of their total assets, that are involved in the exploration, development and management of such resources.

The Group is conscious of the environmental and social impact that mining has, and of the fact that such activities can give rise to armed conflicts and situations of geopolitical instability, and hopes that the companies operating in this industry with which it does have relations will comply with, and develop projects based on the principles contained in the reference sector regulations in force.

Accordingly, in its relations with operators in this sector, it devotes particular attention to issues such as: the destruction of the natural habitat, biodiversity and cultural heritage, pollution of water, soil and air, exploitation of child labour, the risk of bribery and corruption and political risk generally.

Provided that the Mediobanca Group does not have a significant presence in project financing, the Group does not finance²¹ and does not invest in initiatives:

- ◇ That involve asbestos mining;
- ◇ To realize new thermal coal mining sites or expand existing ones;
- ◇ Mountain Top Removal (MTR) in the Appalachian mountains;
- ◇ In which the mining areas or associated structures are:
 - ◇ In areas where armed conflict is in progress;
 - ◇ Situated in, or otherwise impact negatively on, areas declared UNESCO World Heritage sites; High Conservation Values areas²²; wetlands included in the Ramsar list²³; Alliance for Zero Extinction sites²⁴; or IUCN Category I-IV areas²⁵;

21. The above restrictions refer to project finance transactions and loans granted to counterparties that use at least 50% of the amount to finance such mining activities (that must meet the above criteria).

22. The High Conservation Areas (HCVAs) are natural habitats - classified into six different categories - whose biological, ecological, social or cultural value is considered to be of exceptional significance or critical importance at a national, regional or global level and therefore requiring to be managed in such a way as to maintain or increase their value. With reference to forests in particular, the term High Conservation Value Forests (HCVFs) was coined at the Earth Summit held at Rio de Janeiro in 1992 and developed by the Forest Stewardship Council (FSC) in 1999 as part of the forest certification process. The FSC has defined HCVFs as forests having "outstanding and critical importance due to their environmental, socioeconomic, cultural, biodiversity and landscape value." In 2005 the HCV Resource Network was set up - <https://hcvnetwork.org/> - which broadened the concept from "HCV Forest" to "HCV Area" (HCAVA) and compiled the criteria still adopted to define the sustainability standards for the farming/extraction/production of palm oil, soya, sugar, biofuels and coal, and for mapping the territory and for the conservation and planning for natural resources.

23. The Ramsar Convention - <https://www.ramsar.org/> - officially the Convention on wetlands of international importance, is a treaty signed at Ramsar in Iran on 2 February 1971 by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl, promoted by the IWRB - International Wetlands and Waterfowl Research Bureau, in conjunction with the IUCN (International Union for the Nature Conservation) and the ICBP (International Council for Bird Preservation).

24. Launched at global level in 2005, the Alliance for Zero Extinction (AZE) - <https://zeroextinction.org/> - was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide.

25. The International Union for the Conservation of Nature and Natural Resources ("IUCN") - <https://www.iucn.org/> - has developed a system for classifying protected areas, in order to define, record and classify the wide variety of goals and specific concerns in the classification of protected areas and their objectives. This method is recognized on a global scale and distinguishes between the following: Category Ia - strict nature reserve, Category Ib - wilderness area, Category II - national park, Category III - natural monument or feature, Category IV - habitat/species management area, Category V - protected landscape/seascape, and Category VI - protected area with sustainable use of natural resources.

- ◇ Which use child or forced labour;
- ◇ That do not have a plan for managing health and safety and do not have a plan for mine reclamation;
- ◇ For which waste produce is thrown into rivers or low tide waters.

The Group does not finance and does not invest in counterparties that:

- ◇ Mine, process or sell asbestos;
- ◇ Mine or sell rough diamonds from war zones or which have not been certified in conformity with the Kimberley Process²⁶;
- ◇ Mine, process or sell conflict minerals from war zones;
- ◇ Produce coal mined from the Appalachian mountains using MTR techniques;
- ◇ Which derive more than 20% of their revenues from coal mining;
- ◇ For which there is evidence of serious breaches of the environmental regulations; the regulations on health, safety and human rights with reference both to workers and to local communities (e.g. use of child and/or forced labour, damage to cultural heritage, use of prohibited substances, etc.) or recourse to bribery and corruption practices.

