



Partnering for Growth and Sustainability





Partnering for Growth and Sustainability

FSI ESG Impact Report 2019



FSI Office Milan

“In 2020, more than ever, it is increasingly clear to us that long-term profit and sustainability are closely interconnected. Environmental, Social and Governance (ESG) are as important as economic, financial and operational considerations in each strategy.

We have embraced a shared value creation strategy, which means aligning the Portfolio Company’s interests with those of the community and other stakeholders. Aware of the social role it plays, FSI is integrating social impact principles and actions into its corporate strategy and its everyday activities.”

Maurizio Tamagnini
CEO FSI

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PARTNERING FOR GROWTH AND SUSTAINABILITY

FSI AT A GLANCE

A SOUND BUSINESS MODEL AND UNIQUE INVESTMENT FORMULA

FSI GOVERNANCE

INNOVATION TO DELIVER POSITIVE IMPACT

Letter from the CEO, Maurizio Tamagnini



FSI at a Glance¹

Assets under management

1.4 billion euro

>30%

of funds raised have been invested in

5 investments which represent

>2.8 billion euro in cumulative revenues and

>17,000 employees

¹As of 31 December 2019; Financials FY 2019.

A Sound Business Model and Unique Investment Formula



At FSI we are partnering to drive sustainable value creation

FSI's investment formula particularly fits the Italian market, featured by many strong mid-sized businesses having never been backed by PE, while facing scale and succession challenges

We understand our Partners and their unique heritage and story. Based in Italy, and making decisions in Italy, we have direct and constant interaction with them

FSI is not a buyout fund: we invest alongside only entrepreneurs, managers and corporates that prioritize growth to outright monetization, and we use limited leverage, instrumental to growth

Besides low leverage, the resiliency of FSI's formula includes focus on defensive and scalable sectors with consolidation potential and access to companies with diversified exposure to international markets (no "single-country" risk)

Key pillars of the FSI investment formula, tailored to the “Italian opportunity”



Leadership

Recognised senior management and largest team based in Italy



Partnership

Investments alongside families and corporates, implementing active governance



Proximity

Local decision making as a key competitive factor



Financial Sustainability

Focus on transformational growth and limited use of leverage



Fair Value

Bilateral originations outside highly intermediated process



Sector knowledge

Industrial Partners provide sector skills and support in delivering value creation plans

Focus on the Italian market: smart strategy, now more than ever

In 2019, the Italian PE and Venture Capital markets recorded a total of 370 investments. Within FSI's specific target, Italian mid-capitalization companies with revenues between 100 million euros and 1 billion euros, the number of investments grew every year from 2016. They reached an all-time high of 26 in 2019 vs. an average of 20 operations in the previous 5 years.

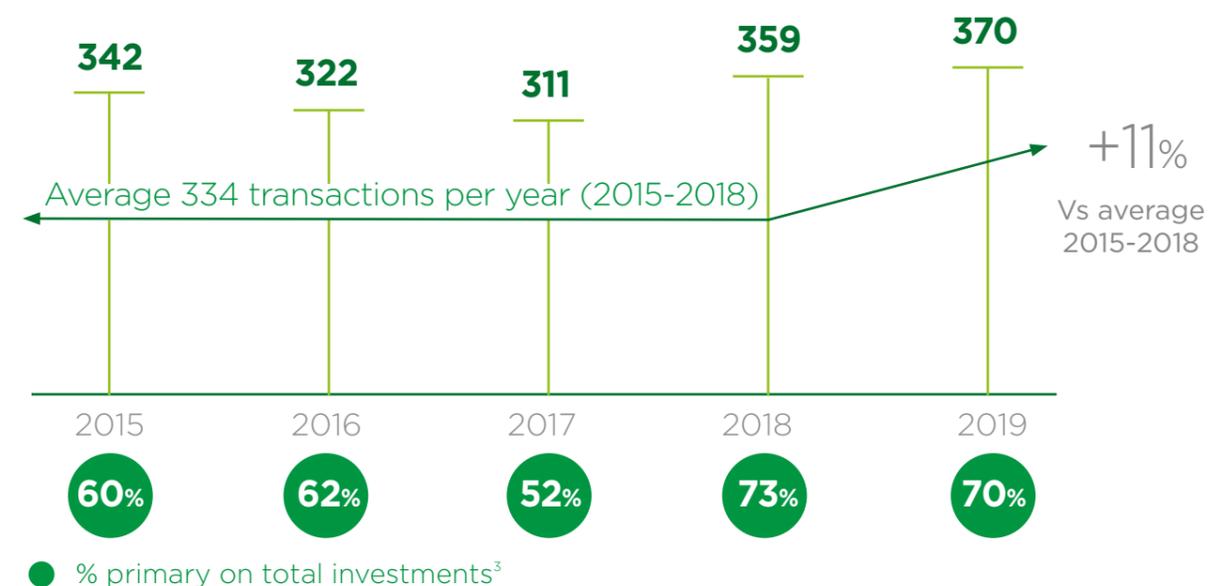
PE capital is becoming more accepted in Italy, with many entrepreneurs opening up to capital for the first time. In 2019 the 70% of deal flow came from family-owned business, almost confirming the record high of 73% registered in 2018. These figures are expected to continue to rise as more family-owned businesses open up to private capital and as the consolidation in a number of sectors will allow for more buy-and-build investments. Furthermore, consequences of the economic downturn following the pandemic will encourage more balanced capital structures to be progressively open to institutional investors.

