

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA FOR THE ANALYSIS OF COMPANIES

### ETICA OBIETTIVO SOCIALE

EXCLUSION CRITERIA	
If a company is involved in one of the listed practices or activities, it is excluded from the eligible universe. Any proposal of inclusion of these companies will be evaluated on a case-by-case basis.	
<b>Alcohol</b>	Involvement in the production or distribution of alcoholic beverages with a turnover equal or higher than 5%.
<b>Cannabis</b>	Involvement in the production or distribution of cannabis (except medical cannabis) - i.e. wholesaling and retail of cannabis products.
<b>Civilian Firearms</b>	Involvement in the production or distribution of civilian firearms with a turnover equal or higher than 5%.
<b>Fossil Fuels</b>	<ul style="list-style-type: none"> <li>✓ Involvement in holding oil and/or coal reserves and lack of Science-based emission target setting;</li> <li>✓ Any threshold of Companies' turnover comes from thermal coal mining activities and lack of Science-based emission target setting;</li> <li>✓ Involvement in sale of electricity generated burning thermal coal with a turnover equal or higher than 5% and lack of Science-based emission target setting.</li> </ul>
<b>Gambling</b>	Involvement in gambling operations such as online gambling, establishments (such as casinos and betting shops) or providing key products or services for the gambling industry (slot machines, payment solutions etc.).
<b>Intensive farming operations</b>	Involvement in the production or distribution of alcoholic beverages with a turnover equal or higher than 5%.
<b>Military Weapons</b>	<ul style="list-style-type: none"> <li>✓ Turnover coming from the production of conventional weapons and their key parts or services;</li> <li>✓ Turnover equal or higher than 5% coming from the production of weapons general parts or services or other products or services for military users;</li> <li>✓ Involvement in the development, production, maintenance, use, distribution, storage, transportation or trade of controversial weapons and key parts or services of them (<i>Anti-Personnel Mines, Cluster Munitions, Chemical Weapons, Biological Weapons, Nuclear Weapons,</i></li> </ul>

	<i>Incendiary Weapons, Non-Detectable Fragments, Blinding Lasers, White Phosphorous, Depleted Uranium)</i>
<b>Nuclear Energy</b>	<ul style="list-style-type: none"> <li>✓ Involvement in the generation of power from nuclear power stations;</li> <li>✓ Companies' turnover &gt; 10% comes from electricity from nuclear power stations or from supplying products or services for them.</li> </ul>
<b>Pornography and adult entertainment services</b>	Involvement in the supply of pornographic material or the provision of adult entertainment services
<b>Tobacco</b>	Involvement in the production or distribution of tobacco with a turnover equal or higher than 5%
<b>Involvement in public allegations</b>	<p>Public allegation of involvement in controversies, which are considered critical in terms of their severity and lack appropriate responses by the company, related to:</p> <ul style="list-style-type: none"> <li>✓ negative impacts to biodiversity or the exploitation of sensitive ecosystems;</li> <li>✓ soil or water pollution;</li> <li>✓ environmental problems in the supply chain;</li> <li>✓ violation of fundamental Human Rights, involvement in cruel, inhuman or degrading treatment;</li> <li>✓ discrimination in employment decisions, working conditions, gender, race/ethnicity/nationality, social Background, religion, sexual orientation, family responsibilities (including pregnancy), disabilities, political opinion, age, sensitive medical conditions, trade union membership or activities;</li> <li>✓ use of child labour or forced labour in their own operations;</li> <li>✓ discrimination of employee representatives, no respect of freedom of association and the right to collective bargaining or union busting;</li> <li>✓ work accident, deterioration of health and safety KPIs or health and safety generally;</li> <li>✓ non-respect of reasonable working hours or the non-respect of employee rights to vacation and leisure time;</li> <li>✓ social/human rights problems in the supply chain;</li> <li>✓ misleading marketing by Food and Pharmaceuticals sectors' companies;</li> <li>✓ bribery;</li> <li>✓ money laundering;</li> <li>✓ safe of products and recalls;</li> <li>✓ negative impact on social and economic development, damages for local employment, Tax avoidance, Lack of tax transparency;</li> </ul>

