



# Mediobanca Green and Sustainable Bond Framework

June 2020



MEDIOBANCA



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# 1. Introduction

Growth and sustainability are two of the Group's distinctive traits. Our development strategy is based on the conviction that ethics and profits can and indeed must go hand in hand, as in the long term there cannot be economic growth without social and environmental progress as well.

Responsible, proper and transparent conduct enhances and protects reputation, credibility and consensus over time, laying the foundation to develop further sustainable business practices and create value for all stakeholders.

The Group prioritizes projects targeting growth in the communities in which we operate, based on our conviction that an inclusive society must be founded on mutual respect and solidarity, ensuring equal opportunities for all.

Group Sustainability is led by the Chief Executive Officer, supported by a Sustainability Committee and a dedicated Corporate Social Responsibility unit.

In September 2019 a Corporate Social Responsibility Committee was established within the Board, with responsibility for prior analysis of sustainability issues to be submitted to the Board itself.

The Group has adopted a Group Sustainability Policy, sub-divided into five priority areas: measures to tackle bribery and corruption, human rights, diversity and equal opportunities, environmental issues and responsible investing. The Policy contributes to the strengthening and implementation of the values of ethics, integrity and responsibility as a form of respect towards people, the environment and society as a whole. The Group Sustainability Policy is based on the primary declarations and regulations issued with respect to the above areas, with the commitment to constantly improve the Group's conduct to ensure that sustainability is an integral part of the strategy and operation of its business. CSR targets have been included in the 2019-23 strategic business plan in terms of strategies, objectives and top management remuneration policy.

## Global Commitment

Since April 25th 2018 the Group has officially been a participant in the **United Nations' Global Compact**: an initiative based on voluntary adherence to a set of principles to promote sustainability values such as human rights.

Mediobanca Group intends to contribute to promote the Sustainable Development Goals (SDGs) set out in the United Nations' 2030 Agenda, supporting and encouraging growth and development projects based on these universal principles.

ESG targets have been included in the **2019-23 Strategic Plan**<sup>1</sup> and in the new Long-term Incentive Plan for top management, to encourage the creation of long-term value for all stakeholders.

The targets are linked to six out of seventeen SDG. Among these, particular importance has been attributed to **Goal 13 on Climate Action**, as the speed of change in this area risks seriously compromising future generations.



To promote responsible management of resources the Group has committed to reduce its environmental direct impact by cutting CO2 emissions via increasing its electrical energy supply from renewable sources, using company hybrid cars, reducing staff travel and promoting the use of video-conference facilities, cutting the consumption of natural resources by using recycled and certified paper, supporting energy transition by increasing green loans and green mortgages and issuing new products for environmental purposes.

## ESG and climate change risks

During FY 2018-19, the Group Risk Management unit launched a specific project with the objective of defining a risk assessment and reporting framework for ESG and climate change risks.

The results of this initiative constitute the basis for launching a process to achieve ongoing improvements in the internal controls system, with the aim of increasing integration and consolidation with respect to the management, control and monitoring of ESG and climate change issues using a risk-based approach.

## Sustainable investing

The Group offers its clients an increasing number of sustainable investment products, integrating financial analysis with environmental, social and governance criteria.

In October 2019, the Board of Directors approved a **Group Policy on Responsible Lending and Investing** to ensure that investments and lending opportunities are based not only on financial aspects but on environmental and social factors as well.

The policy is based on the conviction that ESG criteria are a key factor in pursuing the creation of value, not only financially but also in social and environmental terms.

The policy applies to lending activities, investment of own funds and advisory services offered to clients by the Mediobanca Group, with an approach based on a combination of:

- Negative screening, via exclusion criteria to identify companies involved in specific activities which therefore cannot be taken into consideration for lending, investment and advice processes;
- Positive screening, based on precise inclusion criteria to identify companies and projects committed to ESG issues.

Moreover, Mediobanca SGR, RAM Active Investment and Cairn Capital are all signatories to the **Principles**

1. <https://www.mediobanca.com/en/investor-relations/strategy/2019-23-business-plan/index.html>

**for Responsible Investment (PRI)** launched by the United Nations in 2006 set up to promote a sustainable and responsible approach to investment by institutional investors.

## Environment

The Group gears its decisions towards ensuring compatibility between economic initiatives and environmental requirements, in accordance with applicable regulations and codes of conduct. The Group is sensitive to environment protection, and as such acknowledges direct and indirect impacts of its businesses, identifying and assessing risks associated. The Group also seeks to promote sustainable projects.

Mediobanca is aware of the importance of identifying and managing non-financial risks such as environmental risks. For this reason, it adopts an approach which seeks to identify, assess, prevent and reduce potential risks deriving not only from its own activities but also from:

- Indirect impacts on the environment, i.e. linked to the supply chain;
- Investments and loans to counterparties involved in serious events which entail adverse environmental impacts.