The Group companies monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or - to the degree to which it is possible and advisable - to reduce and/or not increase their own exposure to the counterparty, in view, among other things, of any mitigation actions taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

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26. The Kimberley Process Certification Scheme (KPCS) is a process established in 2003 by the United Nations General Assembly to prevent so-called "conflict diamonds" from entering mainstream circulation.

Production, sale and consumption of energy

The Mediobanca Group supports the transition process towards a low carbon emission economy and supports its clients in their pathway to gradually phasing out the use of coal to produce energy in favour of alternative sources.

As far as regards energy consumption, the Group encourages its clients to adopt sustainable energy policies, structuring and granting green and ESG-linked loans, and assisting clients in the issuance of financial products, such as green and ESG-linked bonds that contribute towards sustainability targets being met.

Provided that the Group does not have a significant presence in project financing, it does not finance²⁷ and does not invest in initiatives:

- ◆ For which operations are conducted in, or which otherwise impact negatively on a) UNESCO World Heritage sites, b) sensitive areas in terms of biodiversity such as High Conservation Value Areas²⁸, Alliance for Zero Extinction sites²⁹, Ramsar wetlands sites³⁰, or IUCN Category I-IV areas³¹;
- ◆ To implement or expand dams which do not comply with the World Bank's policies on dam safety;
- ◆ To implement or expand coal-fired power stations;
- ◆ To implement or expand unconventional oil and gas resource exploration and production sites; pipelines which transport a significant volume of unconventional oil and gas; liquefied natural gas exportation terminals supplied with significant volumes of unconventional gas;
- ◆ In the nuclear fuel cycle:
 - ◆ That do not have official authorization from the government or from the civil nuclear energy sector supervisory bodies against a regulatory framework that provides for the safety of workers as a fundamental prerequisite;

27. The above restrictions refer to project finance transactions and loans granted to counterparties that use at least 50% of the amount to finance such mining activities (that must meet the above criteria).

28. The High Conservation Areas (HCVAs) are natural habitats - classified into six different categories - whose biological, ecological, social or cultural value is considered to be of exceptional significance or critical importance at a national, regional or global level and therefore requiring to be managed in such a way as to maintain or increase their value. With reference to forests in particular, the term High Conservation Value Forests (HCVFs) was coined at the Earth Summit held at Rio de Janeiro in 1992 and developed by the Forest Stewardship Council (FSC) in 1999 as part of the forest certification process. The FSC has defined HCVFs as forests having "outstanding and critical importance due to their environmental, socioeconomic, cultural, biodiversity and landscape value." In 2005 the HCV Resource Network was set up - <https://hcvnetwork.org/> - which broadened the concept from "HCV Forest" to "HCV Area" (HCA) and compiled the criteria still adopted to define the sustainability standards for the farming/extraction/production of palm oil, soya, sugar, biofuels and coal, and for mapping the territory and for the conservation and planning for natural resources.

29. Launched at global level in 2005, the Alliance for Zero Extinction (AZE) - <https://zeroextinction.org/> - was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide.

30. The Ramsar Convention - <https://www.ramsar.org/> - officially the Convention on wetlands of international importance, is a treaty signed at Ramsar in Iran on 2 February 1971 by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl, promoted by the IWRB - International Wetlands and Waterfowl Research Bureau, in conjunction with the IUCN (International Union for the Nature Conservation) and the ICBP (International Council for Bird Preservation).

31. The International Union for the Conservation of Nature and Natural Resources ("IUCN") - <https://www.iucn.org/> - has developed a system for classifying protected areas, in order to define, record and classify the wide variety of goals and specific concerns in the classification of protected areas and their objectives. This method is recognized on a global scale and distinguishes between the following: Category Ia - strict nature reserve, Category Ib - wilderness area, Category II - national park, Category III - natural monument or feature, Category IV - habitat/species management area, Category V - protected landscape/seascape, and Category VI - protected area with sustainable use of natural resources.

