

Group ESG Policy

Version updated on May 2024

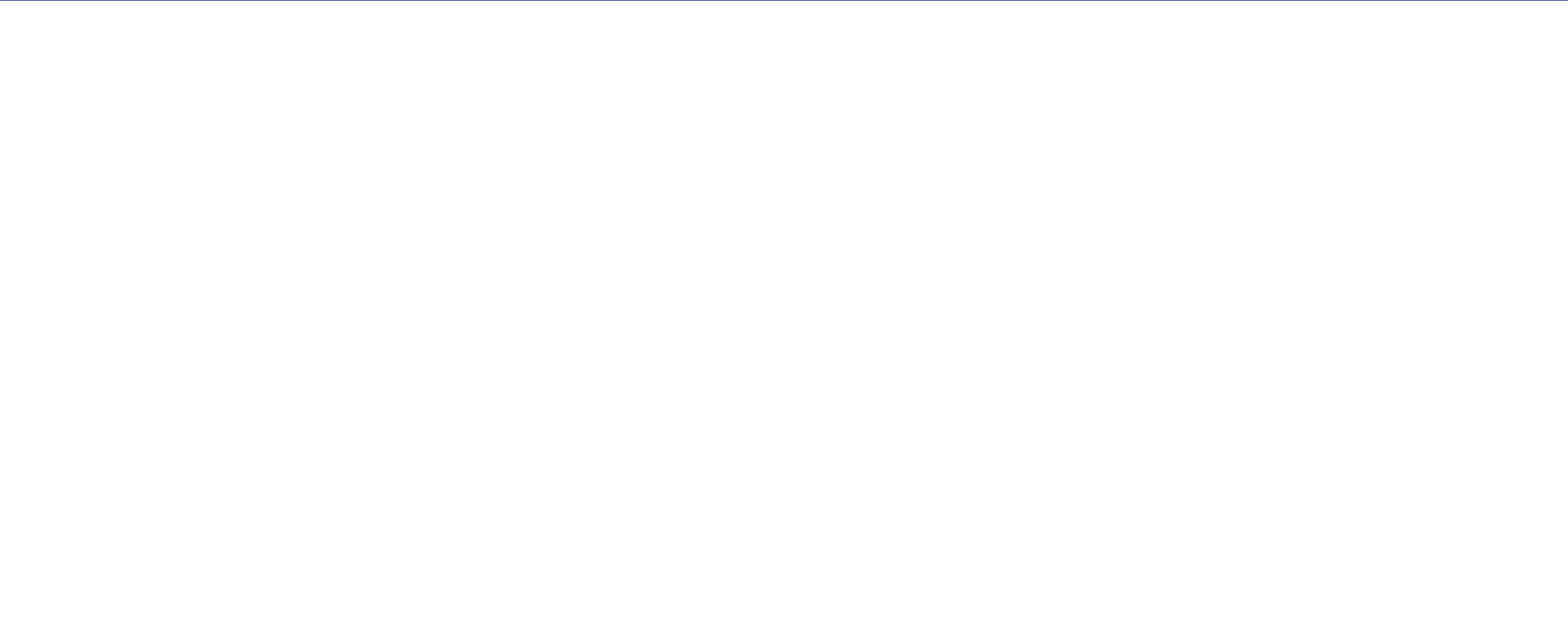


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Introduction



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1. Introduction

1.1 Document objective

The Mediobanca Group is convinced of the need to embrace Environmental, Social and Governance (“ESG”) principles in its management criteria as a matter of priority, because such principles represent a key factor in pursuing the creation of value in sustainable social and environmental terms as well as in earnings and financial terms.

To this end, the Group develops and adopts an approach that seeks to identify, assess, prevent and reduce reputational and operational risks deriving 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 that impact negatively on social, environmental or governance issues (indirect impacts), or that may do so in the future.

This Policy defines the general principles and guidelines on which the assessment of ESG factors in business decision-making is based for 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 its way of doing business.

1.2 Reference scenario

The Mediobanca Group’s sustainability strategy, which is intended to enforce and implement the company’s values in terms of ethics, integrity and responsibility, combined with respect for persons, the environment and society as a whole, is focused primarily on:

- ◇ Measures to tackle bribery and corruption, active and passive, to the highest ethical standards;
- ◇ Recognizing the value of people, with particular attention to the protection and promotion of diversity, equity and equal opportunities;
- ◇ Protection of human rights;

- ◇ Promotion of financial health and inclusion;
- ◇ Protection of the environment and reduction of direct and indirect environmental impacts;
- ◇ Sensitivity to the social situation.

1.3 Main changes

May 2024: this Policy has been updated since the version published in 2023, to fine-tune the positive and negative screening criteria applicable to the business areas, in view inter alia of changes in the reference regulations and practices, and of the commitments made by the Group as part of the 2023-26 Strategic Plan “One Brand – One Culture”.

1.4 Reference regulatory framework

The principal regulations of reference are listed below. It should be noted that, in the event of subsequent amendments to the regulations in this area, or new regulations being issued, until such time as the changes have been incorporated into the internal regulations, reference should be made to the more recent versions of the regulations than the ones specified in this section.

1.4.1 Internal regulations

- ◇ Code of Ethics.
- ◇ Code of Conduct.
- ◇ Group Regulations.
- ◇ Group Sustainability Policy.

1.4.2 External regulations

- ◇ Italian Law no. 220 of 9 December 2021.
- ◇ ECB guide on climate related and environmental risks (November 2020).
- ◇ Italian Legislative Decree no. 254 of 30 December 2016.

1.5 Scope of application and recipients

This Policy applies, based on the principles of proportionality and gradualness (see section 4), to the following activities and/or services provided by the Mediobanca Group Legal Entities (the “Business Activities”) in the countries in which they operate:

- ◇ Lending and credit activities for credit and counterparty risk;
- ◇ Corporate and Investment Banking (Equity and Debt Capital Market, M&A , debt advisory and capital market solutions activities);
- ◇ Proprietary investing in financial instruments;

- ◇ Investing on behalf of clients through portfolio management services, both individual and collective;
- ◇ Investment advisory services;
- ◇ Structuring complex products and distribution of non-personalized recommendations.

The following activities are excluded from the scope of this Policy:

- ◇ Products managed by Group Legal Entities with a “passive” management style which replicate the composition and performance of a given index (e.g. ETFs);
- ◇ Individual and collective management products which have benchmarks, the application of negative screening criteria 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 at 1 October 2021;¹
- ◇ Establishment of feeder funds by Group Legal Entities prior to 1 July 2024;
- ◇ Proprietary investments made as part of trading activity.

This Policy was approved by the Board of Directors for the first time on 19 July 2021 and has been subsequently updated. This version comes into force on 1 July 2024 and will be adopted by the Group Legal Entities.

Without prejudice to what follows, after that date it will not be possible to increase existing positions or undertake Business Activities with or which otherwise involve: clients, companies or counterparties in breach of the criteria set forth below.

Loans granted² prior to that date and still outstanding shall be carried on in compliance with the previous versions of the Group ESG Policy and are therefore excluded from the scope of application of this version of the Policy.

