

RESPONSIBLE  
INVESTMENT  
POLICY

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2021

# RESPONSIBLE INVESTMENT POLICY

## CREATING VALUE

Innovation

Competitiveness

Sustainability

## VISION

Italmobiliare Investment Holding intends to be an inspiration, an example and a reference for all those who want to identify, accelerate and enhance their long-term transformation potential and actively contribute to global challenges, creating sustainable, innovative and therefore more competitive and resilient businesses.

## MISSION

Italmobiliare Investment Holding plays an active and continuous role in the process of portfolio growth and enhancement by combining development, internationalisation and innovation with an effective governance and risk management model, and full ESG integration at all stages of investing.

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## Guiding principles

### Code of Ethics

The Code of Ethics lays down the Group's fundamental principles and rules of conduct. Based on Vision, Mission and Values, they constitute a solid point of reference for the sustainable success of the Group through the creation of shared value in the long term. Further guidance is provided by the various policies adopted and periodically updated, particularly the Sustainability Policies.

### Sustainability Policies

They extend and integrate the Code of Ethics adopted by Italmobiliare. The "Guiding principles" are their cornerstone of these and are further detailed in four dedicated policies: Health and Safety, Environment and Resources, Rights and Society, Quality and Responsibility.

### ESG

ESG (Environment, Social and Governance) defines the set of themes used in the financial sector to assess the sustainability of investments and the risk and return profiles of portfolios on economic, governance, environmental and social performance.

Inspired by its Vision, Mission and Values and by adopting the principles and rules of conduct defined by the Code of Ethics and following the guidelines provided by the Sustainability Policies, Italmobiliare Investment Holding manages its flow of investments and disposals in order to guarantee the sustainable success of the Group through the creation of shared value in the long term.

The various components that contribute to Italmobiliare's Net Asset Value (NAV) require careful assessment of market counterparties with which to undertake investments, partnerships and contractual relationships. Each component, managed according to specific internal procedures, helps to achieve the objectives of return on investment, risk diversification and value creation:

- Portfolio companies.
- Equity investments in listed and unlisted companies.
- Investments in private equity funds.
- Financial assets held for trading and cash management.

Among the various elements to be assessed, the prospects for improving the ESG positioning and alignment with Italmobiliare's sustainable strategy play a significant role. To this end, Italmobiliare refrains from any investment or involvement, whether direct or indirect, with entities involved in the production, marketing, use or trade of illegal products or activities. Other ascertained direct or indirect practices also lead to exclusion: for example corruption, money laundering, human rights violations, activities in conflict zones, violations of the fundamental principles of labour, production of goods harmful to health, the environment and morality, an obstacle to sustainability in general.

Italmobiliare assigns priorities and mobilises financial resources in a targeted and selective manner, thereby contributing to global challenges and, at the same time, protecting and strengthening financial performance for the benefit of shareholders and all other stakeholders.

- Some sectors have direct or indirect negative impacts that even Italmobiliare's transformative capacity cannot overcome. Italmobiliare does not invest in these sectors.
- Other sectors may have direct or indirect impacts that are negative, but less so. Italmobiliare can engage with these companies if they show a willingness to adapt or diversify their activities, also with the support of Italmobiliare's transformative capability.
- Some companies only partially operate in critical sectors. By adopting materiality thresholds, Italmobiliare can engage with these companies if they show a willingness to adapt or diversify their activities, also with the support of Italmobiliare's transformative capability.

The activities and sectors subject to particular attention are detailed in the section "Sector criteria".

By signing up for the United Nations Global Compact, Italmobiliare has adopted the Ten Principles relating to human rights, labour standards, environmental protection and the fight against corruption, and promotes their adoption in all Group activities and companies.

It also actively contributes to achieving the Sustainable Development Goals, with a sustainable strategy that mainly targets the following six objectives, aimed at creating shared value.

## ENVIRONMENT



**Ensure sustainable consumption and production patterns**, through the responsible use of resources, the implementation of regenerative production cycles, product stewardship and the promotion of conservation-oriented lifestyles and consumption.



**Take urgent action to combat climate change and its impacts**, fostering the low-carbon transition and implementing monitoring, mitigation and adaptation activities for resilient value chains.