- ◇ Do not have a plan for developing long-term solutions for managing high and intermediate level nuclear waste and for decommissioning nuclear power plants;
- ◇ For which the host country does not have adequate governance for its nuclear industry or which does not meet the following criteria (the “Adequacy Criteria”)³²:
 - ◇ It is not subject to international sanctions;
 - ◇ It is a member of the International Atomic Energy Agency (IAEA)³³;
 - ◇ It has ratified the Non-Proliferation Treaty (“NPT”³⁴) and the International Convention for the Suppression of Acts of Nuclear Terrorism;
 - ◇ It has ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Materials, or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (or has put in place appropriate measures to align itself with the prerequisites stipulated in these conventions);
 - ◇ It has its own national security agency (NSA) for independent nuclear activities which is vested with the appropriate powers to issue regulations, carry out inspections, controls and hand down sanctions, whose operations and regulations are in line with those of the IAEA;
 - ◇ It has not been cited in the most recent available Annual Report on the global Safeguards Agreements³⁵ published by the IAEA in relation to specific questions or to the lack of information hindering the monitoring of its nuclear facilities;
 - ◇ It uses nuclear power plants solely in order to produce electricity for peaceful purposes³⁶.

The Group does not finance or invest in counterparties:

- ◇ For which it has evidence of the adoption of unsustainable practices in environmental terms, or which are otherwise harmful of biodiversity sources, or in breach of the regulations on health, safety and human rights with reference both to workers and to local communities (e.g. use of child and/or forced labour damage to cultural heritage, etc.) or recourse to bribery and corruption practices;
- ◇ That do not adopt a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum;
- ◇ Which derive more than 20% of their revenues from coal mining or sales activities;
- ◇ Which derive more than 20% of their revenues from the exploration, production, transport or sale of oil and gas from unconventional sources (e.g. shale oil and gas, tar sands, and oil and gas resources located in the Arctic region), or management of pipelines or pipeline terminals that transport a significant volume of unconventional oil and gas. Exceptions to this are “green” loans and investments specifically aimed at “green” initiatives (which are therefore permitted);

32. For the purposes hereof, “host country” is defined as the state and/or states in which the power station and/or reactor is/are located or in which the counterparty or its parent company has or have their head offices.

33. The IAEA is the United Nations’ centre for co-operation on nuclear issues. It was established in 1957, and operates with its own member states and multiple partners worldwide to promote safe and peaceful use of nuclear technologies.

34. The NPT is an international treaty whose objective consists of preventing the proliferation of nuclear weapons and weapons technology, to promote co-operation in the peaceful uses of nuclear energy, and to further the goal of achieving nuclear disarmament in general and complete disarmament.

35. The global Safeguards agreements are defined between the various countries and the IAEA in order to allow the latter to make various security controls.

36. This condition translates to a guarantee to implement the IAEA’s global Safeguards Agreement or an equivalent agreement and the confirmation contained in the most recent conclusions in the area of security controls that the nuclear material continues to be used for peaceful activities.

- ◇ If operating in the nuclear energy sector³⁷, if:
 - ◇ They are based in host countries that do not meet the Adequacy Criteria as defined above³⁸;
 - ◇ Despite being located in host countries that meet the Adequacy Criteria, they do not comply with the local laws in existence and the licensing agreements, and also the international conventions ratified by the countries in which they operate;
 - ◇ There is evidence of their failure to implement policies and procedures to prevent or otherwise limit possible radiation emissions.

The Group companies monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or - to the degree to which it is possible and advisable - to reduce and/or not increase their own exposure to the counterparty, in view, among other things, of any mitigation action taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

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37. i.e. companies that produce nuclear energy, that is, which are involved in the nuclear fuel cycle (defined as uranium enrichment, fuel production, recycling and/or storage of fuel, and nuclear waste treatment), operating in the context of a nuclear power plant as the owner or manager of the nuclear island.

38. "Host country" is defined as the state and/or states in which the borrower and its parent company are located and/or operate.