The compliance of the behaviour of counterparties that are beneficiaries of loans with the criteria set forth in this document will be assessed in the event of new loans being granted to the same counterparties or existing loans being renewed. Renegotiations and restructuring operations for loans already granted before this version of the Policy came into force will also be tolerated even if they are in conflict with it, because the risk was accepted prior to the date on which the Policy came into operation.

If a counterparty to which the Group is providing Corporate and Investment Banking services (Equity and Debt Capital Market, M&A, debt advisory and capital market solutions) no longer meets the criteria applicable under the terms of this Policy, the possibility of discontinuing the service will be evaluated, provided this is compatible with the contractual obligations previously entered into.

If a company in which a proprietary investment has been made no longer meets the criteria applicable under the terms of this Policy, the possibility of disposing of the investment will be evaluated, depending on the instrument’s liquidity and with a view to not compromising the return on the investment.

In the area of individual and collective portfolio management services, if an issuer that features in the portfolio managed no longer meets the criteria set forth in section 4.1, the manager will dispose of the instrument according to a timescale compatible with its liquidation, and with a view to not compromising the client’s end performance.

1. That is, the date on which the Group ESG Policy came into force in 2021.

2. Including loans for which specific documentation or a binding letter of commitment has been signed.



General principles



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2. General principles

In defining this Policy, the Mediobanca Group has based its considerations on the following principles (the “Reference Principles”);

- ◇ Universal Declaration of Human Rights;
- ◇ Ten principles of the UN Global Compact, recognized globally and applicable to all economic sectors, of which it is a signatory;
- ◇ International Labour Organization (“ILO”) Declaration on Fundamental Principles and Rights at Work;
- ◇ Eight ILO Conventions on fundamental human rights on freedom of: association and the right to organize and collective bargaining convention; abolition of all forms of forced labour; abolition of child labour; and abolition of discrimination in employment and occupation;³
- ◇ ILO Indigenous and Tribal Peoples Convention no. 169;
- ◇ Rio Declaration on Environment and Development;
- ◇ United Nations Convention against Corruption;
- ◇ Seventeen UN Sustainable Development Goals (SDGs);
- ◇ UN Guiding Principles on Business and Human Rights;
- ◇ OECD Guidelines for Multinational Enterprises;
- ◇ European Pillar of Social Rights.

As proof of its desire to integrate sustainability principles and issues into the Group’s business strategy, Mediobanca has become a signatory 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 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.

Mediobanca has also become a member of the Net-Zero Banking Alliance (the “NZBA”), the initiative promoted by the United Nations Environment Programme Finance Initiative, the UN Programme environmental section devoted to financial institutions. As a signatory to the Alliance, Mediobanca has entered into specific obligations to align its proprietary investment portfolios and loan books to

3. Conventions: 29, 87, 98, 100, 105, 111, 138 and 182.

the objective of achieving zero net emissions by 2050, in line with the targets set by the Paris Climate Agreement.

Mediobanca SGR, RAM Active Investments and Polus Capital Management Group are also signatories to the Principles for Responsible Investment (“PRI”), criteria established by the United Nation in order to develop a more sustainable global financial system, to be incorporated into the signatories’ investment and active ownership decisions.

The environmental and social disclosures – including those related to the impacts deriving from the Group’s Business Activities – are published annually in the Consolidated Non-Financial Statement (the “CNFS”), compiled in accordance with the Global Reporting Initiative standards, in the Pillar III Basel III Disclosure to the Public (ESG risks), and in the TCFD and PRB Reports. All these documents are available on the Mediobanca website.





Organizational model: roles and responsibilities



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3. Organizational model: roles and responsibilities

The roles and responsibilities for assessment of ESG factors in the Business Activities performed by the Group, both for own account and on behalf of clients, are summarized below.

3.1 Roles and responsibilities for Mediobanca

3.1.1 Board of Directors

On ESG issues, the Board of Directors:

- ◇ Approves the company's ESG strategy and monitors its application;
- ◇ Decides and approves the strategic guidelines for: risk taking, risk governance policies, and overall risk objectives, including climate and environmental risks.

3.1.2 Sustainability Committee

On 19 September 2019, the Board of Directors set up a Sustainability Committee from among its own number,⁴ with duties of preliminary analysis with respect to sustainability issue to be submitted to the Board's attention, which include monitoring the application of the Group ESG Policy, by assessing among other things the lending, investment and advisory processes implemented by the individual Group Legal Entities.

3.1.3 Risks Committee

The Risks Committee assesses and monitors ESG risks, and discusses issues and analysis activities requested by the supervisory authority for the Banking Group in relation to such issues.

The Risks Committee and the Sustainability Committee report to the Board of Directors on the monitoring activities performed by them.

4. The Sustainability Committee, previously known as the Corporate Social Responsibility Committee, has duties of preliminary analysis with respect to sustainability issues to be submitted to the attention of the Board of Directors, including in particular the Group Sustainability Policy.

3.1.4 Chief Executive Officer

At a Board meeting held on 14 June 2017, the Directors of Mediobanca delegated management of sustainability-related activities to the Chief Executive Officer, who appointed a management ESG Committee including representatives from across the divisions (business and staff units).

3.1.5 Control units (Group Risk Management, Compliance & Group AML, Group Audit)

The control units carry out the checks required of them for their specific areas of responsibility in accordance with the processes governed by the relevant internal regulations.