## SOCIETY



**Achieve gender equality and empower all women and girls**, for operational efficiency and social inclusiveness, actively promoting the implementation of the Women Empowerment Principles.



**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**, through diversification, innovation, safe and protected work environments, social and professional growth.

## GOVERNANCE



**Promote peaceful and inclusive societies for sustainable development; provide access to justice for all and build effective, accountable and inclusive institutions at all levels**, starting from sustainable governance and business integrity.



**Strengthen the means of implementation and revitalize the global partnership for sustainable development**, through responsible investments aimed at creating shared value and bringing global challenges to the agenda of economic organizations.

### UN Global Compact

It promotes the creation of a more inclusive and sustainable global economy. Italmobiliare joined in May 2020, pledging to share, support and apply the Ten Principles, relating to human rights, labour standards, environmental protection and the fight against corruption and to support the objectives of the United Nations, including the Sustainable Development Goals.

### Sustainable Development Goals

On 25 September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development, which is divided into 17 objectives - the Sustainable Development Goals (SDGs) - and 169 sub-objectives (targets). The SDGs and related targets identify global priorities for 2030, also valid for business, and define an integrated action plan for people, the planet, prosperity and peace.

### Women Empowerment Principles (WEP)

Promoted by the UN Women and the United Nations Global Compact, they commit Italmobiliare, which joined them in July 2020, and all the other signatories in favour of gender equality and female empowerment in the workplace, in the economy and in the community.

## Investments in portfolio companies

### **Investment and Divestment Management**

The internal procedure BD.010 regulates the activities of approval and management of investments and divestments of controlling, jointly controlled or associated shareholdings or of any other shareholdings considered strategic.

The identification of investment opportunities in portfolio companies takes place through the active analysis of the sectors and markets of potential interest for the Company, direct relations with the business world, investment banks and consultants, the response to external solicitations, analysis of opportunities reported by companies already in the portfolio.

### **DUE DILIGENCE**

#### **Due Diligence**

Activities involving investigation and analysis of data and information to assess the convenience of a possible deal and identify risks and opportunities, both to negotiate terms and conditions of the contract and to prepare adequate instruments such as guarantees, indemnities or compensation.

The opportunities for which the preliminary study is approved are subjected to due diligence, which also includes an assessment of maturity with respect to the ESG principles and performances, both in absolute terms and with reference to the sector benchmarks. The data provided by the Company, opinions and studies carried out by any experts who are consulted and publicly available data and information are used. The ESG profile of the target company makes it possible to identify any risks and opportunities for creating value that can be promoted and released during the life cycle of the investment. The approach covers all ethical, governance, social and environmental considerations for the entire value chain. The information collected and the ESG profile assessment are included in the investment memorandum.

The results of the due diligence are evaluated by the Investment Team. Subsequently, the key points of the deal are reviewed by the Board of Directors before going ahead with negotiations.

On conclusion of the negotiations, the deal first has to be approved by the Chief Executive Officer and is then submitted to the Board of Directors for final approval and execution.

### **SHAREHOLDER AGREEMENT**

#### **Shareholder Agreement**

A shareholder agreement is an agreement between the shareholders of a company that lays down the terms of the investment contract and its governance, outlining the shareholders' rights and obligations.

Regardless of the type of investment (controlling shareholdings, qualified or simple minority interests), the shareholder agreement or related documents include references to the Code of Ethics, the Sustainability Policies and the Responsible Investment Policy published on the Italmobiliare website.

For controlling shareholdings, the agreement also includes reference to the main steps involved in ESG implementation, as explained in the following paragraph.

For shareholdings of a qualified or simple non-controlling interest, the agreement expresses Italmobiliare's full commitment to support the companies involved in ESG implementation.

## ESG IMPLEMENTATION

### Corporate identity and governance

Portfolio companies clearly express their commitment to sustainability through corporate identity documents that are harmonised with those of Italmobiliare:

- Vision, Mission and Values.
- Code of Ethics.
- Sustainability Policies.

Equal emphasis is given to the sustainable governance of portfolio companies:

- The composition of the Board of Directors reflects reasonable criteria of competence, independence and gender balance.
- The action of the Board of Directors integrates ESG activities, which are always included in the agenda with contents coordinated with the relevant functions of Italmobiliare.
- Where applicable, the governance system includes the adoption of an Organisation, Management and Control Model pursuant to Legislative Decree 231/01, aligned with that of Italmobiliare.