Infrastructure and transport sectors

The Mediobanca Group supports its clients in developing infrastructure that contributes to sustainable economic development which have a positive impact on the social fabric of the local populations. It recognizes the essential contribution made by communication routes and transport infrastructure in bringing about the economic growth of nations, and believes that their modernization and improvement can make a positive contribution to the reduction of fossil fuels and greenhouse gas emissions. In urban areas it supports the enhancement of public transport and the transition to environmentally friendly forms of smart cities.

The Group hopes its clients will act in accordance with the applicable environmental and safety regulations, and seeks to raise their awareness regarding the importance of disclosure of information on greenhouse gases, responsible use of water sources, and the adoption of virtuous policies in the area of waste treatment.

Provided that the Group does not have a significant presence in project finance operations, it does not finance³⁹ or invest in projects:

- ◇ For which operations are conducted in, or which otherwise impact negatively on a) UNESCO World Heritage sites, b) sensitive areas in terms of biodiversity such as High Conservation Value Areas⁴⁰, Alliance for Zero Extinction sites⁴¹, Ramsar wetlands sites⁴², IUCN Category I-IV areas⁴³;
- ◇ To implement or expand dams which do not comply with the World Bank's policies on dam safety.

The Group does not finance or invest in counterparties for which it has evidence of:

- ◇ Adoption of unsustainable practices in environmental terms, or which are otherwise harmful of biodiversity sources, or in breach of the regulations on health, safety and human rights with reference both to workers and to local communities (e.g. use of child and/or forced labour damage to cultural heritage, etc.) or recourse to bribery and corruption practices;

39. The above restrictions refer to project finance transactions and loans granted to counterparties that use at least 50% of the amount to finance such mining activities (that must meet the above criteria).

40. The High Conservation Areas (HCVAs) are natural habitats - classified into six different categories - whose biological, ecological, social or cultural value is considered to be of exceptional significance or critical importance at a national, regional or global level and therefore requiring to be managed in such a way as to maintain or increase their value. With reference to forests in particular, the term High Conservation Value Forests (HCVFs) was coined at the Earth Summit held at Rio de Janeiro in 1992 and developed by the Forest Stewardship Council (FSC) in 1999 as part of the forest certification process. The FSC has defined HCVFs as forests having "outstanding and critical importance due to their environmental, socioeconomic, cultural, biodiversity and landscape value." In 2005 the HCV Resource Network was set up - <https://hcvnetwork.org/> - which broadened the concept from "HCV Forest" to "HCV Area" (HCVA) and compiled the criteria still adopted to define the sustainability standards for the farming/extraction/production of palm oil, soya, sugar, biofuels and coal, and for mapping the territory and for the conservation and planning for natural resources.

41. Launched at global level in 2005, the Alliance for Zero Extinction (AZE) - <https://zeroextinction.org/> - was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide.

42. The Ramsar Convention - <https://www.ramsar.org/> - officially the Convention on wetlands of international importance, is a treaty signed at Ramsar in Iran on 2 February 1971 by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl, promoted by the IWRB - International Wetlands and Waterfowl Research Bureau, in conjunction with the IUCN (International Union for the Nature Conservation) and the ICBP (International Council for Bird Preservation).

43. The International Union for the Conservation of Nature and Natural Resources ("IUCN") - <https://www.iucn.org/> - has developed a system for classifying protected areas, in order to define, record and classify the wide variety of goals and specific concerns in the classification of protected areas and their objectives. This method is recognized on a global scale and distinguishes between the following: Category Ia - strict nature reserve, Category Ib - wilderness area, Category II - national park, Category III - natural monument or feature, Category IV - habitat/species management area, Category V - protected landscape/seascape, and Category VI - protected area with sustainable use of natural resources.

- ◆ That do not adopt a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum;
- ◆ Which, in desalination plants, fail to adopt adequate measures to mitigate the removal of the brine and/or the extraction of the sea salt.

The Group companies monitor any serious controversies that arise with reference to the above factors of which they become aware, in order to assess what action to be taken, if any, to protect their own credit and/or - to the degree to which it is possible and advisable - to reduce and/or not increase their own exposure to the counterparty, in view, among other things, of any mitigation action taken by the parties involved and/or the characteristics of the controversy itself (for example, if the event that gives rise to the controversy is attributable to a problem assessed as not being structural, i.e. conditions suggest that the event is likely to be repeated due, for instance, to shortcomings in areas such as corporate culture, inadequate governance and/or inadequate internal supervision).