	<ul style="list-style-type: none"> <li>✓ social conflicts and negative management of social impacts of reorganizations</li> </ul>
<b>Suspended sectors</b>	<p>Belonging to:</p> <ul style="list-style-type: none"> <li>✓ financial sector i.e. investment companies, insurance industry and banking industry except for Social and Sustainable Bonds issues;</li> <li>✓ industrial sector and of the following industries: Oil Exploration &amp; Production, Integrated Oils, Oil &amp; Gas Services &amp; Equipment, Oil, Gas &amp; Coal, Pipeline, Mining Services, Precious Metal Mining, Coal Operations and Other Mined Minerals.</li> </ul> <p>Furthermore, a specific methodology for analysing the companies involved, for various reasons, in activities related to fossil fuels sector, especially natural gas, excludes those that do not have a convincing energy transition strategy. The analysis is based on the domains "commitment, target, scenario analysis" or on aspects of climate governance, production of goods/services that contribute to climate mitigation, climate-altering emissions, quality and ambition of climate targets, scenario analysis.</p>

<b>EVALUATION CRITERIA</b>	
Companies are analysed according to an assessment of the following evaluation criteria in the Governance and Social areas. The weight of the criteria depends on the materiality of each criteria for the sector of the company analysed.	
<b>GOVERNANCE</b>	
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>✓ Independence of the Board Chairman;</li> <li>✓ Share of board members that are considered to be independent;</li> <li>✓ Board Committees;</li> <li>✓ Diversity and skills;</li> <li>✓ Responsibility allocated over CSR issues.</li> </ul>
<b>Shareholders rights</b>	<ul style="list-style-type: none"> <li>✓ Presence of voting rights restrictions, related to adding items to AGMs or EGMs as well;</li> <li>✓ Presence of and anti-takeover devices;</li> <li>✓ monitoring of transactions between the company and its major shareholders;</li> <li>✓ Presentation of CSR strategy to shareholders and investors;</li> <li>✓ Controversies implicating the company in Shareholders' rights items.</li> </ul>
<b>Responsible Lobbying</b>	<ul style="list-style-type: none"> <li>✓ Company's commitment on responsible lobbying to ensure transparency and integrity of practices;</li> </ul>

	<ul style="list-style-type: none"> <li>✓ Measures put in place to ensure transparency and integrity of lobbying practices (i.e. Approval procedures for gifts, travel or other privileges by an independent department, internal monitoring for lobbying budget, external investigations of allegations);</li> <li>✓ Training provided to employees on responsible lobbying;</li> <li>✓ Information on the budget allocated to lobbying practices;</li> <li>✓ Controversies implicating the company in lobbying practices.</li> </ul>
<b>Executive Remuneration</b>	<ul style="list-style-type: none"> <li>✓ Level of transparency on executive remuneration;</li> <li>✓ Link between the variable remuneration offered to executives and CSR objectives/targets.</li> <li>✓ Severance pay standards set up for senior executives;</li> <li>✓ Trend of the CEO to employee compensation ratio;</li> <li>✓ Controversies implicating the company in Executive Remuneration items.</li> </ul>
<b>SOCIAL</b>	
<b>LABOUR – HUMAN RIGHTS</b>	
<b>Human rights protection</b>	<ul style="list-style-type: none"> <li>✓ Policies to support respect and promotion of fundamental human rights in society; property rights, privacy rights, use of security forces, cruel inhuman and degrading treatment etc.;</li> <li>✓ Measures put in place to ensure the respect and promotion of fundamental human rights: training for staff, internal and external audits, due diligence systems etc</li> </ul>
<b>Child and forced labour</b>	<ul style="list-style-type: none"> <li>✓ Policies to support of the elimination of child and forced labour in company's own operations and relative measures put in place: training of staff, audits etc</li> </ul>
<b>Freedom of association</b>	<ul style="list-style-type: none"> <li>✓ Company's commitment on fundamental labour rights (i.e. protection of freedom of association and the right to organise, respect of the right to collective bargaining, Guarantee the effective exercise of trade unions rights in the workplace, etc.);</li> <li>✓ Measures put in place to ensure the respect of freedom of association throughout Company's operations, to promote trade union rights throughout Company's operations and to measure human rights abuses across Company's global operations with a particular focus on high risk companies.</li> </ul>
<b>Equal opportunities</b>	<ul style="list-style-type: none"> <li>✓ Policies to support non-discrimination and promotion of diversity in the workplace and relative measures put in place: training on</li> </ul>