The organisational structure of the portfolio companies is aligned with the need for better management of the ESG approach, through:

- The identification of an ESG Focal Point and the progressive definition of functional managers for the material thematic areas.
- The provision to all members of management of an appropriate induction course and subsequent maintenance of ESG training, constantly updated to meet the Group's objectives.

### Strategy

Italmobiliare is aiming for the Group's sustainable success through the creation of long-term shared value, also by joining the United Nations Global Compact. To this end, Italmobiliare places its transformative capacity at the service of its subsidiaries or investee companies to help them implement the ESG maturity path.

The United Nations Sustainable Development Goals (SDGs) constitute a complete point of reference for assessing, measuring and addressing global challenges in terms of social, environmental and economic growth. For this reason, the Group also uses this assessment of the contribution to SDGs to analyse and guide the sustainable evolution of portfolio companies in the investment cycle.

Dedicated assessment and planning tools are used for this purpose:

- Materiality Analysis, i.e. the identification of a business's success levers, combining the company's interest and the expectations of stakeholders.
- ESG maturity assessment through tools such as B Impact Assessment and SDG Action Manager.
- Identification of the relevant SDGs for the company and definition of detailed objectives.
- Definition of the ESG Action Plan, complete with short, medium and long-term objectives, i.e. a multi-year action plan with steps to improve integrated economic, social and environmental performances.

#### **B Impact Assessment (BIA)**

Developed by B Lab, it is a tool for assessing sustainable performances, such as dynamic self-assessment, benchmarking and continuous improvement. It allows you to set growth objectives in the most strategic areas where development potential remains high.

#### **SDG Action Manager**

Developed by Global Compact together with B Lab, it integrates BIA as an assessment tool of one's contribution to the United Nations' Sustainable Development Goals.

## Monitoring, reporting and communication

The evolution of ESG performance is monitored systematically, through the following main levels:

- Subsidiary or investee company level: meetings of the Board of Directors.
- Holding company level: the consolidated performance of subsidiary or investee companies is assessed by the Sustainability and Social Responsibility Committee and submitted to the Board of Directors.

Monitoring is facilitated during the year by a dashboard with the leading indicators identified for each company and through the overall data collection aimed at consolidating and drafting the Italmobiliare Sustainability Report, which also contains the *Communication on Progress* provided annually from joining the Global Compact and the elements required by the Non-Financial Statement (NFS) foreseen under current legislation.

Italmobiliare asks all subsidiaries to publicly report their economic, social and environmental performance as soon as possible or, in any case, within the second year of operation. Depending on the type of business and the ESG maturity of the company, the reporting method varies from information disseminated through the web, to dedicated brochures up to the sustainability report.

## DIVESTMENT

Before exiting from an investment, Italmobiliare undertakes to disclose relevant ESG information on the companies in its portfolio to the potential buyer, highlighting the sustainable transformation achieved as objectively as possible.

To the extent that it is practicable, the choice of buyer also takes into consideration the feasibility of continuing the ESG process.



## Other investments

Identifying investment opportunities in Private Equity Funds takes place through active analysis of the national and international private equity market, meetings with investment banks, business consultants, intermediaries and other qualified subjects, as well as by developing relationships and the network with operators in the national and international private equity market.

For financial investments and those in listed companies, Italmobiliare constantly monitors the related markets in order to identify counterparties that may be suitable for ongoing relationships with the Company, due to their standing and risk profile.

### **Investments in Private Equity Funds**

The BD.020 internal procedure regulates investment activities in private equity funds.

### **Financial investments**

The IF.010 internal procedure defines the investment criteria, methods of management and monitoring of financial investments and the management of equity investments in listed companies.

## DUE DILIGENCE

The risk and return factors of investment opportunities also include an assessment of the ESG profile, both in absolute terms and with reference to the relative benchmarks.

The information available from the main market providers of ESG ratings, as well as the information made available by the companies involved in the investment is used.

## Sector criteria

Without prejudice to the screening and due diligence activities described in the previous chapters, a description of the main activities and sectors subject to particular attention is provided below. The list, which should not be considered exhaustive, is periodically updated or supplemented. The order is alphabetical.