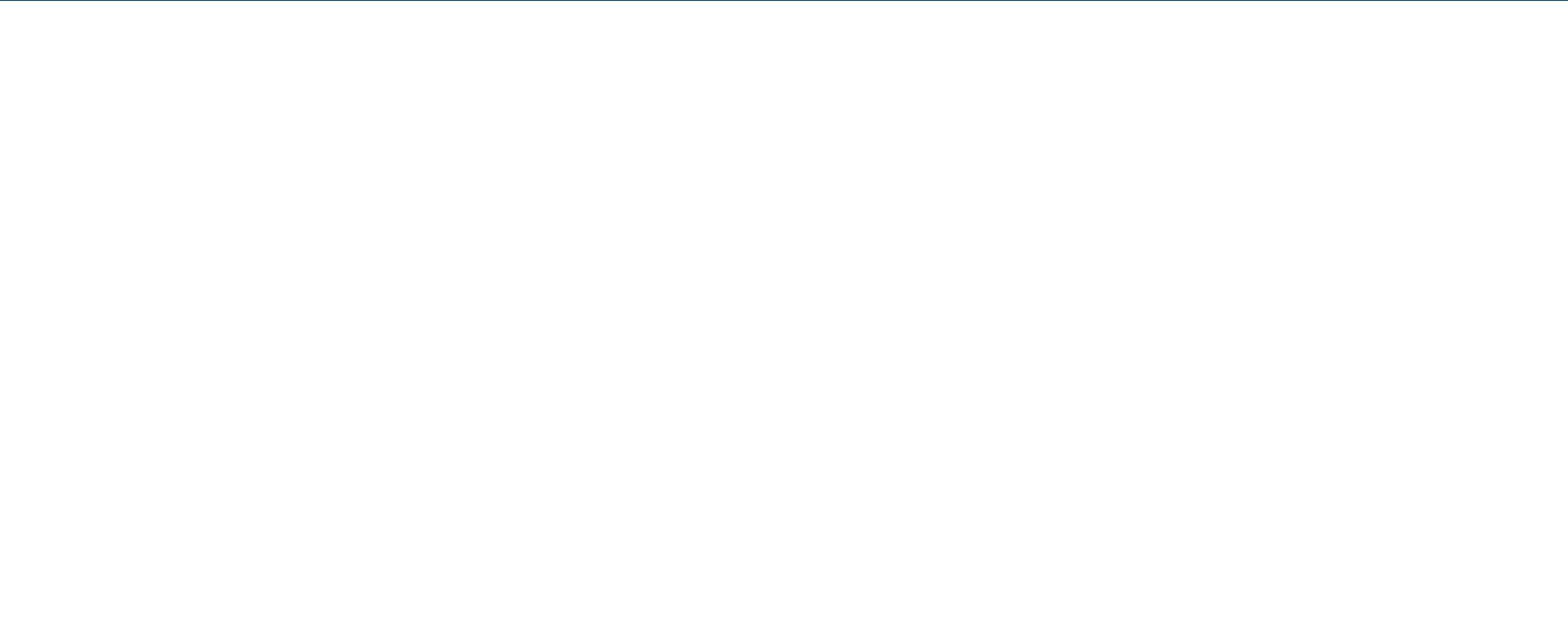
3.1.6 Group Sustainability

The Group Sustainability unit reports to the Chief Executive Officer, and is responsible for drawing up and updating the Group ESG Policy.

3.2 Roles and responsibilities for Group Legal Entities

The Mediobanca Group Legal Entities included in the scope of application of this Policy, each for their own spheres of reference, are responsible for adopting the Group ESG Policy and applying the guidelines contained in it at local level, having regard to the specific characteristics of their respective businesses, and in accordance with the principle of proportionality and materiality.

Any discrepancies between the local provisions and the guidelines contained in this document must be agreed between the Group Legal Entities themselves and Group Sustainability.





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 the indicators for analysis that each Group Legal Entity is required to take into consideration in making its assessments.

Such analysis is performed by each Group Legal Entity in accordance with its own specific needs and features, by using one or more of the following sources:

- ◇ Information in the public domain (e.g. on websites or in annual reports, etc.);
- ◇ Specialist information providers;⁵
- ◇ 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.

Section 4.1 establishes the general criteria applied to all Business Activities performed by the Group Legal Entities included in the scope of application of the Group ESG Policy.

Sections 4.2ff, meanwhile, apply the general criteria provided for in section 4.1 to each individual Business Activity with the addition of any further negative and positive screening criteria applicable to them.

4.1 General negative screening criteria

The Group does not knowingly engage in Business Activities that are contrary to its principles or that otherwise are in breach of principles and/or regulations that would expose it to serious regulatory or reputational risks. In particular, Business Activities that regard and/or involve directly any of the following are excluded:⁶

5. Info-providers of high standing selected by each Group Legal Entity based on specific needs related 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.

6. Accurate checks of the instances listed below depend primarily on the information made available by the info-provider in terms of the availability and accuracy of data.

- ◇ Companies involved in the production and/or sale of arms that violate fundamental humanitarian principles, such as anti-personnel mines, biological weapons, chemical weapons, cluster bombs, and depleted uranium ammunition, or components specifically designed for such weapons (dedicated components) and/or that are an essential component for the functioning of such weapons (essential components), or companies that provide assistance, technologies or services for such weapons;
- ◇ Companies involved (unless marginally⁷) in the production and/or sale of nuclear weapons, or components specifically designed for such weapons (dedicated components) and/or that represent an essential component for the functioning of such weapons (essential components), or which otherwise provide assistance, technologies or services for such weapons;⁸
- ◇ Companies convicted⁹ for serious breaches of human rights, with reference both to workers and to local communities, in the following areas in particular: rights of indigenous peoples; child labour and forced labour; human trafficking; exploitation of workers; discrimination based on ethnicity, religion or gender;
- ◇ Companies convicted of serious breaches of the regulations in the areas of accounting fraud, money laundering and/or bribery and corruption;
- ◇ Companies convicted for serious environmental damage (e.g. leaks of harmful substances to the environment, 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 laundering.¹⁰

The Group, through analysis shared with the control units, assesses whether to resume operations with entities/companies previously excluded, provided they can demonstrate they have mitigated the risk of being convicted of the same breaches, or if the reasons why they were previously excluded have ceased to apply.

Furthermore, the Group uses specialist information providers in order to monitor any entities and/or companies with which Business Activities are ongoing or planned, that appear to be involved in activities or serious disputes in connection with the above general criteria, assessing whether or not preventative action should be taken (e.g. not invest or increase existing positions, or divest). If there are any doubts over the info-provider's assessment regarding the seriousness of the dispute or the counterparty's activities, the Group, through analysis shared with the control units, considers whether to maintain the Business Activity or undertake the Business Activity planned.

Under Italian Law No. 220 of 9 December 2021, regarding measures to prevent the financing of anti-personnel and cluster bombs and sub-munitions, a ban has been introduced on lending to companies,¹¹ which, regardless of the legal form in which they are incorporated, based in Italy or elsewhere, directly or via subsidiaries or associates, perform one or more of the activities covered by the law.¹²

The Group has also, in accordance with its Policy on tackling money-laundering and terrorism financing, instituted a ban on entering into relations with:¹³

7. The term "marginally" means that the turnover generated from activities involving nuclear weapons and their components (dedicated and essential) does not exceed 5% of the turnover (consolidated, if the company prepares consolidated reporting).

8. An exception to this rule is represented by nuclear weapons (and their related components/services) produced or supplied as part of government nuclear weapons programmes in NATO countries authorized to possess them under the terms of the 1968 Non-Proliferation Treaty, which are therefore allowed without any limit on their involvement.

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

10. Reference is made to the list of non-EU (third) countries with strategic deficiencies in their anti-money-laundering/terrorism financing regimes (pursuant to Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 as amended; and to the FATF black list).

11. Italian Law No. 220 of 9 December 2021 introduces a total ban on financing, defined as providing any form of financial support (including, but not limited to, granting credit in any form, releasing financial guarantees, and acquiring or subscribing for financial instruments) in companies which, regardless of the legal form in which they are incorporated, based in Italy or elsewhere, directly or via subsidiaries or associates, perform one or other activities (e.g. construction, production, development, assembly, conservation, storage, deployment, use, storage, export, transfer, transport, etc.) connected with anti-personnel mines, cluster bombs and their munitions and sub-munitions, or any kind or composition, or any part of them.

12. The list of the companies involved in one or more of the activities covered by the law is defined at Group level.

13. "Relations", for the purposes hereof, refers to the provision of banking and/or financial services.

- ◇ “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 embargo.¹⁴

Finally, 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.

