

Corporate Governance and Responsible Investment Principles

Year 2017

About Cassa depositi e prestiti S.p.A.

Cassa depositi e prestiti S.p.A. (“CDP”) is the National Promotional Institution that has supported the Italian economy since 1850. It finances public investments, nurtures international cooperation and is the catalyst for the country’s infrastructure growth. It backs Italian enterprises, helping them innovate and grow, while fostering their exports and international expansion. As the primary operator in social and affordable housing, CDP contributes to the growth of the Italian real estate sector and promotes urban transformation.

CDP is a private joint stock company controlled by the Italian Ministry for the Economy and Finance which owns 83% of the share capital. Other shareholders include banking foundations which hold an overall stake of 16% of the share capital (the remaining 1% of share capital is represented by treasury shares).

CDP has expanded its original scope, becoming the reference shareholders for major Italian companies of national and international importance, with an approach of stable investor, oriented to a sustainable long-term value creation.

Key investments in listed companies have targeted the energy sector, including grid operators, as well as the industrial sector, with a view for CDP to keep its role as reference shareholder in companies belonging to these strategic sectors and representing a material stake of the total market capitalization of the Italian primary index (FTSE MIB).

CDP believes that the promotion of a good corporate governance framework in its invested companies falls within its duty.

Consistent with such scope, CDP strongly believes that a dialogue with all stakeholders of its invested companies and market participants can encourage the implementation of good corporate governance standards, ultimately resulting in value creation over the long-term.

Through the publication of these **Corporate Governance and Responsible Investment Principles (the “Principles”)** CDP aims to foster its degree of transparency and, as reference long term investor for several invested companies, to better align with international best market practices. To this scope, in designing these Principles, CDP has been supported by an international Advisor, with an extensive experience in shareholders’ response and corporate governance.

These **Principles** are designed to inform stakeholders (including invested companies and institutional investors) about the corporate governance and social responsibility practices CDP

encourages and, consequently, the drivers followed by CDP in exercising its voting rights in invested companies.

However CDP operates in a fluid context, with a number of changing factors to be considered. Therefore, the Principles set out hereunder will be applied with a pragmatic and flexible approach, taking into account the circumstances from time to time existing, in order to promote the development of a sustainable long-term growth within a transparent and balanced governance framework.

Finally, the Principles will be reviewed periodically and could be subject to amendments to best reflect regulatory developments, evolving market practices and any other relevant improvement deriving from the experience from time to time accrued by CDP.

Shareholders responsibility and rights

The shareholders meeting represents a unique opportunity to exercise ownership rights and therefore it is considered one of the central elements of corporate governance.

CDP is fully aware of its role of reference shareholder in the issuers it invests in. As such, it recognizes its duty to exercise its voting rights in a responsible and constructive way in the interest of the companies in which it invests, promoting a sustainable long-term growth for the benefits of entire community.

On this regard, CDP believes that the protection of its investments represents the best way to perform its role of promotional institution and to preserve the interests of its general stakeholders' community. Consequently CDP will take proper actions (and allocate adequate resources to the scope) to (i) hold boards accountable, (ii) monitor company's performance, (iii) protect transparency and integrity of accounting standards, and (iv) promote long-term orientation.

Therefore CDP encourages companies to perform all necessary activities to facilitate the exercise of shareholders' voting rights, including providing a timely and adequate disclosure of meeting materials, in order to allow shareholders i) to be informed about the proposals submitted to vote; ii) to submit proposals iii) to ask questions and iv) to vote by proxy.

Moreover, companies should allow an informed participation by shareholders in decisions concerning fundamental corporate governance issues. CDP encourages the companies to establish and maintain a regular and constructive dialogue with all its stakeholders.

Corporate Governance Structure

The board of directors is the main governing body of the company being entailed with multiple responsibilities including supervisory duties. Given these strategic functions of the named body, companies should have robust governance practices to explore opportunities, manage relevant risks and maximize long-term value.