The Mediobanca Group is committed to limiting the impact on the environment generated by its operations, through:

- Ongoing monitoring and improvement of environmental efficiency, with reference in particular to the consumption of resources;
- Developing initiatives to improve energy management, by sourcing energy from renewable sources and through the use of innovative, lower-impact technologies and solutions;
- Rationalization of use of resources (e.g. electricity, paper and water);
- Improvement in waste management by using sustainable disposal methods where possible;
- Maintenance of properties and equipment to progressively improve environmental performances;
- Prior assessment of the environmental impact of new processes, systems, equipment and structural and organizational changes.

Currently the whole Mediobanca Group in Italy uses mainly energy deriving from renewable sources, thus avoiding 6,613.22 tons of CO<sub>2</sub> emissions per annum.





# 2. Use of proceeds

The Mediobanca Group (“Mediobanca”) is committed to adhering to the highest environmental and sustainable standards. Mediobanca’s internal policies clearly set out how ESG principles are pillars in defining the way in which the Bank operates, and are a key factor in consolidating and enhancing confidence among the community of investors.

Mediobanca’s determination in pursuing ESG targets is further demonstrated by the application of the Green and Sustainable Bond Framework which sets out rules and procedures to identify eligible projects and initiatives

Mediobanca Green and Sustainable Bond Framework is aligned with the ICMA’s Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018). Mediobanca is committed to constantly align to best market practices, aiming at full transparency and quality of Green and Sustainable Bonds issued.

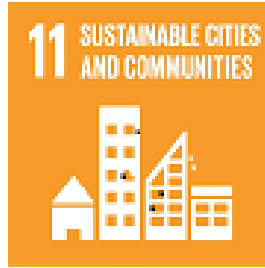
An amount equivalent to the net proceeds from the Green and Sustainable Bonds issued under the Framework serve to finance and/or refinance Green and Sustainable Assets belonging to these Eligible Categories:

## a) Renewable energies



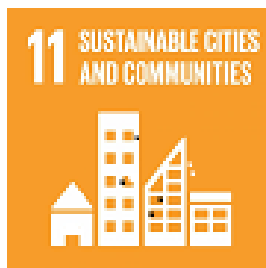
- Generation of energy from renewable sources (for example: wind, solar, biogas, biomass, thermal, waste-to-energy, hydro)
- Manufacture of components of renewable energy technology and equipment (for example: wind turbines, solar panels)
- Transmission and distribution of energy for projects relating to renewable energy assets

## b) Energy efficiency



- Energy storage
- Smart grid
- District heating
- Efficient lighting
- Energy optimization infrastructure
- Energy efficient retail equipment

## c) Sustainable mobility



- Hybrid and electric vehicles
- Projects to improve sustainable mobility (for example: sharing, batteries)
- Public and freight sustainable transportation

## d) Green and energy efficient buildings



Financing – including retail mortgages – or refinancing for construction, purchasing, development and renovation of buildings which:

- Have environmental standard certifications, such as LEED (Gold), BREAM (Good) or equivalent; or
- Comply with energy efficiency class A or B; or

- New or existing residential buildings belonging to the top 15% low carbon buildings in the region; or
- Renovation projects with an improvement in terms of energy efficiency of at least 30% or achieving energy efficiency class B

Other classification systems, stringent and based on best practices, may be added to the above criteria.

#### e) Waste management and circular economy

**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**13** CLIMATE  
ACTION



Green and Sustainable Assets may include financing projects contributing to the development of a circular economy such as:

- Recycling facilities, waste-to-energy facilities, reuse maximization
- Environmental remediation
- Projects to salvage, use, reuse and recycle post-consumer waste products
- Environmental remediation projects

#### f) Environmentally sustainable management of living natural resources

**13** CLIMATE  
ACTION



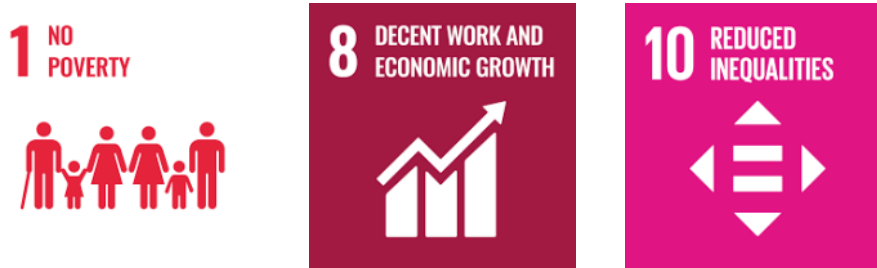
Loans to borrowers with high level sustainability criteria in the agriculture, forestry, farming or fishing sectors.