Even before the Covid-19 outbreak, environmental targets had already become an increasingly important driver of PE investment choices. Now, sustainability will play an even bigger role in the economic recovery. In Italy, regulatory risk and opportunities are rapidly changing, with new tax breaks, subsidised financing and other incentive structures being devised to help the country rebound. It is reasonable to expect that the most successful investments are those that will leverage environmental policy changes - such as a plastic tax set to take effect next year - and opportunities, such as funding allocated under the Next Generation EU plan, to become market leaders.

Now more than ever, FSI's ability to bring smart investment strategy based on decades of experience, specifically tailored to the Italian market, makes it a crucial investment partner.

PE investments in Italy continue to grow²

Number of transactions, Private Equity and Venture Capital, Italy



² Source: AIFI - “Il Mercato Italiano del Private Equity, Venture Capital e Private Debt, 2019”

³ Source: Unquote Data - Primary buy out investments in Italy. Deals including Family&Private



FSI Governance

Chairman of the Board

Umberto della Sala

Chairman FSI Board



- Former President & Group COO at Foster Wheeler AG
- Significant experience in the industrial sector
- Former FSI Industrial Partner (2014 to 2019)

Investment Committee

Maurizio Tamagnini

CEO



- Chairman of the Supervisory Board of STMicroelectronics N.V.
- Former CEO of Fondo Strategico Italiano
- Previously Head of Southern Europe at Merrill Lynch
- 30+ years experience in financial and investment industry in London, New York and Milan

Barnaba Ravanne

CIO, IC Chairman



- Former CIO of Fondo Strategico Italiano
- Previously Partner at Merrill Lynch Global PE
- 20+ years experience in private equity in London and New York

Carlo Moser

Partner



- Former Sponsor of Crescita SpA, 130 million euros SPAC
- Prior experiences in Friulia and Investitori Associati
- 20+ years experience in private equity

Marco Tugnolo

Partner



- Former Investment Director of Fondo Strategico Italiano
- Previously Investment Manager at Permira; former experiences at Vodafone, BCG and Citi
- 20+ years experience, including 15 years in private equity

Marco Costaguta

External IC member



- Former IC member of Fondo Strategico Italiano
- Founding Partner of LTP and of Bain&Co. Italy
- 30+ years experience in business, strategic consulting and private equity

Industrial Partners

Carlo Bozotti



- Former President and CEO of STMicroelectronics
- Significant experience in the technology sector

Alberto Frausin



- Former CEO of Galbani (Lactalis Group) and Carlsberg Italy
- Extensive experience in the food & beverage industries (including Kraft, Johnson Wax and Ferrero)

Francesco Granata



- Former Ex. Vice President and Member of the Ex. Comm. of Biogen Idec, Group Vice President and President of Schering Plough Europe and Canada, CEO of Pharmacia and CEO of Dompé Biotec
- Significant experience in the Pharma sector (including Pfizer and Glaxo)