### COAL, OIL AND GAS

The fight against climate change is one of Italmobiliare's objectives.

Companies that derive revenue from exploration, extraction, distribution (including transportation, storage and trade) or refining of hard coal, lignite, unconventional oil (e.g. shale oil, tar sand) and unconventional gas (e.g. shale gas) are admitted to investment only for minor trading activities and targeting exclusively companies that formally and through publicly accessible sources demonstrate that they have significant initiatives underway for decarbonisation, mitigation, offsetting or sequestration of greenhouse gas emissions; in other words, they are making a significant contribution towards adapting to climate change. Particular attention is given to mining activities in the Arctic environment. The same criterion applies to energy-intensive companies that derive more than 20% of their energy needs from coal or petroleum derivatives.

Companies that provide services to these sectors are eligible for investments provided that the specific activity does not exceed 20% of their revenue.

In line with the European taxonomy, Italmobiliare recognizes conventional natural gas and LPG (liquefied petroleum gas) as fossil energies capable of contributing to the general objectives of the Paris Agreement as transitional energy sources. Companies active in this sector are eligible for investment.

### CONFLICT MINERALS AND OTHER MINERALS

Italmobiliare does not invest in companies directly or indirectly involved in so-called "conflict minerals". Furthermore, it does not wish to be involved in activities, even if legal, that are directly or indirectly connected to the extraction, processing and marketing of other minerals that originate from areas with high social, political or economic vulnerability or are considered problematic for governance, social or environmental issues.

### GAMBLING

Italmobiliare does not wish to be involved in activities, even if legal, that have proven negative effects on people's mental health and the ability to create addiction. Italmobiliare does not invest in gambling, whether online or offline, nor in diversified companies that include similar activities.

## GMOs AND CLONING

Italmobiliare adopts the principle of "do no harm" and does not wish to be involved in activities that could have negative effects on people's health and on biodiversity. While recognizing that life sciences and biotechnologies have significant potential for innovation and wellbeing, according to the precautionary principle, Italmobiliare does not invest in companies that derive more than 20% of their revenue from the production, trade and production of components associated with GMOs.

Practices aimed at human cloning or eugenics are strictly excluded.

## NUCLEAR ENERGY

The supply of fuel and the production of nuclear energy entail negative externalities that cannot be overcome by Italmobiliare's transformative and management capacity. Therefore, Italmobiliare does not invest in nuclear energy or in companies, even diversified ones, that also provide services to nuclear power plants.

## PORNOGRAPHY

Italmobiliare does not wish to be involved in activities, even if legal, connected with adult entertainment. So Italmobiliare does not invest in any area of the pornography industry.

## RECREATIONAL DRUGS

Italmobiliare does not wish to be involved in activities, even if legal, that have proven negative effects on people's physical and mental health and the ability to create addiction. Therefore, it does not invest in companies whose focus is the manufacture, trade, procurement, production, storage or transport of narcotic drugs and psychotropic substances.

The legality of some substances can vary from country to country, as in the case of cannabis. In any case, Italmobiliare does not invest in companies involved in cannabis unless it is used for exclusively therapeutic purposes.

## TOBACCO

Italmobiliare does not wish to be involved in activities, even if legal, that have proven negative effects on people's physical and mental health and the ability to create addiction.

So Italmobiliare does not invest in the cigarette sector, in particular manufacturers and wholesalers of cigarettes, tobacco, electronic cigarettes and associated smoking products.

Italmobiliare does not invest in tobacco leaf growing companies unless the production is intended exclusively for medical purposes.

## WEAPONS

Italmobiliare adopts the “do no harm” principle applied to the defence industry and recognises the risks to sustainability posed by the arms industry in general. So it does not invest in companies involved in the production, sale, storage and services related to anti-personnel mines, cluster bombs, nuclear, biological, chemical, depleted uranium weapons, blinding lasers, fragment ammunition, incendiary weapons, conventional weapons that can be considered excessively harmful or having indiscriminate effects, small arms, light weapons and goods that have no practical use except for the purpose of “death penalty, torture or other cruel, inhuman or degrading treatment or punishment”.

Italmobiliare acknowledges that some equipment, services and software may also be intended for self-defence or civil use. The companies involved are eligible for investment as long as these activities do not exceed 20% of their revenue.



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