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

4.2.1 Lending, credit activities for credit and counterparty risk, and proprietary investments made by the Mediobanca Insurance division

Without prejudice to the restrictions provided for in section 4.1 above, with reference to the following activities:

- ◇ Lending and the assumption of counterparty risk, i.e.: loans (in any form, including margin loans), financial guarantees and loans granted to counterparties and/or clients in respect of exposures generated as a result of activities in derivatives, securities lending and repos and for money market activities (the “Loans”, or “Lending Activities”);
- ◇ 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 Insurance division of Mediobanca S.p.A. (the “PI Direct Investments”, or “PI Direct Investing Activity”),

the Group Legal Entities, based on the provisions of the internal procedures, carry out further and specific assessments 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.¹⁵

The assessment process is carried out by the various Group Legal Entities based on a principle of proportionality and gradualness using different methodologies based on the type of business performed and the product/service managed/instituted or provided to the client. The assessments derive from the ESG rating provided by specialist info-providers and/or research performed internally.

14. “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. The Mediobanca representative office in Tehran has not been operative for some time now, and does not generate any income, indeed the office’s sole purpose involved facilitating the repayment of certain loans, all of which have now been repaid and which were granted under the international sanctions regime previously in force. The loans in question have at all times been managed in full compliance with the applicable regulations on sanctions in force.

15. That is, which translate to an exposure versus and/or investment in the counterparty by the lender, and/or the party that makes the investment in an amount of over €2.5m.

The internal analysis, made in the absence of and/or in addition to the data supplied by the info-providers, is intended to assess, on the basis inter alia of information in the public domain, the degree of attention devoted by counterparties to ESG issues, the behaviours adopted by them, and the integration of such criteria into the corporate policies and processes in relation to:

- ◇ Environmental factors: the environmental risk that the company has to address, its possible impact on operating performance, competitiveness and reputation, and any policies implemented to govern them;
- ◇ Social factors: management of issues such as labour, health and safety, and community relations, seeking to understand the potential reputational and/or litigation risk involved;
- ◇ Governance factors: the standards of governance adopted by the company, any potential risks associated with them. Institutional factors are also considered (e.g. the political stability of a country, 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.

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 Legal Entities carry out specific assessments in order to identify critical counterparties and/or issuers operating in non-socially responsible sectors, with low ESG ratings and/or subject to disputes deemed capable of impacting on reputational and/or risk-return profile.

The Mediobanca Group has identified certain sectors of activity as being sensitive in ESG terms, and has drawn up specific lists of exclusion criteria for: the mining industry, forestry and use of forested areas, production of agricultural goods, the energy, oil and gas sectors, defence and arms, and infrastructure and transport. It has also compiled a list of materials, the production, processing and/or sale of which it does not support; and has put in place a policy to protect biodiversity.¹⁶

The Group Legal Entities also monitor any disputes relating the failure to comply with the Reference Principles and the general criteria described thus far, of which they become aware, in order to assess whether to discontinue the Business Activities concerned (without prejudice to the contractual obligations entered into), plus any measures to protect their own credit and/or reduce and/or not increase their own exposures.

Such assessments also take account of any mitigation actions and/or the characteristics of the dispute itself.¹⁷

The same assessments are made regarding the advisability or otherwise of resuming relations with counterparties that have been convicted or are involved in the above disputes.

The decision to launch, maintain, reduce or resume operations with parties at the centre of disputes or that have otherwise been fined and/or convicted in relation to the above, may require, depending on the Group Legal Entities involved, specific assessments and/or applications to the competent committees.

16. See the Annex 1 - "Specific Lending and Investment Policies" for further details.

17. For example, if the event from which the dispute originated is not attributable to a structural issue (e.g. there being conditions that would enable the event to reoccur, due to deficiencies in the corporate culture, lack of suitable governance or adequate internal supervision), including as a result of the implementation of adequate procedures and actions that could prevent such breaches from reoccurring in the future.

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 which is performed as part of the lending or investment decision-making process and which also aims to verify the level of alignment of such criteria with the Reference Principles listed in section 2 above.

Counterparties and issuers are also assessed on their contribution to tackling and mitigating climate change, safeguarding species at risk of extinction, and protecting biodiversity and the environment, in particular for areas and species at risk of extinction or requiring protection.

Virtuous behaviours that contribute to the mitigation of ESG risk impact positively on the creditworthiness and investment profile of the parties analysed.

The methodologies used and the risk factors considered in this analysis are structured by the Group Legal Entities according to the type of counterparty (or indeed the type of asset) involved in the Loan or PI Direct Investment activity.

4.2.2 Direct proprietary investments

In making direct proprietary investments, the Mediobanca Group Legal Entities,¹⁸ in addition to applying the general criteria set out in section 4.1, take account of the commitment entered into as part of the Strategic Plan 2023-26 “One Brand-One Culture” to exit the tobacco and coal industries by 30 June 2026 and 31 December 2030 respectively.

4.2.3 Other proprietary investments made by the Mediobanca Insurance division

As regards proprietary investments in closed-end AIFs and other equivalent products, including those incorporated under international law, CLOs and CDOs, the Insurance division selects products managed by asset managers that undertake to comply with the general criteria set out in section 4.1 with reference to the product in which they are investing.

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

In performing Debt Capital Market (DCM), Equity Capital Market (ECM) and corporate finance (M&A and Debt Advisory) activities, the respective teams perform individual analysis based inter alia on data supplied by a specialist info-provider, and apply, in addition to the general criteria set forth in section 4.1,¹⁹ additional criteria to take ESG factors into account.

In accordance with the commitment made by the Group in terms of tackling climate change, operations are not permitted for clients operating:

- ◆ In the coal sector mining and/or oil and gas from unconventional sources (e.g. Shale oil and gas, tar sands, and oil and gas resources located in the Arctic region);
 - ◆ In the energy production sector in cases where there are power stations supplied from such sources;
- if the revenues attributable to the activities referred to under points a) and b) related to such fuels represent, jointly or individually, more than 10% of their total sales (consolidated where applicable²⁰),

18. For direct proprietary investments, this commitment is described in more detail in the Annex 1 - “Specific Lending and Investment Policies”.

19. With regard to corporate finance activities, the criteria set out in section 4.1 are applied based on the mandate concerned and the parties involved (e.g. target or counterparties) following analysis shared with the control units.

20. This percentage refers to the total revenues of the counterparty, or, if it forms part of a group, to the consolidated revenues of the group of which it forms part.

unless the counterparties have formalized a diversification strategy to reduce the percentage of such fuels in their energy generation mix, including clearly identified objectives and deadlines for achieving these targets.

The offering of financial products and services specifically related to projects for the exploration, construction, expansion or enhancement of deposits of coal, oil and gas from unconventional sources, or to build, expand or enhance power stations powered by such fuels and/or infrastructure specifically related to such activities, is also excluded.

4.4 Additional criteria applied to individual and collective portfolio management

In providing individual/collective portfolio management services, the Group Legal Entities apply, in addition to the general criteria set forth in section 4.1, additional criteria in order to promote responsible investment processes and take ESG factors into consideration, by analysing data provided by specialist information providers and/or the parties themselves.