Michele Norsa



- Board Member of Missoni
- Executive Deputy Chairman and Former CEO of Salvatore Ferragamo. Extensive experience in the Fashion & Luxury sectors (including as CEO of Valentino)

Eugenio Razelli



- Former CEO of Magneti Marelli (FCA Group)
- Extensive experience in diversified industrial sectors (including FIAT, Zanussi and Pirelli Cavi)

Michele Scannavini



- Former CEO of Coty Group
- Previously at Procter&Gamble, Galbani and Ferrari. Former President of ICE (Italian Trade Agency)

ESG Committee

Umberto della Sala



Chairman FSI Board

- Former President & Group COO at Foster Wheeler AG
- Significant experience in the industrial sector
- Former FSI Industrial Partner (2014 to 2019)

Cristian Chizzoli



FSI Independent Board Member

- Bocconi Lecturer at the Marketing Department since 2005
- Program Director of MiMeC
- Chairman of the Social Venture Giordano Dell'Amore Foundation (Fondazione Cariplo) focused on investments with social, cultural and environmental impact

Alberto Frausin



Industrial Partner

- Former CEO of Galbani (Lactalis Group) and Carlsberg Italy
- Extensive experience in the food & beverage industries (including Kraft, Johnson Wax and Ferrero)

Nannj Longo



CFO

- Former CFO at Fondo Strategico Italiano
- Previously Head of Controlling and Financial Reporting at CDP, Controller at Autostrade per l'Italia and Credit Analyst at Hertz Lease
- 15+ years experience including 8 in private equity

Monica Onofri



Human Resources

- Former Office & HR Manager at Fondo Strategico Italiano
- Previously professional experience at 3i Group plc (Italy branch) and EY
- 30+ years experience including 25 in private equity

Roberto Pilotto



IR International Partner

- 30-year experience in the global private equity industry as an investor and LP, with a focus on Europe, China and India
- Senior roles in the PE teams at PPM (Prudential Plc), Mubadala Capital and the EBRD

Simone Terenzi



Compliance & AML

- Former Head of Compliance at Fondo Strategico Italiano
- Previously professional experience in legal and regulatory affairs and compliance at Hogan Lovells
- 10+ years experience including 8 in private equity

Dear Friends of FSI,

As I write this foreword to our second environmental, social and governance Impact Report, Italy - and the world - have been hit by one of the most unexpected and severe health crises. We are living through a situation that is not only unrivalled in modern times, but whose impact on our economy and society have forced us to rapidly adapt our thinking, our priorities and our ways of living, working and seeing the world. The Covid-19 pandemic has challenged many of our certainties. It has shown us that the values of solidarity, good citizenship, community support and promotion of a sustainable economy - one that respects the environment and the fragile harmony of the world's resources and climate - are key to the wellbeing not only of future generations, but of our own.

I am proud to say that during these exceptional times, FSI and its employees have reacted promptly and generously. They've worked to contribute as much as possible to the safety, social and health-care challenges facing both FSI and its portfolio companies, as well as the wider communities in our hard-hit region,

Innovation to deliver positive impact

Lombardy, and across Italy countrywide. Later in this Report, you will learn some of the initiatives and actions taken and read our plans to follow up in the future.

These efforts are part of our wider commitment to the Environmental, Social and Governance topics. ESG is in FSI's DNA, as we made responsible investing part of the Fund's mission even before FSI was operational. More than two years ago, we started our journey to implement stricter and wider procedures, taking concrete actions to support and expand ESG in everything we do. Now, we are accelerating this process by evaluating the impact of our responsible practices so we can integrate new and more ambitious investing principles in our core activities. Specifically, we're introducing new KPIs on

tional opportunities and incentives to leave a positive impact.

For all of these reasons, FSI is uniquely positioned to make a difference and deliver on its ESG commitments in the future, while creating value in its investments and maintaining world-class fiduciary duty to its investors. Our partnership investment approach allows us to act as trusted advisors with our portfolio companies to further promote ESG, while using capital to expand and build value. This strategy allows us to substantially contain the use of leverage. Moreover, we act as a catalyst to support and encourage innovation initiatives by FSI and our partners to generate significant benefits for society. Projects such as Kedrion's research for a Covid-19 vaccine from convalescent plasma, Adler's pilot smart city in Avellino

"ESG is intrinsic to FSI. Our target market, Italy, with its landscape of excellent mid-sized companies led by outstanding entrepreneurs and family businesses, offers a natural setting to advance our ESG goals"

investment and portfolio management that take ESG factors into account, while supporting the introduction of similar procedures and awareness - where suitable - among our investments.