#### g) Sustainable water



- Projects for water treatment, collection, recycling, retail usage

## h) SME financing and microfinancing (ref SDGs 1, 8 and 10)



- Projects relating to SME financing, financial literacy and banking access and services to underserved areas

Green and Sustainable Assets will comprise mainly, but not exhaustively:

1. Corporate loans and infrastructure projects currently originated by Mediobanca S.p.A. and that may in the future also be originated by any other Mediobanca Group entity
2. Retail residential mortgages currently originated by CheBanca! (the Mediobanca Group's retail banking arm) and that may in the future also be originated by any other Mediobanca Group entity
3. Consumer credit loans currently originated by Compass (the Mediobanca Group's consumer credit arm) and that may in the future also be originated by any other Mediobanca Group entity
4. Leasing financing currently originated by SelmaBipiemme Leasing S.p.A. (the Mediobanca Group's leasing financing arm) and that may in the future also be originated by any other Mediobanca Group entity

The list of Eligible Categories may be extended, with new ones added to this Framework, subject to external review. Mediobanca will review the validity of the Framework annually, considering the development and progress made in all the areas tackled by environmental and sustainable best practices and upcoming regulations. Framework updates will also be consistent with Mediobanca's lending strategy and internal policies on to ESG goals.

## Excluded categories and limitations

Any kind of investments connected to

- **Mining:** particular attention is paid to issues such as destruction of the environment and biodiversity; contamination of water, soil and air; child and forced labor; cultural legacy; risk of corruption and political risk;
- **Nuclear power:** Mediobanca checks that the counterparty complies with the standards set by the International Agency for Atomic Energy (IAEA);
- **Defense and weapons:** Mediobanca operates only in countries which comply with the principal international arms treaties and conventions; it does not grant loans to companies which manufacture, perform maintenance on or sell controversial or non-conventional weapons;
- **Coal-Fired Power and Fossil Fuel:** Mediobanca does not participate in financing to groups which derive more than 30% of their revenues from coal.

These exclusions may be reviewed according to how the Group's environmental and sustainable goals evolve in the future.

# 3. Project evaluation and selection

The eligibility of Green and Sustainable Assets will be evaluated by the following governance process:

## Green and Sustainable Bond Committee:

The Green and Sustainable Bond Committee (GSBC) is an internal panel composed of members of Group Treasury, ESG team, Corporate and Investment Banking division and all relevant legal entities that contribute to the origination of Green and Sustainable Assets.

GSBC will approve and validate the pool of Green and Sustainable Assets and will have the power to exclude assets as well.

GSBC will be also in charge of:

- Monitoring the Green and Sustainable Assets pool
- Updating and maintaining the Framework
- Validating the annual reporting for investors
- Reviewing any external independent auditors' reports

GSBC will meet on an annual basis.

## Selection activity:

While final inclusion and selection is within the remit of GSBC only, the originating unit (or entity) performing the lending activity will initially assess the compliance of any project with the Eligible Categories' criteria.

The selection activity complements the existing standard investment process. In particular:

- **Corporate loans and infrastructure projects:** Mediobanca S.pA. lending unit is the owner of the initial assessment for selecting a specific asset as eligible to be included in the Green and Sustainable Assets pool
- **Retail mortgages:** the retail arm of the group (currently CheBanca!) is the provider of the relevant information on the mortgage pool and eligibility criteria for inclusion in the Green and Sustainable Asset pool
- **Consumer credit:** the consumer credit arm of the group (currently Compass) provides the relevant information on loan origination and eligibility criteria for inclusion in the Green and Sustainable Asset pool

- **Leasing financing:** the leasing financing arm of the group (currently SelmaBipiemme Leasing S.p.A.) provides the relevant information on loan origination and eligibility criteria for inclusion in the Green and Sustainable Asset pool

Any other legal entity of the Mediobanca Group will provide relevant information and perform initial selection activity on any other asset originated and potentially eligible as a Green and Sustainable Asset.

# 4. Management of proceeds

Mediobanca is committed to maintaining a pool of Green and Sustainable Assets and increasing it over time, in line with its environmental and sustainable targets.

The net proceeds of the Green and Sustainable Bonds will be used to finance and refinance existing Green and Sustainable Assets and new future projects. Net proceeds will be allocated to Green and Sustainable Assets on a portfolio basis and the aggregate amount of the pool will be monitored and tracked via internal information systems over time.

The future development of the pool and its financing will fully be integrated into the Mediobanca funding strategy.

Net proceeds, or part of them as the case may be, may be swapped into the currency in which Green and Sustainable Assets are denominated.

Mediobanca will make every effort to allocate all the proceeds to Green and Sustainable Assets, so that the pool size matches or exceeds the proceeds of outstanding Green and Sustainable Bonds issues.

