

**(Translations from the Italian original which remains the definitive version)**

**M&C S.p.A.'s investment policy**

**1 Investments**

*1.1 Equity investments*

M&C's equity investments strategy consists of the acquisition of majority or minority investments in listed and unlisted Italian or foreign entities, active in the industrial, financial, real estate, commercial and services sectors, including entities that invest in credit or provide lending services and excluding entities active in the banking, insurance, agricultural and mining sectors.

Its investment policy is mainly addressed at:

- entities with growing annual revenue and/or with high growth potential;
- entities with adequate invested capital remuneration rates or that have high remuneration growth potential;
- entities with gross operating profit below market average or that should improve significantly with specific strategic and/or management input;
- entities that manage to make a gross operating profit but are in financial difficulties such to prejudice their ability to repay their debts and/or make investments necessary to ensure growth;
- entities that offer equity growth potential;
- entities under insolvency proceedings, such as court-approved creditors' settlements and extraordinary administration;
- investments during generational handovers in order to ensure continuity in the entity's development and/or decisions;
- spin-offs or discontinuance of business units by groups comprising entities active in different sectors.

Investments in entities active in the insurance, banking, agricultural and mining sectors are excluded as are those in state-owned entities.

*1.2 Other forms of investment*

As provided for in its by-laws, M&C intends to invest in other financial instruments as well, as defined by article 1.2 of the Consolidated Finance Act. These instruments may be listed or unlisted, Italian or foreign but may not be traded on an ongoing basis. M&C may also earmark part of its resources for the granting of financing, solely however to its subsidiaries and associates and not to the general public.

*1.3 Investment diversification and geographical requirements*

In order to appropriately diversify risk and pursuant to article 2.2.36.1 and article 2.2.37.9 of the Stock Exchange Regulation for investment companies, M&C's investment policy includes compliance with the following risk concentration limits:

- M&C does not invest more than 20% of its assets in Italian or foreign hedge funds;
- M&C invests in at least three assets, none of which makes up more than 50% of its assets. Should this happen for more than 12 months, the directors shall immediately call an extraordinary shareholders' meeting to amend the investment policy and align its business object to its actual operations;
- any investments made in real estate entities shall not exceed 50% of M&C's total assets.

With respect to the geographical requirements, the investments as per point 1.1 are made in Italy, Europe, the Americas and the Far East.

## **2 Investment methods**

If M&C acquires a controlling investment, it may exercise control, including together with other investors by agreeing shareholder agreements and/or co-investment agreements covering significant aspects of the investee's operations (such as, for example, approval of strategies and appointment of management), and the disinvestment terms and conditions. Should it acquire a significant non-controlling interest, the investment will be preserved through agreements with the majority or controlling shareholders covering the investee's corporate governance in order to ensure M&C's investment is adequately protected, including a clear way-out option.

M&C may propose MBOs to the owners and management of investees. In order to identify potential investment opportunities, M&C has a network of contacts developed by its management team over the years. Its managers assess and analyse investment opportunities and select them based on the reasonable assumption of creating value and a balanced risk/return ratio.

So as to properly diversify risk, M&C does not have strict performance indicators when it selects potential investments but assesses them individually considering historical data of the potential investee, its sector, market position and business plan with a suitable horizon. It also considers critical success factors, risk factors, the investee's organisation and strategic business areas and the possibility for the investee to be related with M&C's other investees. Specifically, the company will concentrate on medium to long-term investments, without excluding investments with different timeframes when the risk/return ratio is acceptable.

M&C will finance its activities using own funds and, when suitable based on its ability to repay debt and optimise the return on investments, it will resort to debt instruments. This will allow it to propose solutions useful when taking investment decisions.

## **3 The decision-making process**

M&C's board of directors is jointly responsible for taking investment and disinvestment decisions. It has authorised the chair to undertake investment transactions (including investments and the possible taking on of commitments and/or guarantees for the subsidiaries' or third parties' financial liabilities) and disinvestments including, with no exceptions, the acquisition and sale of equity investments and the acquisition, transfer or sale of entities or business entities for amounts of not more than € 10,000,000.

The procedure for the assessment and analysis of investment opportunities is based on, inter alia:

- the performance of legal, accounting, tax and, where significant, environmental due diligences, which have produced acceptable results;
- the preparation of business plans, appraised, if necessary, by independent advisors and consultants engaged by M&C as part of the acquisition transaction and, when possible, useful and/or appropriate, agreed with the investee's management;
- the financial analysis of the investment, which shows the satisfactory expectations about the return on M&C's invested capital over a horizon adequate to ensure a balanced risk/return ratio.

The chair decides the type and risk level of liquidity investments, invests available liquidity and authorises the disinvestment of invested resources in line with the guidelines (if any) of the board of directors.

The general manager executes the investment and disinvestment transactions approved by the chair or the board of directors, without prejudice to the activities reserved solely to them.

#### **4 Investment management**

Investments made by M&C to maximise their value and return are managed with comprehensive strategic, operational and financial procedures, customised to meet the investee's requirements. These procedures may be based on, inter alia:

- finalising and/or defining, when necessary, a new business strategy by M&C's managers and the investee's executives, with the possible assistance of external consultants;
- identifying measures to improve the investee's profitability to be achieved through cost cutting and improving its production and operational efficiency;
- strengthening and, if necessary, replacing the investee's managers, on the basis of the existing managerial skills; this may include the hiring of new staff using the network set up by M&C managers over their careers or by using head hunters, generally excluding the direct involvement of M&C management in the industrial management of its investees;
- renegotiating terms and conditions with the investee's creditors for its financial debt and trade payables;
- optimising invested capital through actions aimed at decreasing working capital and disposing of assets no longer necessary or part of the core business;
- involving consultants specialised in returning entities to a sound financial footing and the preparation of relaunch plans for entities in financial and/or operational difficulties, in order to obtain adequate assistance with the taking of critical decisions, implementation of the recovery plans and restructuring.

M&C's internal organisation rules also establish that the board of directors is informed about the investee's or borrower's results periodically.

#### **5 Disinvestment strategies**

Disinvestments may take place through:

- the engagement of consultants specialised in M&As via a specific mandate;
- listing the investee, also indirectly through mergers with or into listed entities;
- direct contacts, also after receiving unsolicited purchase offers, with a counterparty interested in acquiring the investee or part thereof or by selling it to strategic buyers (including by auction);
- sale to private equity funds (including by auction);
- mergers, business combinations, agreements with other entities with similar, competing or related businesses and/or operations, with synergic development potential;
- possible exercise of way-out options provided for in investment/shareholder agreements with business partners and/or the other shareholders of the investee.