Italy is already an internationally recognised leader in environmental initiatives such as renewable energy and "circular economy". Traditionally, the Italian business culture has been based on values of solidarity and close relationships with suppliers and customers, along the various verticals. Finally, many of the companies we interact with are entrenched family-owned businesses that continue to manufacture locally, with direct and seasoned relationships with their underlying communities and supply chains. These ties provide addi-

tion in Southern Italy and Cedacri's adoption of a number of UN Sustainable Development Goals show our forward - thinking approach and - we hope - will have a significant positive impact on our communities.

I hope you will enjoy reading this Report, which represents just one further step in our ESG journey. It was prepared during difficult times, and it represents a strong endorsement by FSI management for our determination and passion to create new standards in the way financial and equity investment is made and accounted for.

The FSI Team is missing the physical contact with you all. I am sincerely looking forward to meet you in person.

Maurizio Tamagnini

THE SMART START: ESG AS A DRIVER

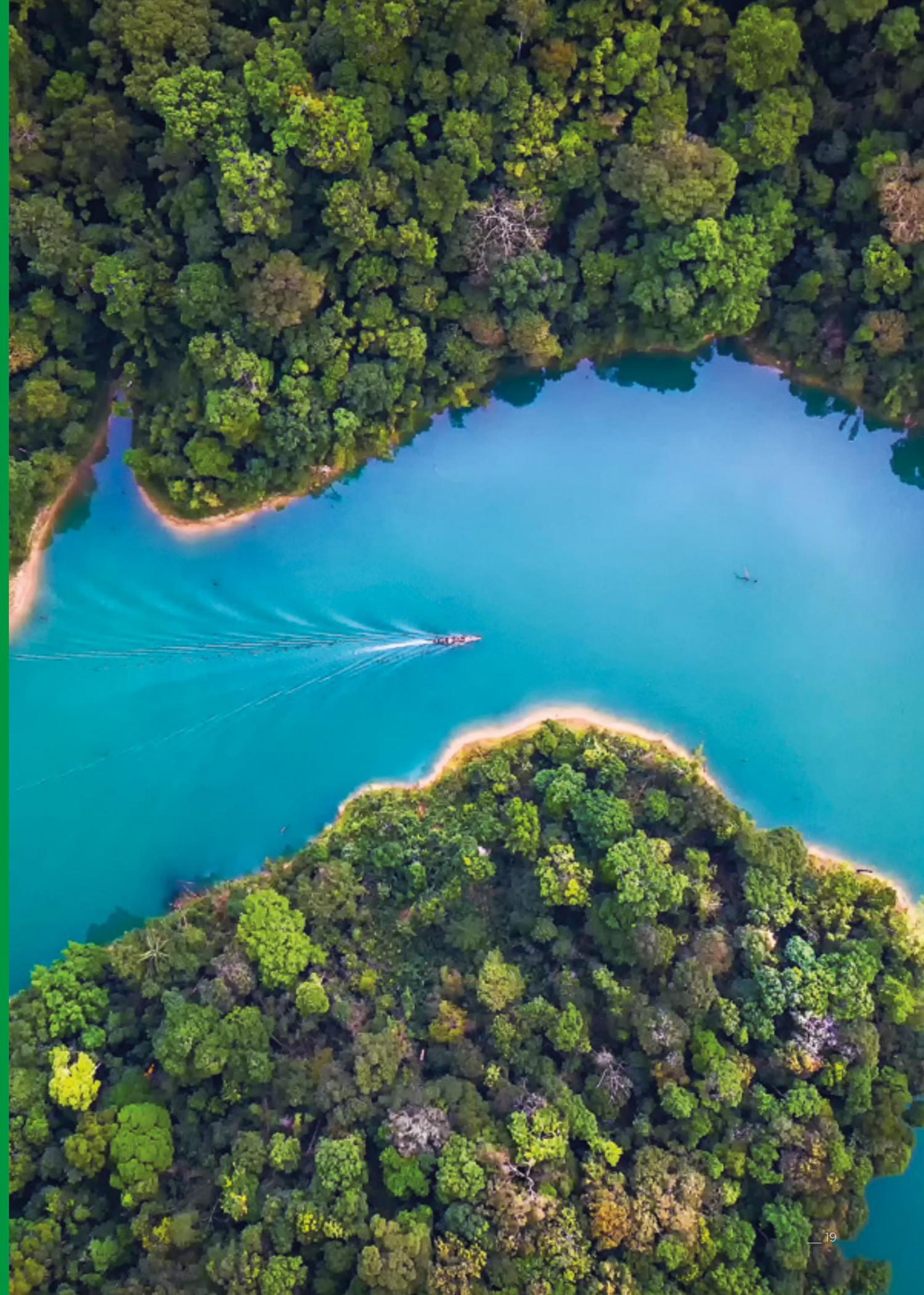
FSI ESG COMMITMENT

EMBARKING ON AN ESG JOURNEY TOGETHER

Letter from Alberto Frausin

SUSTAINABILITY AS A DRIVER FOR FINANCIAL RETURN

Letter from Nannj Longo



FSI ESG commitment

In 2019, FSI launched a comprehensive, multi-year strategic action plan to update and further enhance ESG integration at both the fund management company and within the investment portfolio (current and prospective).

Many of the planned actions have been implemented since 2019. This Report presents several of them, such as the new materiality matrix and the recently introduced impact assessment framework. Further improvements will follow in the coming months, since FSI is conscious that the time is right to draw together the many sustainability initiatives we have set in motion since FSI started its operations in 2017.

Furthermore, FSI is even more committed to being a dynamic advocate of sustainability in the private investment industry, contributing our expertise as leaders in our market segment to help to codify and promote to a wider audience the positive impact of sustainable finance to communities. With this ambition, in 2020, FSI started two innovative partnerships with reputable and independent research institutions aimed at investigating how corporate finance choices and investment activities affect and drive firms' financial and non-financial (or "ESG") performances.

Our on-going effort to act as a sensible, good corporate citizen, well integrated with our communities, will be further strengthened in the upcoming years, with key initiatives already planned at the time of this Report. We foresee a specific focus on amplifying our contribution to society by increasing social and environmental awareness.