Additional ESG criteria are also considered in the selection of financial instruments and open UCITS. Such criteria may be implemented in the form of specific limits being set by each Group Legal Entity²¹ 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).

Certain Group Legal Entities offer products with ESG characteristics, and, where applicable, products that promote environmental or social factors (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,²² in addition to the general criteria set forth in section 4.1, the Mediobanca Group offers the possibility of investing in instruments focused on each of the ESG areas, or on a combination of them, including through the creation of specific lists. The Mediobanca Group Legal Entities are also committed to gradually introducing positive screening that allows for consideration of ESG issues in their selection of products made available to their clients.²³

4.6 Structuring complex products and distribution of non-personalized recommendations

With regard to the structuring and/or distribution of complex products,²⁴ in accordance with the provisions of section 4.1, the issuers referred to in the previous paragraph cannot be used as underlying instruments, regardless of their type (equity, credit, bond, etc., even as a component in a basket). This restriction does not apply if the issuer (or its securities) is a component of an equity or credit index.

Furthermore, Mediobanca does not in any way promote, including by means of so-called “trade ideas”, the financial instruments of the issuers referred to in section 4.1 above or derivatives related to such issuers.

In the distribution of investment research, if a company for which coverage has not yet been initiated ceases to meet the criteria set forth in section 4.1 above, it cannot be covered. Coverage activities already initiated may be maintained.

21. For details of the policies implemented by the individual Group Legal Entities, reference is made to the information published on their respective websites.

22. Investment advisory services in the sense of MiFID investment services as defined in Directive (EU) 2014/65, Annex I, section A, n. 5). The executive services that the Group provides for financial instruments (e.g. trades executed directly by clients on their own initiative without advice) are not included in the scope of this Policy.

23. Reference is made to the Group Legal Entities' individual websites for further details.

24. I.e. financial instruments other than those referred to in Article 25(4) of Directive (EU) 2014/65, the risk-return profile for which is obtained from the combination of one basic instrument (such as a share) with one or more derivative instruments (options or swaps).



Engagement activities



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5. Engagement activities

The Mediobanca Group is convinced that meeting ESG criteria can help deliver improved performances for investors in the long term, and so encourages the companies in which it has invested, or in which it intends to invest, to engage in dialogue over their approaches to sustainability.

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

5.1 Engagement activity for climate transition with reference to the lending business of Mediobanca S.p.A. and Mediobanca International (Luxembourg) S.A.

In accordance with the commitments entered into with the Task Force on Climate-related Financial Disclosures (the “TCFD”), the PRB and the NZBA, and in line with the Basel III Pillar 3 disclosure to the public requirements in terms of ESG risks, the Mediobanca Group quantifies and discloses the carbon footprint of its portfolio, with the aim of aligning it with the 1.5°C trajectory set by the Paris Agreement²⁵ and the objective of achieving climate neutrality by 2050.

By the deadlines set by the NZBA, the greenhouse gas reduction objectives will be formalized for counterparties operating in the sectors identified by the Alliance,²⁶ and a description of the progress made in achieving the objectives will be provided. Of the measures to be taken, engagement with all clients operating in high-impact sectors will have a central role, in particular with counterparties that are not aligned with the Net-Zero objectives.

The Group believes it is necessary to support the transformation of high-impact sectors by continuing to finance them in the short term, to enable them to develop replacement technologies.

The “manged phase-out” approach allows the credit system to play an active part in the process of reducing the real economy’s carbon footprint, taking responsibility for it rather than delegating it to others, and can have a variety of advantages, such as:

- ◇ Supporting an “orderly transition”;
- ◇ Mitigating financial marginalization for companies which, although they have high emissions-generating assets, have also developed credible transition plans;
- ◇ Allowing financial institutions to carry out engagement activity versus companies operating in high-emissions sectors, and to support them in their transition to carbon neutrality;

25. As part of a United Nations’ framework convention on climate change adopted on 12 December 2015.

26. Agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport.

- ◇ Involving a plurality of stakeholders in order to support a “just transition” which at the same time ensures continuity in the provision of critical services.

Despite supporting the validity of the managed phase-out strategy, the Group applies strict criteria in granting loans to parties operating in those sectors which are most sensitive in terms of sustainability, to ensure that net zero objectives are pursued, and remove the risk of potential green-washing.

Mediobanca and Mediobanca International (Luxembourg) in particular²⁷ have committed to a process of trying to understand and assess the transition strategies of their borrowers or the parties with which they are assessing the possibility of initiating a lending relationship, and the results of this analysis are integrated into the decision-making process regarding whether or not to grant or renew the loan, to assess the portfolio's alignment with the Paris Agreement objectives. They also initiate specific engagement actions to insist that counterparties operating in high-impact sectors adopt decarbonization programmes.

The same approach will gradually be rolled out also to the other Group Legal Entities according to appropriate relevance and proportionality criteria.

27. As at 30 June 2023, the two Group Legal Entities accounted for almost 90% of the Group's new business in terms of loans and advances to financial and non-financial companies other than SMEs and excluding Retail activities (cf. Basel III Pillar III Disclosure to the Public as at 30 June 2023, cf. Section 7 – Credit risk Template EU CR1: Performing and non-performing exposures and related provisions).

Glossary



MEDIOBANCA

6. Glossary

TERM	DEFINITION
Sensitive Areas	The areas listed in the Biodiversity Policy contained in Annex 1 - Specific Lending and Investment Policies.
Coal Companies	Companies that derive more than 5% ²⁸ of their total revenues from the extraction of thermal coal, exploration and perforation, mining services, processing, sale, transport and logistics, from the production of equipment, provision of operating and maintenance (O&M) services, engineering, procurement and construction (EPC) services, transmission and distribution of electricity generated from coal, from coal to liquids(Ctlg), and from coal to gas (CtG). ²⁹
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora.
Adequacy Criteria	<p>A country is said to meet the Adequacy Criteria if it:</p> <ul style="list-style-type: none"> ◇ Is not subject to international sanctions; ◇ Is a member of the International Atomic Energy Agency (IAEA);³⁰ ◇ Has ratified the Non-Proliferation Treaty (the "NPT")³¹ and the International Convention for the Suppression of Acts of Nuclear Terrorism; ◇ 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 implemented measures to achieve alignment with the requirements set forth in the above regulations); ◇ Has implemented an independent National Security Agency (NSA) for nuclear activities, with powers of regulation, inspection, control and sanction, and aligned with the IAEA; ◇ Has not been cited in the most recent Report of the Global Safeguards Agreements³² published by the IAEA in relation to specific questions or a lack of information that could obstruct the monitoring of nuclear facilities; ◇ Uses nuclear power stations exclusively in order to generate electricity for peaceful purposes.³³

28. The percentage of total revenues refers to the counterparty, and, if it forms part of a group, to the consolidated revenues reported by the group headed up by it or of which it forms part.

29. In line with the definition provided by the Financial Sector Science Targets Guidance <https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf>.