If a project ceases to be eligible for inclusion in the Green and Sustainable Assets pool, it will be removed and replaced in a timely manner with other eligible assets according to eligibility criteria set out in the Green and Sustainable Bond Framework.

Temporarily unused proceeds, if not yet allocated or reallocated to Green and Sustainable Assets, will be held in the form of cash, cash equivalent investment instruments, or other liquid marketable instruments always consistently adopting the eligibility and exclusion criteria of the Green and Sustainable Bond Framework.





# 5. Reporting

Until any outstanding Green and Sustainable Bond has matured, Mediobanca will publish an annual report on:

- a. The total amount of net proceeds allocated to the pool of Green and Sustainable Assets;
- b. Allocation of net proceeds to each Eligible Category;
- c. Outstanding amount of Green and Sustainable Bonds issued;
- d. Balance of unallocated proceeds;
- e. Environmental and sustainable impact reporting via aggregated metrics, such as (on a best effort basis):
  - Expected annual renewable energy generation (MWh per year)
  - Installed renewable energy capacity (MW)
  - Reduction in energy use (MWh per year)
  - GHG saving (tons per year) as per low carbon transportation and infrastructure projects and green buildings
  - Number of items (e.g. electric vehicles).

For Eligible Categories, where relevant impact metrics are different from the ones described above, Mediobanca will adhere to best market practices to propose adequate alternatives.



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# 6. External review

## **Second party opinion:**

To ensure the transparency and soundness of the Framework, Mediobanca has obtained independent verification from a second opinion provider which will assess and assist on sustainability profiles, performance and coherence with the ICMA's Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018).

## **External assurance**

Mediobanca will appoint an external auditor which will carry out an independent review of the use of proceeds associated with the Eligible Categories, adherence to the selection process of Green and Sustainable Assets, and reporting metrics.



# 7. Disclaimer

This document has been drawn up by Mediobanca – Banca di Credito Finanziario S.p.A. (“Mediobanca”).

This document is being provided for information purposes only and does not represent in any way a public offer of financial instruments, investment advice, accounting, tax or legal advice, or investment research; the document is merely indicative in nature, does not represent an offer to execute a contract and is not intended to create any obligation or commitment for Mediobanca to provide any activity with respect to the financial instruments /transactions mentioned herein, or to take part to such transactions.

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The solutions represented herein are addressed only to those who have the necessary knowledge and experience to enable them to evaluate the relevant risks and merits. Any reference to specific objectives and/or the financial situation of the recipient is a generic assumption.

The solutions contained herein may not be appropriate/suitable for the relevant recipient who shall in any case evaluate them on the basis of their own tax and legal situation.

Prospective investors should determine for themselves the relevance of such information for the purpose of any investment, together with any other investigation such investors deem necessary. In particular no assurance is given by Mediobanca that the use of proceeds for any Green and Sustainable Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws, investment policy or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any

## Green and Sustainable Assets.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time.

Accordingly, no assurance is or can be given to investors that any projects or uses that are the subject of, or related to, any Green and Sustainable Bonds will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses which are the subject of, or related to, any Green and Sustainable Assets.

No assurance or representation is given by Mediobanca as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third parties (whether or not solicited by Mediobanca) which may be made available in connection with the issue and offering of any Green and Sustainable Bonds and in particular with the extent to which Green and Sustainable Assets may fulfil any environmental, sustainability, social and/or other criteria.

For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of the Green and Sustainable Bond Framework. Any such opinion or certification is not, nor should be deemed to be, a recommendation by Mediobanca and its affiliates or any other person to buy, sell or hold any such Green and Sustainable Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued.

Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Green and Sustainable Bonds. The providers of such opinions and certifications may not be subject to any specific regulatory regime or oversight.

While it is the intention of Mediobanca to apply the proceeds of any Green and Sustainable Bonds so specified to Green and Sustainable Assets in, or substantially in, the manner described in the Green and Sustainable Bond Framework, there can be no assurance that the relevant project(s) or use(s) which are the subject of, or related to, any Green and Sustainable Assets will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green and Sustainable Assets.

Any event or failure to apply the proceeds of any issue of Green and Sustainable Bonds to any Green and Sustainable Assets as aforesaid and/or the withdrawal of any such opinion or certification or any such opinion or certification attesting that Mediobanca is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of such Green and Sustainable Bonds and also potentially the value of any other securities which are intended to finance Green and Sustainable Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Mediobanca is part of a leading banking group whose affiliates are involved in a wide range of financial transactions, activities and investment services, for their own account and on behalf of customers which might represent a potential conflict of interests. Mediobanca has adopted proper measures to identify and handle any potential conflict of interests.

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[www.mediobanca.com](http://www.mediobanca.com)



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