Assessment and ESG strategy



International standards and guidelines

Updated analysis concerning the most recent international guidance and standards for managing and reporting ESG actions (such as World Economic Forum (WEF), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI)).



Framework and best practices

Extensive review of ESG trends, including: best practices, expectations of «standard setter», regulatory and legal framework evolution.



Materiality Analysis and Internal ESG governance

Review of the existing, ESG internal organizational settings and ESG policies at the fund management company.
Update of the ESG materiality analysis for FSI through the engagement of internal and external stakeholders.

Implementation

Output

FSI new ESG toolkit

Identification of a short-to-medium term and long-term line of actions to enhance FSI's ESG policies and procedures.

New material ESG topics

Identification of the ESG material topics for both FSI and portfolio companies.

Review and update of the FSI ESG policies

Selected amendment and improvement of the full set of guidelines and procedures of ESG integration in the full investment lifecycle.

Measurement of FSI's Impact

Design, implementation and adoption of a robust measurement model tracking the socio-economic and environmental impact of FSI investment activities.

Reporting sustainability

New, advanced integrated reporting framework. From a "Sustainability Report" to an "ESG Impact Report" updated on an annual basis.

FSI's ESG journey

In 2018, in our first Sustainability Report we committed to providing long-term, sustainable value to our shareholders by delivering environmental and social contribution through both our business and portfolio. We therefore set targets to advance our business and the portfolio's ESG strategy over the next years.

2018

-  Establish an ESG sub-committee
-  Continue to help our portfolio companies to develop their ESG policies
-  Develop a proprietary due diligence process to further support our analysis
-  Increase our ESG reporting metrics and broaden sustainability KPIs across our business and portfolio
-  Promote the integration of ESG metrics and analysis within the industry
-  Support investments that promote the development of the circular economy
-  Further develop our philanthropic initiatives and invest in new sustainable project

In 2019, FSI's commitment consisted in adopting policies, processes and methodologies that allow to effectively manage ESG risks and opportunities deriving from its operating activities, implement processes for assessing and managing the impact of investments, and effectively report performance in these categories to stakeholders.