CDP believes that a well-structured board of directors, with a good balance of skills, experience, education, strategic vision and diversity in gender, is essential to allow it to duly fulfill its differentiated responsibilities. Also, an appropriate representation of independent directors should be ensured to reinforce the supervision on the decisions of executive directors and to ensure the accountability of its activity towards shareholders.

As reference shareholder CDP plays a key role in defining the composition of board of directors, through the slate election system. To perform its duty, CDP applies stringent requirements and procedures to ensure that the profiles of the candidates included in the slates for board's elections ensure the representation of highest caliber professionals with differentiated and complementary skills.

In order to foster efficiency and independency of the selection process, CDP is normally supported by specialized recruitment advisors with the aim of suggesting potential candidates with the desired balance of skills, diversity and characteristics. Proposed candidates usually include also a limited number of CDP's senior managers to enrich the company's board with their expertise and ensure alignment with the long-term mission of CDP.

During the selection process, CDP carries out a qualitative screening of potential candidates (whether internal or external to CDP's organization) to assess (i) the compliance with the legal and/or statutory eligibility requirements; (ii) the absence of any conflict of interest; (iii) the adequacy of the profile in term of experience and sector knowledge; (iv) the compliance with the advises expressed by the outgoing boards on the composition of the new boards and (v) for the role of Chairman, the presence of an adequate standing.

Moreover, CDP, in order to consider whether to include or not in the slate of candidates for board's elections a person already in office in the same board, takes into account the tenure of such person in the relevant board, his commitment and performance.

In addition, for the role of Chief Executive Officer, the candidate should demonstrate a solid expertise on management of comparable companies, evidenced by objective elements (including the performance registered by the companies under their former management and/or reputation on the reference market).

CDP is aware that business cycle of invested companies may exceed the duration of the boards' mandate. As long term oriented investor, CDP favors the continuity of the

management where long-term performance of the companies are positive and strategic plans are duly implemented.

The assessment of the independence of the candidates is carried out according to the criteria and requirements established under the local and international best practices.

CDP also commits to disclose, in appropriate advance, its possible proposals on themes relating to the renewal of the board, where there is no specific company's proposal (e.g. size of the board, duration of the mandate and remuneration of directors).

CDP allows its invested companies to autonomously determine the governance model which better suits their respective

needs, to the extent that boards shall be appropriately sized, sufficiently independent (also having regard to internal board committees) and have meaningful representation of both executive and non-executive directors.

The board should meet on regular basis and a high level of directors' attendance is considered the best way to ensure an effective oversight of the company.

All directors should receive appropriate training when appointed and undertake a regular board evaluation process.

CDP supports the adoption of adequate management succession plans consistent with the company's strategic direction.

Remuneration

Remuneration of directors represents an area of attention for shareholders who expect and encourage a direct relationship between executives' compensation and company's performance over the long-term.

CDP favours its invested companies to define, upon proposal of the relevant remuneration committee, an adequate compensation policy to attract and retain the management and incentivize it to pursue the long-term value creation without taking excessive risks.

In line with the legal framework and its role as shareholder, CDP believes that definition of appropriate compensation policies is a responsibility of the boards of directors, which are in the best position to craft compensation structures appropriately customized. However CDP encourages invested companies to adopt a compensation policy that appropriately reflects the business cycle and the performance of the company, also considering the general economic framework of the reference market, incentivizing the

board to pursue a long-term sustainable growth.

The remuneration of non-executive directors shall be in line with the responsibilities and the attendance to the board committees, also considering the sector/country practices.

Furthermore, CDP favours the alignment of the compensation structure with the most recognized international best practices.

Companies should disclose in a clear, complete and understandable way the information on the remuneration packages, in any case providing shareholders with sufficient elements to assess the linkage between remuneration and company's performance.