	discrimination and diversity, Flexitime initiatives, Maternity and paternity pay, Job sharing initiatives, monitoring of salary disparities.
<b>LABOUR – QUALITY OF LABOUR</b>	
<b>Career management and promotion of employability</b>	<ul style="list-style-type: none"> <li>✓ Commitment on career management and the promotion of employability (i.e anticipate short and long-term employment needs and skill requirements; adapt employees' skill sets to their career paths, enable the progressive improvement in employees' qualification levels);</li> <li>✓ Percentage of employees covered by the company's career management systems, the types of training provided to employees, the trends related to training for employees.</li> </ul>
<b>Employment training</b>	<ul style="list-style-type: none"> <li>✓ The number of employees who received at least one training during the reporting period.</li> </ul>
<b>Gender Diversity</b>	<ul style="list-style-type: none"> <li>✓ The number of women holding a managerial position;</li> <li>✓ The number of women in the workforce;</li> <li>✓ The total number of women on the Board of Directors.</li> </ul>
<b>Labour relations</b>	<ul style="list-style-type: none"> <li>✓ The number of employees who are covered by a collective bargaining;</li> <li>✓ Presence of employee representative bodies in a minority, majority or throughout the company's global operations.</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>✓ Presence of CSR criteria in the definition of executives' remuneration principles;</li> <li>✓ Company's commitment and measures put in place to ensure transparency of remuneration such as disclosing to the employees the principles and the framework for setting remuneration and the presence of verification of framework by third parties;</li> <li>✓ Quantitative trends related to remuneration systems considering indicators such as the number of employees covered by pension plans and by health care plans;</li> <li>✓ Controversies implicating the company in remuneration responsibilities;</li> <li>✓ The ratio of the amount of wages and benefits paid to employees, per EUR million paid to shareholders.</li> </ul>
<b>Reorganisations</b>	<ul style="list-style-type: none"> <li>✓ Company's policies on restructurings commits to minimizing layoff and/or supporting employees in the search for new employment;</li> <li>✓ Measures put in place to ensure the responsible management of restructurings: financial compensation, early retirement, reduction of labour time, internal mobility, outplacement services etc</li> </ul>

<b>Health and safety</b>	<ul style="list-style-type: none"> <li>✓ Measures and processes put in place to ensure health and safety in the workplace: training for employees, monitoring of KPIs, audits and certifications etc;</li> <li>✓ Trends related to indicators such as accident frequency, accident severity, fatalities rate, rate of absenteeism, rate of occupational diseases compared with the peers;</li> <li>✓ Controversies implicating the company in health and safety responsibilities.</li> </ul>
<b>LABOUR – SUPPLY CHAIN</b>	
<b>Relationships, environmental and social assessment</b>	<ul style="list-style-type: none"> <li>✓ Commitment to integrate environmental and/or social factors into the supply chain management and its exhaustiveness (i.e. ISO 14001 certification of all suppliers, ban of certain materials, Certification of products purchased, fundamental labour rights items, health and safety items, no discrimination items);</li> <li>✓ Commitment on sustainable contractual relations with suppliers;</li> <li>✓ Measures put in place to integrate environmental issues into contractual clauses (i.e. Supplier questionnaires, Non-Compliance procedures for suppliers, Risk assessments for suppliers) and to execute sustainable contractual relations with suppliers (i.e. Training, Verification systems to ensure respect of payments delays, litigation systems);</li> <li>✓ Percentage of the Company's suppliers or subcontractors covered by the measures allocated;</li> <li>✓ Number of non-conformities identified by the Company;</li> <li>✓ Controversies implicating the company in integration of environmental and/or social factors in the supply chain and in sustainable contractual relationships;</li> <li>✓ Respect of social standards in the supply chain;</li> <li>✓ Audits on social standards carried out at supplier sites.</li> </ul>
<b>COMMUNITY – SOCIAL IMPACT and CONTRIBUTION</b>	
<b>Contribution to economic and social growth</b>	<ul style="list-style-type: none"> <li>✓ Company's policies to support local social and economic development in the areas surrounding a company's operations: responsible tax contributions, local employment, technology transfers etc.;</li> <li>✓ The measures put in place to promote social and economic development such as financial resources, dedicated human resources, processes and procedures;</li> </ul>