From 2019 onwards

Process



Revision of the investment process including increased investment supervision and due diligence of new investments, in particular: (a) enlarging the scope of ESG due diligence with an assessment of the baseline of material topics applicable to the target company to be compared with relevant industry baseline and identify areas of ESG value creation; (b) providing for a greater degree of formalisation of the commitments of portfolio companies "to be" in terms of disclosure of relevant metrics; (c) mentioning the enlargement of due diligence to reputational issues as an element of evaluation of the ESG DNA of the partner entrepreneur/manager.

Governance



During 2020 and 2021, FSI will launch a process to review and strengthen its ESG Governance architecture in line with international best practices. FSI is adopting, for example, an "ESG ambassador" system, so that the commitment of FSI to steer the process to drive value in each company will be more concretely enabled by the FSI "ESG ambassador" as per direct link with the portfolio company's senior management and portfolio's company ESG line managers.

Impact



Full deployment of FSI's environmental and social impact measurement model.

Community



CSR In Action: in line with the DNA of FSI and its senior management in terms of community engagement, in the upcoming months, FSI will launch significant projects consistent with the FSI's ESG investment material topics. In particular, FSI will focus on projects aimed at the new generations and will try to contribute to the growth of environmental awareness towards lifestyles and consumption that adhere to the principles of "sustainable development", with direct impact on the "UN SDGs" objectives: 13 "Climate Action", 11 "Sustainable Cities & communities" and 9 "Industry Innovation and Infrastructure".

Engagement



In terms of engagement and advocacy on ESG issues, FSI as a major Italian player in the private capital industry in Europe will contribute with specific research projects to the debate on the impacts of responsible finance. In particular, in partnership with two leading academic research institutions, these research projects will try to analyse how financial choices in terms of companies' capital structure can influence performance in terms of ESG Key Performance Indicators (KPI) and how investment by institutional investors can play a role in the ESG resilience of the target companies and its impact on economic and financial performance.

