



# Group Policy on Responsible Lending and Investing



MEDIOBANCA



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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 the trust shown by investors and markets. ESG principles are a key factor in pursuing the creation of value in earnings and financial as well as 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 or with low ESG ratings and/or involved in serious events which impact negatively in the areas of the environment, human rights, employees’ rights, bribery and corruption, terrorism, and so forth, or which may do in the future.

## 1.2 Objectives

This policy defines the general principles and guidelines for applying environmental, social and governance (“ESG”) factors as well as financial ones to decision-making in the areas of lending, advisory, and investment services provided to clients in the selection of financial instruments.

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 core businesses managed by the Group;
- Prevent the Group from being involved in activities and investments that are not in line with the principles of ethics and integrity which constitute the foundation of the Group’s way of doing business.

# 2. Scope of application

This Policy applies to lending activities, investment of own funds and investment advisory services (or “advice”) provided to clients by the Mediobanca Group. The scope of application includes the following companies and their subsidiaries in particular:

- Mediobanca;
- Mediobanca International Luxemburg;
- MBFacta;
- CheBanca!



- Compass Banca;
- Futuro;
- Selma BPM;
- Compagnie Monégasque de Banque (CMB);
- Mediobanca SGR;
- Mediobanca Management Company;
- Cairn Capital;
- RAM Active Investements,
- Spafid.

## 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 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:

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

# 4. Process for responsible lending, investment and advice

To support responsible lending, investment and advice services based on ESG criteria, Mediobanca has defined activities and indicators for analysis to taken into consideration in making the assessments.

The approach is based on a combination of:

- **Negative screening** through use of exclusion criteria, to identify companies involved in specific activities which therefore cannot be taken into consideration for lending, investment and advice processes. The screening is performed through use of open and publicly available sources and/or data providers and providers of specific reports to measure and value companies;
- **Positive screening** based on precise inclusion criteria to identify companies that are committed to ESG issues.

## 4.1 General exclusion criteria (negative screening)

Without prejudice to the criteria for exclusion provided for in the regulations in force, both external (e.g. relations with terrorists) or internal (e.g. links with the mafia) and not related to ESG criteria, the Mediobanca Group has identified certain requisites that must be met. To be more specific, the Group does not knowingly engage in lending, investment and advice activities with parties directly and significantly involved in the production and/or sale of:

- Weapons that violate fundamental humanitarian principles (such as cluster bombs, anti- personnel mines, nuclear, chemical or bacteriological weapons);

In lending activities, no transactions can be executed with parties which have been definitively convicted of one or another of the following crimes:

- Money-laundering;
- Violation of human rights;
- Holding, producing and/or spreading child pornography.

The Group carries out indepth assessments of counterparties and/or key issuers and/or companies operating in sectors considered not to be responsible socially or with ESG ratings, and/or companies with disputes pending deemed able to impact on reputational and risk- return profile.

In particular, the Group is committed to pursuing the following criteria in certain sectors considered to be at risk, namely:

- **Mining:** the Group pays particular attention to issues such as: destruction of the environment and biodiversity; contamination of water, soil and air; child and forced labour; cultural legacy; risk of corruption and political risk;
- **Nuclear power:** the Group checks that the counterparty complies with the standards set by the International Agency for Atomic Energy (IAEA);
- **Defence and weapons:** the Group operates only in countries which comply with the principal international arms treaties and conventions; it does not grant loans to companies which manufacture, perform

maintenance on or sell controversial or non- conventional weapons; it does not do business with arms traffickers (the recipients or users of arms must be governments, governmental organizations, police forces, state- owned companies or supranational organizations under the terms of Italian law 185/90 on the export, import and transit of arms materials; exceptions may be permitted for hunting or sports weapons).

- **Coal-Fired Power:** the Group does not participate in financing to groups which derive more than 30% of their revenues from coal.

## 4.2 General inclusion criteria (positive screening)

Commitment in the area of corporate social responsibility and protection of human rights are considered priority criteria in the screening of companies. Factors for inclusion also comprise emissions reduction programmes, biodiversity, use of clean technologies, and protection against child labour.

The Group is also committed to promoting services and products to encourage the increased uptake of renewable energies and improvements in terms of energy efficiency, with the aim of contributing to the fight against climate change.

## 4.3 Assessment of ESG indicators

If the mandatory requisites are met, it becomes possible to proceed with the phase of assessment of ESG indicators during the selection processes for counterparties in lending, investment and advice activities.

The assessment process may also be supported by external research, based inter alia on the type of activity performed.

### 1. External research

Mediobanca and the Group companies may approach external data providers with the objective of identifying an ESG rating for individual issuers, and to have specific analysis of ESG issues.

### 2. Internal research

If no adequate external ESG ratings are available, the analysts and portfolio managers, if applicable in view the different types of activity and the information available on public databases, carry out an assessment of the degree of emphasis placed on ESG issues, based on the conduct implemented in practice and the degree to which such criteria are incorporated into the company's processes.

The company's ability and enthusiasm to improve its ESG processes internally are seen as positive factors in the final assessment (engagement activity).

For environmental factors, the objective is to understand the environmental risk which the company faces, the potential impact of this on its operating performance, competitiveness and reputation, and the policies which a government issue pursues in this connection.

As far as social factors are concerned, the objective is to appraise how certain issues are managed, such as labour, health and safety in the workplace, and relations with the community, and to understand the potential for reputational or litigation risk.

In terms of corporate governance, the assessment considers the company's governance



standards, to identify any problems and analyse the related potential risks. The assessment also considers institutional factors, such as the political stability of a country, civil liberties, political rights, etc.

#### 4.4 Lending and investment decisions

After the assessment phase is complete, the output of the analysis and consideration of ESG issues becomes information constituting one of the components supporting the decisions to be taken in lending, investment and advice activities.

The final decisions, depending on the organizational and governance structure as well as the specific features of the Mediobanca Group companies' businesses, may have to go through the relevant committees<sup>1</sup>.

## 5. Engagement

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.

## 6. Control bodies

The Corporate Social Responsibility Committee<sup>2</sup>, 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 and investment processes.

The Group's control units are responsible for carrying out checks within their own respective areas of responsibility.

1. E.g., for Mediobanca S.p.A., the Principal Investing, Lending and Underwriting, and Private Investment Committees.

2. 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.

## 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.





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