The same assessments are made regarding the advisability of whether or not to resume business relations with the counterparty convicted or otherwise involved in the above controversies.

In particular, assessment regarding the seriousness or otherwise of the particular instance, or regarding the decision to maintain, reduce or resume operations with parties at the centre of controversies, or that have been sanctioned and/or convicted in relation to the foregoing, depending on the organizational, and governance structure and the specific features of the Business Activities performed by each individual Mediobanca Group company, may entail recourse to the competent committees.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives, securities lending and repos and for money market activities) and to direct proprietary investments made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

Materials for which financing is excluded

The Group does not finance, and does not invest in activities which involve, the production, processing and/or sale of:

- ◇ Goods for which there is evidence of the adoption of unsustainable practices in environmental terms, i.e. breaches of the regulations on health, safety and human rights with reference both to workers and to local communities (e.g. use of child and/or forced labour, damage to cultural heritage, etc.) or recourse to bribery and corruption practices;
- ◇ Goods deriving from practices that do not conform to the other Specific Financing and Investing Policies, to the scope and area of which reference is made, including but not limited to:
 - ◇ Asbestos;
 - ◇ Rough diamonds from war zones or which have not been certified in conformity with the Kimberley Process⁴⁴;
 - ◇ Conflict minerals from war zones;
 - ◇ Tropical timbers without the necessary certification, FSC (Forestry Stewardship Council certification) or PEFC (Programme for the Endorsement of Forest Certification) which guarantee compliance with correct forestry management principles, or otherwise deriving from practices that are banned under the terms of the Group's Policy on forestry and use of forest areas;
 - ◇ Controversial weapons (or weapons which produce indiscriminate effects and cause undue damage and wounding), unconventional, biological, chemical, nuclear⁴⁵ or weapons of mass destruction or components specifically designed for such weapons (dedicated components) and/or that represent an essential component of the functioning of such weapons (essential components);
 - ◇ Drift nets longer than 2.5km;
 - ◇ Palm oil not certified by the Roundtable on Sustainable Palm Oil;
 - ◇ Trade of any species of plant or animal governed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora" (or CITES), not authorized by a CITES permit.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives,

44. The Kimberley Process Certification Scheme (KPCS) is a process established in 2003 by the United Nations General Assembly to prevent so-called "conflict diamonds" from entering mainstream circulation.

45. An exception to this are nuclear weapons (and their components/services) produced or provided as part of the government nuclear weapons programmes in NATO countries authorized to possess nuclear weapons under the terms of the Non-Proliferation Treaty, 1968.

securities lending and repos and for money market activities) and to direct proprietary investments made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

Actions to protect biodiversity

At the Earth summit held at Rio de Janeiro in 1992, the world leaders agreed on a global strategy for “sustainable development”: to meet our needs, while at the same time leaving a healthy and vibrant world for future generations.

One of the principal agreements adopted at the Rio Summit was the Convention on Biological Diversity (CBD) (which came into force in December 1993), the objectives of which are “the conservation of biological diversity⁴⁶, the sustainable use of its components and the fair and equitable sharing of benefits arising from genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding.” Thus the CBD covers biodiversity at all levels: ecosystems, species and genetic resources, and also biotechnologies, through the Cartagena Protocol on Biosafety.

The “Conference of the Parties” – which is the governing body of the CBD and the ultimate authority of all governments that have ratified the Convention (including Italy, under Italian Law no. 124 of 14 February 1994), in 2002 compiled a first strategic plan at national, regional and global level, adopting a new one in 2010 at Nagoya.

The Mediobanca Group is conscious of the role that economic operators can play in hindering the causes that lead to a decline in biodiversity, such as the use of soils, climate change, pollution, and the introduction of living species to areas outside their area of origin.