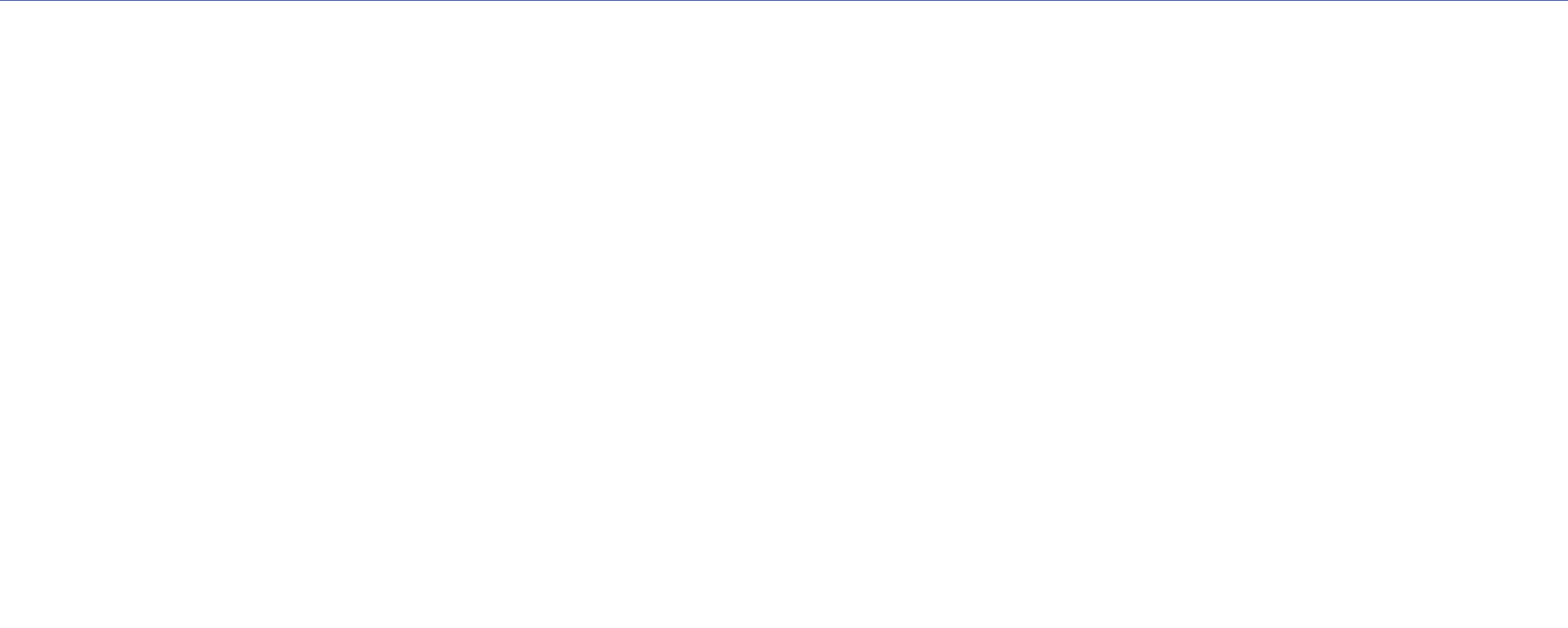
30. The IAEA is the United Nation's co-operation centre in the nuclear field. It was set up in 1957, and works together with its own Member States and multiple partners worldwide to promote safe, secure and peaceful nuclear technologies.

31. The NPT is an international treaty, the objective of which is to prevent the spread of nuclear weapons, to promote co-operation in the peaceful uses of nuclear energy, and to further the goal of nuclear disarmament and general and complete disarmament.

32. The Global Safeguards Agreements are drawn up by the various countries and the IAEA to enable the latter to carry out the security controls and checks.

33. This condition is met by guaranteeing the implementation of the IAEA's Safeguards Agreement or an equivalent agreement, and by confirming,, in the most recent conclusions on security controls, that the nuclear material continues to be used for peaceful activities.

TERM	DEFINITION
CNFS	Consolidated Non-Financial Statement
ESG	Environmental, Social, Governance
FSCC	Forest Stewardship Council Certification
ILO	International Labour Organisation
MTR	Mountaintop removal
KPCS	Kimberley Process Certification Scheme (KPCS), a process established in 2003 by the United Nations General Assembly to prevent so-called “conflict diamonds” from entering mainstream circulation
PEFC	Programme for the Endorsement of Forest Certification
PRI	Principles for Responsible Investment
PRB	Principles for Responsible Banking
TCFD	Task Force on Climate Related Financial Disclosures
Unconventional Oil & Gas	<p>Oil and gas obtained from:</p> <ul style="list-style-type: none"> ◇ Bituminous sands (tar sands or oil sands), i.e. sand and clay naturally mixed with a viscous form of heavy crude oil known as bitumen; ◇ Shale oil and gas, obtained through the use of fracking; ◇ Drilling in ultra-deep waters to obtain oil and gas, i.e. at a depth of more than 5,000 feet (1,500m); ◇ Areas within the Arctic Polar Circle (66.5° north of the Equator).



Annexes



MEDIOBANCA

7. Annexes

Annex 1 – Specific Lending and Investment Policies

The following policies and the criteria set forth in them – in addition to those described in section 4.1 above – apply to loans granted in any form (including margin loans, financial guarantees and loans for exposures generated by trading in derivatives, securities lending and repos, and money market activities) by the Group Legal Entities, and to direct proprietary investments made by the Mediobanca S.p.A. Insurance division as governed by the foregoing section 4.2.1.

Annex 1.1 - Biodiversity Policy

At the Earth summit held at Rio de Janeiro in 1992, the world leaders agreed on a global strategy for sustainable development to meet current 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 diversity,³⁴ the sustainable use of its components and the fair and equitable sharing of benefits arising from genetic resources”. 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 - 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, in their ecosystem and biodiversity protection policies, and in their consumption of energy and water, and will limit the emission of polluting substances.

To this end the Group does not finance and does not invest in counterparties that adopt practices which are unsustainable from an environmental standpoint, or which are harmful to ecosystems and/or sources of biodiversity, and/or that impact negatively on the following areas (the “**Sensitive Areas**”):

- ◆ **High Conservation Value Areas and High Conservation Value Forests:** 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. The Forest Stewardship Council (FSC), as part of the forest certification process, 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,³⁵ 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;
- ◆ **Alliance for Zero Extinction:** launched at global level in 2005, the Alliance for Zero Extinction (AZE)³⁶ was set up to effectively identify, preserve and safeguard the most important sites to prevent the extinction of species worldwide;
- ◆ **Ramsar Wetland Sites:** the Convention was signed at Ramsar on 2 February 1971³⁷ by a group of governments, scientific institutions and international organizations participating in the International Conference on wetlands and waterfowl and was promoted by the International Wetlands and Waterfowl Research Bureau (IWRB), in conjunction with the International Union for the Nature Conservation (IUCN) and the International Council for bird Preservation (ICBP);
- ◆ **Areas included in IUCN Categories I-IV:** the International Union for the Nature Conservation,³⁸ or “IUCN”, has developed a system for classifying protected areas, in order to define, record and classify

34. 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”.