	<ul style="list-style-type: none"> <li>✓ Trend of key performance indicators such as: percentage of employees hired locally, share of purchases made locally, the transparency of the company's reporting on income tax; presence in Offshore Financial Centers or jurisdictions considered as Non-Compliant by the OECD;</li> <li>✓ Controversies implicating the company in social and economic development responsibilities..</li> </ul>
<b>Social impact of products</b>	<ul style="list-style-type: none"> <li>✓ Commitment on the promotion of access to products and/or services and to manage negative societal impacts and relative measures put in place: reduced pricing, adapting promotion and information on product use, local production, delivery systems etc. ;</li> <li>✓ Main KPI trend;</li> <li>✓ Controversies implicating the company in product impacts on society.</li> </ul>
<b>Tax heavens</b>	<ul style="list-style-type: none"> <li>✓ Presence in offshore financial centres (as defined by the IMF) and, in case, justification of this presence.</li> </ul>
<b>Fiscal disclosure</b>	<ul style="list-style-type: none"> <li>✓ Level of transparency regarding the company's payment of taxes.</li> </ul>
<b>Philanthropic activities</b>	<ul style="list-style-type: none"> <li>✓ Company's policy to corporate philanthropy and measures put in place to support general interest causes such as financial support, dedicated foundation, sponsoring employee volunteering, etc.;</li> <li>✓ Trends in terms of the company's contributions to general interest causes.</li> </ul>
<b>External review of CSR data</b>	<ul style="list-style-type: none"> <li>✓ Presence of company's CSR reporting audited by an independent third party, based on recognized assurance standards of data.</li> </ul>
<b>COMMUNITY – PRODUCT'S TRANSPARENCY AND INFORMATION</b>	
<b>Information to customers</b>	<ul style="list-style-type: none"> <li>✓ Commitment on information to customers concerning Company's products/services and relative measures put in place 'such as training about responsible marketing and commercial practices for sales and marketing staff, the presence of procedures to approve/monitor marketing materials that involve stakeholders or other external bodies.</li> </ul>
<b>Products safety</b>	<ul style="list-style-type: none"> <li>✓ Commitment to product safety and its exhaustiveness (i.e. Respect of Good Manufacturing Practices, Respect of Good Laboratory Practices, Pharmacovigilance);</li> <li>✓ Measures put in place to execute Information to customer policy (i.e. Quality management system (eg: ISO 9001), Customer awareness measures, R&amp;D to develop safer products);</li> <li>✓ Controversies implicating the company in product safety items.</li> </ul>

### **COMMUNITY – PRODUCTS AND SERVICES CONTRIBUTION**

Offering of products and services with a social and environmental positive impact on the community in the following areas: access to information, capacity building, infrastructure, responsible finance, energy & climate change, protection of ecosystems, water&sanitation, Food & nutrition, Health.

### **REPUTATIONAL RISK**

- ✓ Current level of companies' exposure to ESG reputational risk
- ✓ Level of companies' exposure to ESG reputational risks compared to the worst past situation
- ✓ Social percentage of current level of companies' exposure to ESG reputational risks.

Further detailed analysis is also carried out such as:

- "S" Risk calculation,
- engagement activities evaluation,
- assessment of the Country in which the Company's registered office is established in terms of taxation issues.