The Group hopes that the counterparties it finances and in which it invests will adopt responsible behaviours in exploiting natural resources for economic purposes and in their energy and water consumption policies, and to limit the emission of polluting substances, especially if active in sectors governed by the Specific Financing and Investment Policies (to the scope and area of which reference is made), and in particular hopes that they will:

- ◆ Protect the forests as a source of biodiversity and an instrument for mitigating climate change by acting as carbon absorption buffers, and also, if their operations are in forestry and the use of forest areas or in the production of agricultural goods, that they will use certification systems demonstrating that low environmental impact practices have been adopted;
- ◆ For operators which produce agricultural goods or are involved in livestock farming or fishing, that they will not be involved in trade of any plant or animal species or product threatened with extinction governed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora” (or CITES), not authorized by a CITES permit;
- ◆ For operators which produce agricultural goods or are involved in livestock farming or fishing, that

46. The CBD provides the following definition of biological diversity: “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems”.

they will not practise fishing using drift nets longer than 2.5km;

- ◇ That they will adopt a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum;
- ◇ For operators active in the mining industry, that they will not engage in mountain top removal activities;
- ◇ That they will protect all sources of biodiversity, such as the High Conservation Values areas⁴⁷, Alliance for Zero Extinction sites⁴⁸, Ramsar wetlands sites⁴⁹, IUCN Category I-IV areas⁵⁰, and UNESCO world heritage sites;
- ◇ For operators active in Forestry and use of forestry areas, that they should not exploit tropical timbers without the necessary certification, FSC (Forestry Stewardship Council certification) or PEFC (Programme for the Endorsement of Forest Certification) which guarantee compliance with correct forestry management principles;
- ◇ For operators which produce agricultural goods or are involved in livestock farming or fishing, that they should have a local policy that prevents the use of slash-and-burn techniques, and limits the use of pesticides and fertilizers which are also atmospheric pollutants.

The above criteria apply to loans granted by the Group legal entities (i.e. loans in any form (including margin loans), financial guarantees and credit granted for exposures generated by activities in derivatives, securities lending and repos and for money market activities) and to direct proprietary investments made by the Principal Investing Division of Mediobanca S.p.A. For further details on the scope of application, reference is made to section 4.2 of the Group ESG Policy.

47. The High Conservation Areas (HCVA) are natural habitats - classified into six different categories - whose biological, ecological, social or cultural value is considered to be of exceptional significance or critical importance at a national, regional or global level and therefore requiring to be managed in such a way as to maintain or increase their value. With reference to forests in particular, the term High Conservation Value Forests (HCVFs) was coined at the Earth Summit held at Rio de Janeiro in 1992 and developed by the Forest Stewardship Council (FSC) in 1999 as part of the forest certification process. The FSC has defined HCVFs as forests having "outstanding and critical importance due to their environmental, socioeconomic, cultural, biodiversity and landscape value." In 2005 the HCV Resource Network was set up - <https://hcvnetwork.org/> - which broadened the concept from "HCV Forest" to "HCV Area" (HCVA) and compiled the criteria still adopted to define the sustainability standards for the farming/extraction/production of palm oil, soya, sugar, biofuels and coal, and for mapping the territory and for the conservation and planning for natural resources

48. Launched at global level in 2005, the Alliance for Zero Extinction (AZE) - <https://zeroextinction.org/> - was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide.

49. The Ramsar Convention - <https://www.ramsar.org/> - officially the Convention on wetlands of international importance, is a treaty signed at Ramsar in Iran on 2 February 1971 by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl, promoted by the IWRB – International Wetlands and Waterfowl Research Bureau), in conjunction with the IUCN (International Union for the Nature Conservation) and the ICBP (International Council for Bird Preservation).

50. The International Union for the Conservation of Nature and Natural Resources ("IUCN") - <https://www.iucn.org/> - has developed a system for classifying protected areas, in order to define, record and classify the wide variety of goals and specific concerns in the classification of protected areas and their objectives. This method is recognized on a global scale and distinguishes between the following: Category Ia - strict nature reserve, Category Ib - wilderness area, Category II - national park, Category III - natural monument or feature, Category IV - habitat/species management area, Category V - protected landscape/seascape, and Category VI - protected area with sustainable use of natural resources.



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