35. <https://hcvnetwork.org>

36. <https://zeroextinction.org>

37. <https://www.ramsar.org>

38. <https://www.iucn.org>

their wide variety. 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;

- ◇ **Rainforests:** 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;
- ◇ **Primary Tropical Moist Forests:** these are defined as intact forests which, being basically untouched by human activities, continue to exist in their original condition. Primary forests are the ones with the highest biodiversity. They are located in areas that receive at least 100 mm of rain each month every two years out of three, and have an annual average temperature of above 24° C. Each of these categories also includes some forests in areas with longer dry seasons, but which have high enough cloud coverage to cause reduced evapotranspiration.

Reference is made to other the Specific Lending and Investment Policies for further negative screening criteria applied to counterparties operating in the sectors governed by them, including in order to safeguard the ecosystem and biodiversity sources.

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 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, and also in compliance with Italian Law No. 220 of 9 December 2021,³⁹ regarding measures to prevent the financing of anti-personnel and cluster bombs and sub-munitions, the Mediobanca Group does not finance or invest in counterparties which:

- ◇ Manufacture, carry out maintenance for, store or sell weapons that are controversial,⁴⁰ such as anti-personnel mines, biological weapons, chemical weapons, cluster bombs, nuclear weapons⁴¹ 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 they are known to have used – based on data from reliable sources – to commit genocide, crimes against humanity and/or war crimes;
- ◇ For which there is specific evidence of serious controversies regarding the cases governed by the foregoing section 4.1 or the Biodiversity Policy.

³⁹. See section 4.1 of the Group ESG Policy for further details.

⁴⁰. 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.

⁴¹. Activities are permitted with counterparties whose turnover generated from activities involving nuclear weapons and their components (dedicated and essential) does not exceed 5% of the turnover (consolidated, if the company prepares consolidated reporting). An exception to this rule is represented by nuclear weapons (and their related components/services) produced or supplied as part of government nuclear weapons programmes in NATO countries authorized to possess them under the terms of the 1968 Non-Proliferation Treaty, which are therefore allowed without any limit on their involvement.

Annex 1.3 - 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 regards one 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 finance⁴² and does not invest in initiatives which:

- ◇ Are performed in or otherwise impact negatively on Sensitive Areas and/or world heritage sites designated by UNESCO;
- ◇ Exploit tropical timbers without the necessary certification, FSC or PEFC which guarantee compliance with correct forestry management principles;
- ◇ Are performed by a counterparty that does not meet the criteria set in the following points.

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

- ◇ Serious controversies as governed by section 4.1 above or by the Biodiversity Policy;
- ◇ Serious controversies in relation to the failure to comply with the recommendations of the Zero Burning policy adopted by the ASEAN countries (Association of South-East Asian Nations) or other regional best practices;
- ◇ Result in serious damage being done to species of fauna and flora at risk of extinction;
- ◇ Illegal deforestation activity and/or actions which lead to land erosion.

42. Such restrictions refer to special purpose loans, the use of which is governed contractually, restricting the use of the financing to specific initiatives.

Annex 1.4 - Production of agricultural goods, livestock farming and fishing

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

The ongoing growth in the demand for agricultural products and in the surface areas used to cultivate them generates risks for the environment and for the communities involved.

The Policy applies to counterparties or groups whose main business regards 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. For the palm oil segment, 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 controversies relating to instances governed by section 4.1 above or by the Biodiversity Policy;
- ◇ Serious damage being done to species of fauna and flora at risk of extinction;
- ◇ Illegal deforestation activity and/or actions which lead to land erosion;
- ◇ Failure to adopt a water management plan in order to reduce its use to a minimum and monitor its impacts, in particular in areas subject to water scarcity; absence of measures to manage the waste produced by them in order to minimize water pollution;
- ◇ Not having adopted a policy to minimize the use of pesticides, herbicides and fertilizers that pollute the atmosphere;
- ◇ Failure to adopt measures to monitor and reduce greenhouse gas emissions (including carbon dioxide and methane) and energy consumption, for waste production and abatement, and to guarantee soil integrity;
- ◇ Production, refinery or sale of sell palm oil not certified by the Roundtable on Sustainable Palm Oil (or for which the certification procedure is not in progress);

- ◇ Animal experiments having been carried out for non-clinical purposes;
- ◇ Unauthorized trade of any species or vegetable or animal product governed by the CITES;
- ◇ Fishing using deep-sea trawling and/or with drift nets longer than 2.5km.

Annex 1.5 - 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, conscious of the environmental and social impact that mining has, and of the potential situations of armed conflict and geopolitical instability that can arise from it, hopes that the companies operating in this industry with which it has relations will develop projects based on the principles of the reference sector regulations in force.

The Group, while not operative in Project Financing, does not in any case finance⁴³ and does not invest in initiatives:

- ◇ To realize new asbestos, thermal coal and non-KPCS compliant rough diamond mining sites, or expand existing ones;
- ◇ In which the mining areas or associated structures are:
 - ◇ In areas where armed conflict is in progress;
 - ◇ Situated in, or otherwise impact negatively on, Sensitive Areas and/or UNESCO World Heritage sites;
- ◇ 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;
- ◇ Performed by a counterparty that does not meet the criteria set in the following points.

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 are not compliant with the KPCS;
- ◇ Mine, process or sell conflict minerals from war zones;
- ◇ Have not put in place policies and processes to anticipate major incidents and to prevent or minimize the adverse impacts on the environment and on health deriving from management of the mining site and extraction waste (including management of the waste deposit facilities even after they have been closed, and management of water resources and waste water);
- ◇ For which there is evidence of serious controversies as defined in section 4.1 above and in the Biodiversity Policy.

Further restrictions are also applied to the Coal Companies, based on which the Group does not finance and does not invest in counterparties that:

- ◇ Own or manage thermal coal extraction in the Appalachian Mountains using MRT techniques;
- ◇ Generate more than 10% of their turnover⁴⁴ from business related to thermal coal;
- ◇ Are building, expanding or acquiring activities or infrastructure related to thermal coal extraction;

43. Such restrictions refer to Project Financing transactions and to special purpose loans, the use of which is governed contractually, restricting the use of the financing to specific initiatives.

44. The percentage of total revenues refers to the counterparty, and, if it forms part of a group, to the consolidated revenues reported by the group headed up by it or of which it forms part.

- ◇ Have not formalized a commitment to exit the coal industry that illustrates a disposal strategy by 2030, including interim targets and the related timeframe. In the event of the interim targets not being met, the granting of new loans or the renewal of existing loans is subject to reassessment of the phase-out plan producing a positive result.

Similar criteria also apply to counterparties that own or manage infrastructure or transport related to the thermal coal extraction activities referred to above, such as railway lines, trains, boats and/or barges used primarily in order to transport or store thermal coal.

Loans and investments the proceeds from which are used to implement “green initiatives” are an exception to the above restrictions and are therefore permitted.