Reporting, accounts and audit

Risk management and reporting is a key function of the board of directors. As such CDP recognizes that the company has discretion on the manner and time for providing information to shareholders and the market.

Financial and extra-financial reporting is a fundamental source of information for shareholders. Therefore, CDP encourages companies to provide shareholders with a complete, clear and transparent periodic information, without however prescribing specific time or contents: the board of directors is in the best position to determine the appropriateness of the timing and the degree of disclosure, the compliance with the applicable legal requirements and the alignment with the business cycle of the company.

However CDP encourages companies to schedule the reporting activity taking into account also the needs of their investors.

Moreover companies should adopt an efficient internal audit system, able to evaluate and improve the effectiveness of risk management, control, and governance processes of the company. The existence of such monitoring function is crucial for companies to carry on their activities and reach their strategic objectives and should be inspired by The International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

If the company adopts a traditional governance model, the board of statutory

auditors represents a key element in the control system. Auditors should be skilled professionals with solid background acting in compliance with strict independence requirements.

In submitting any slates of candidates in the context of renewal of the board of statutory auditors, CDP shall take care of selecting highest caliber candidates. To foster efficiency and independence of the process CDP employs specialized external recruitment advisors responsible for selecting potential candidates meeting the strict requirements in terms of skills, independence and experience.

As per the assessment on potential candidates CDP carries out a qualitative screening of potential candidates, considering (i) the compliance with the legal and/or statutory eligibility requirements; (ii) the absence of any conflict of interest; (iii) the adequacy of the profile in term of experience and sector knowledge (iv) the independence of the candidate.

In particular, the independence of the candidates is evaluated on the basis of the criteria and requirements established under the local and international best practices.

Sustainable Business Practices

Sustainability, environmental, ethics and corporate social responsibility related matters are considered key elements that may contribute to achieve good corporate governance standards and generate long-term value.

The development of a sustainable economic and social system is deeply engrained in CDP's organization, given its nature of promotional institute.

In line with such approach, CDP is strongly committed to invest responsibly and to support invested companies' initiatives in line with its mission statement.

CDP promotes the adoption of procedures to oversee the alignment of its investment philosophy with the relevant national and international conventions and standards, including those enclosed within the 17 *Sustainable Development Goals (SDGs)* defined by the UN.

In addition to specific principles, CDP believes that a *Corporate Shared Value Approach*, aiming to integrate sustainability into the whole business of the CDP's Group, can generate better long-term results for CDP and its invested companies.

CDP is aware that sustainability is an ongoing process. Therefore CDP operates in a way to constantly improve its procedures and its transparency also regarding its policies and how incorporate environmental, social and governance principles in its responsible investment decisions and activities.

Companies should identify and manage effectively environmental and social factors that affect their business and society at large with a view to enhancing their long-term sustainability.

CDP encourages companies to be transparent with the investors and financial market on how the environmental and social practices fit into operations and business activities.

Engagement and Communication

The existence of a fair, adequate and transparent communication is a key element for improving governance structures at invested companies. Engagement allows a better understanding by the investors of corporate's activities and values and allows companies to benefit from the differentiated experiences and views of its institutional shareholders.

CDP believes that an active engagement approach towards institutional investors and invested companies promotes the creation of long term shareholders' value through the sharing of the principles and objectives leading CDP's activity.

Consequently, CDP is strongly committed to establish a durable dialogue with its stakeholders, ensuring, in any direct or indirect engagement activity:

- a fair, appropriate and correct disclosure;
- equal treatment of all participants;
- transparent process of disclosure, based on the correctness of information;
- compliance with law and regulations;
- appropriate management of confidential information.

CDP will assure that a committed and skilled staff will participate in any engagement activity and that feedbacks gathered in the context of any engagement activities will be correctly and timely reported to the appropriate addressees.

Moreover CDP encourages its invested companies to adopt and disclose appropriate procedures to engage with their respective shareholders and to correctly report and review the relevant feedbacks.