Annex 1.6 - Energy, oil and gas sectors

The Mediobanca Group supports the transition process towards a low carbon emission economy and supports its clients in their pathway to reducing 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 offer incentives for sustainability targets to be met.

The Group, while not operative in Project Financing, does not in any case finance⁴⁵ and does not invest in initiatives:

- ◇ That are performed in or otherwise impact negatively on Sensitive Areas and/or world heritage sites designated by UNESCO;
- ◇ That are intended to implement or expand:
 - ◇ Dams that do not comply with the World Bank's policies on dam safety;
 - ◇ Large-sized hydroelectric power stations;
 - ◇ Coal-fired power stations;
 - ◇ Unconventional oil and gas resource exploration and production sites;
 - ◇ Pipelines that transport a significant volume of unconventional oil and gas, and/or liquefied natural gas exportation terminals supplied with significant volumes of unconventional oil and gas;⁴⁶
- ◇ 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;
 - ◇ 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 country⁴⁷ does not have adequate governance for its nuclear industry or which does not meet Adequacy Criteria;
- ◇ Performed by a counterparty that does not meet the criteria set in the following points.

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

- ◇ For which there is specific evidence of serious controversies regarding the provisions of section 4.1 or the Biodiversity Policy;
- ◇ That fail to adopt a water management plan in order to reduce its use to a minimum and monitor its impacts, in particular in areas subject to water scarcity, or measures to manage the waste produced by them in order to minimize water pollution.

45. These restrictions refer to Project Finance transactions and special purpose loans, the use of which is governed contractually, restricting the proceeds of the financing to specific initiatives.

46. The pipelines and terminals are excluded if the non-conventional hydrocarbon does not exceed 10% of the total volumes respectively transported or provided (the percentage is calculated based on the previous two years' average).

47. Host country is defined as the nation state or states in which the power station and/or reactor is located, and/or in which the counterparty or its parent company is headquartered.

Further restrictions are also applied to the Coal Companies, based on which the Group does not finance and does not invest in counterparties that:

- ◇ Produce energy from thermal coal extracted in the Appalachian Mountains using MRT techniques, or which own or manage the infrastructure or transport with which such activities are performed;
- ◇ Generate more than 10% of their turnover from business related to thermal coal;⁴⁸
- ◇ Are building, expanding or acquiring activities or infrastructure related to thermal coal;
- ◇ Have not formalized a commitment to exit the coal industry that illustrates a disposal strategy by 2030, including interim targets and the related timeframe. In the event of the interim targets not being met, the granting of new loans or the renewal of existing loans is subject to reassessment of the phase-out plan producing a positive result.

Similar criteria also apply to counterparties that own or manage infrastructure or transport related to the activities referred to above, such as railway lines, trains, boats and/or barges used primarily in order to transport or store thermal coal.

Loans and investments the proceeds from which are used to implement “green initiatives” are an exception to the above restrictions and are therefore permitted.

Further restrictions are applied to counterparties operating in oil and gas (processing, refining, storage and transport of oil and gas), based on which the Group does not finance and does not invest in companies which generate more than 10% of their turnover from unconventional oil and gas.⁴⁹ This restriction also applies to the production of Liquefied Natural Gas (LNG) and to management of LNG terminals and pipelines used to transport oil and gas.

Loans and investments the proceeds from which are used to implement “green initiatives” are an exception to the above restrictions and are therefore permitted.

Further restrictions are also applied to counterparties operating in the nuclear energy sector⁵⁰, based on which the Group does not finance and does not invest in counterparties:

- ◇ That are located in host countries⁵¹ that do not meet the Adequacy Criteria;
- ◇ That, despite being located in host countries that meet the Adequacy Criteria, 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;
- ◇ For which there is evidence of their failure to implement policies and procedures to prevent or otherwise limit possible radiation emissions.

48. The percentage of total revenues refers to the counterparty, and, if it forms part of a group, to the consolidated revenues reported by the group headed up by it or of which it forms part.

49. The percentage of total revenues refers to the counterparty, and, if it forms part of a group, to the consolidated revenues reported by the group headed up by it or of which it forms part.

50. 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.

51. Host country is defined as the nation state or states in which the borrower and its parent company operate and/or are headquartered.

The Mediobanca Group supports its clients in developing infrastructure that contributes to sustainable communities and on the economic growth of nations. The modernization of communication and transport routes can also contribute to the reduction of fossil fuels and greenhouse gas emissions, and in urban areas enhances public transport and the transition to smart city models.

The Group asks its clients to comply with the environmental and safety regulations, and seeks to raise their awareness regarding the importance of disclosure of information on GHG emissions, responsible use of water sources, and the adoption of virtuous policies in the area of waste treatment.

The Group, while not operative in Project Financing, does not in any case finance⁵² and does not invest in initiatives that:

- ◇ Are performed in or otherwise impact negatively on Sensitive Areas and/or world heritage sites designated by UNESCO;
- ◇ Cannot be financed under the foregoing policies for the “Mining industry” and the “Energy, oil and gas sectors”;
- ◇ Are performed by a counterparty that does not meet the criteria set in the following points.

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

- ◇ Serious controversies as defined in section 4.1 above or by the Biodiversity Policy;
- ◇ Lack of a water management plan in order to reduce its use to a minimum and monitor its impacts, in particular in areas subject to water scarcity; absence of measures to manage the waste produced by them in order to minimize water pollution;
- ◇ Failure to adopt adequate measures, in desalinization plants, to mitigate the removal of the brine and/or the extraction of the sea salt.

Reference is made to the annexes referring to the “Mining industry” and to the “Energy, oil and gas sectors” for the criteria adopted in respect of counterparties that own or manage infrastructure or transport activities closely related to thermal coal mining and to generation of energy from thermal coal and/or from unconventional oil and gas.

⁵². Such restrictions refer to Project Finance transactions and to special purpose loans, the use of which is governed contractually, restricting the use of the financing to specific initiatives.

Annex 1.8 - Materials excluded

The Group does not finance and does not invest directly in initiatives involving the production, processing and/or sale of goods deriving from practices that do not conform to the other Specific Financing and Investment Policies (including the Biodiversity Policy), including:

- ◇ Asbestos;
- ◇ Rough diamonds from war zones or which have not been certified in conformity with the KPCS;
- ◇ Conflict minerals from war zones;
- ◇ Tropical timbers without FSCC or PEFC certifications that guarantee compliance with correct forestry management principles, or otherwise deriving from practices that are banned by 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, nuclear 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 them (essential components);
- ◇ Drift nets longer than 2.5km;
- ◇ Palm oil not certified by the Roundtable on Sustainable Palm Oil;
- ◇ Unauthorized trade of any species of plant or animal governed by the CITES.

The Group will cease to provide support in the form of financing for and direct investment in the tobacco⁵³ industry by 30 June 2026.

⁵³ Companies operating in the production of tobacco. Distributors of tobacco or products that contain tobacco and producers/distributors of machinery for the production or packaging of tobacco/products containing tobacco are not included in the scope of application of this Policy.





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All photos and other images are of Mediobanca offices and buildings