FSI policy



Environmental



Social



Governance

FSI



Responsible management of operating activities

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Internal CSR

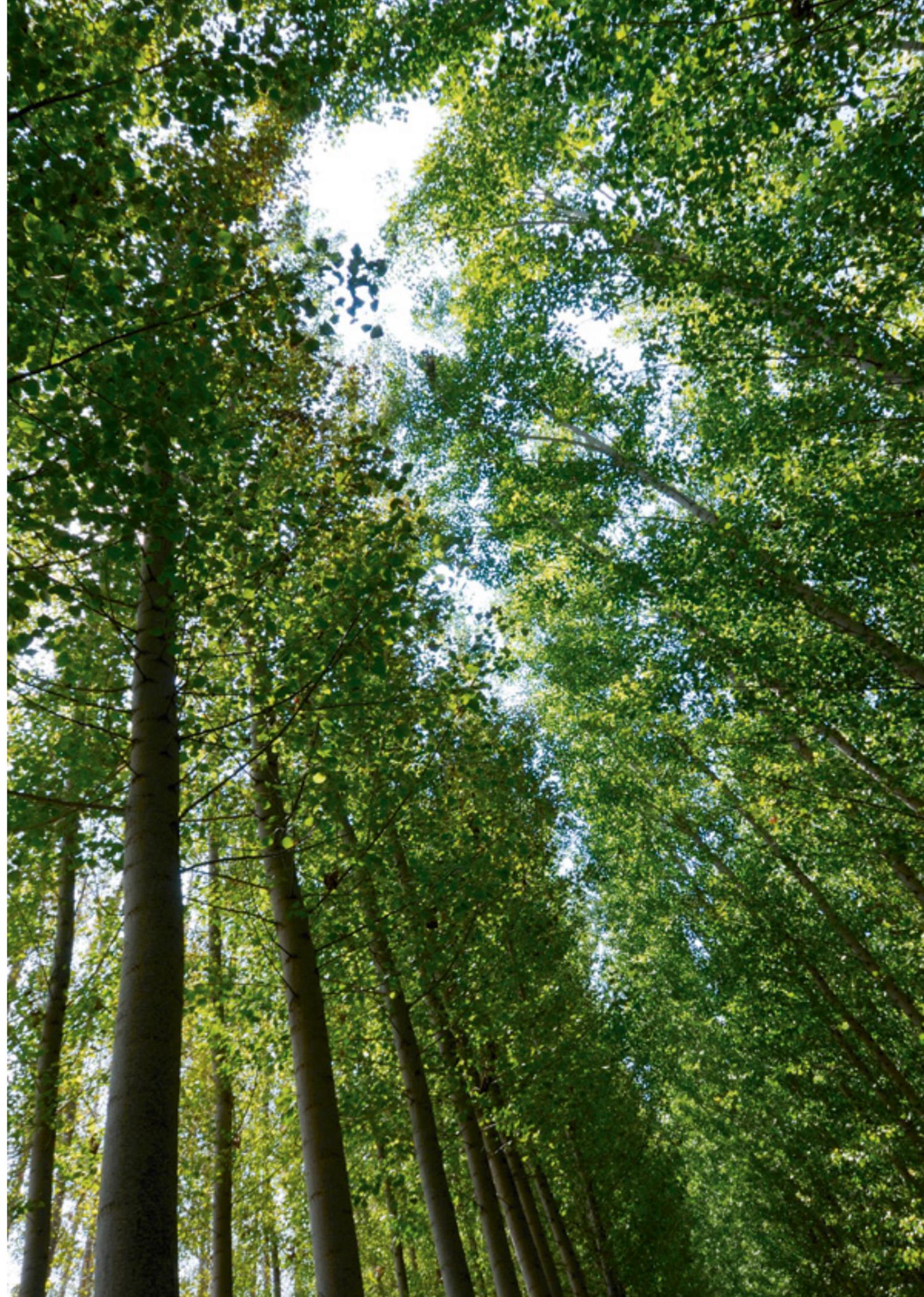


Responsible management of investment activities

•
Responsible investment

Coherence between internal company culture and business

When defining its approach to sustainable development, FSI identified the relevant sustainability areas on which to define appropriate management strategies, which allow to create shared value for its stakeholders and mitigate the negative effects on the external environment. To this end, FSI identified the main United Nations Sustainable Development Goals (also known as "SDGs") which it contributes to and associated them to the ESG performance of FSI and its portfolio companies.





Alberto Frausin, Industrial Partner

Embarking on an ESG journey together

"At FSI, we believe companies need to rethink completely the way they operate. We cannot afford to waste raw materials or use energy from polluting sources"

FSI's Industrial partners offer industry experience and expertise during the selection, evaluation and structuring of potential investments, and the monitoring of the investment portfolio. Before a portfolio company is taken on board, our industrial partners support the team to strengthen the company's ESG policies. Once the investment is finalised, the industrial partners monitor progress and facilitate the achievement of the company's ESG targets.

Every industry offers different ESG challenges and opportunities. At FSI, we view sustainability as an ongoing process. Together with our portfolio companies, we embark on a journey of constant improvement. The first

sustainability challenges. For example, Lumson is using single plastic, recyclable packaging and is testing the use of alternative methods. We are helping them to find companies that could be a good fit, taking an active role in setting up partnerships that will allow them to achieve their ESG goals.

The Covid-19 pandemic has created a new sense of urgency in prioritizing social policies for our portfolio companies. Our companies are committed to protecting workers and, where possible, reorienting some production to help fighting the pandemic. Kedrion, in particular, immediately responded to the health crisis supporting hospitals to enhance blood-safety for trans-

Without ESG, there is no future, and that's why we are thrilled to be on this sustainability journey together with our portfolio companies

crucial step is to identify the key challenges faced by our portfolio companies and, more broadly, the industry the company is operating in. This allows us to identify priorities and set ESG targets for our companies. In addition to setting KPIs such as growth and market share, we might also set a target for the use of recycled materials, energy and waste reduction, and the introduction of circular economy principles. Finally, we work together with the management team to create a strategy to achieve these targets over the short and medium term.

In particular, we help our companies make acquisitions that will help them become leaders in their industries. This allows them to invest in technologies and research that will solve their unique

fusions to Covid-19 patients. In addition, Kedrion started the development of a new pharmaceutical product that, if approved, could reduce hospitalization and mortality rate among Covid-19 patients.

Without ESG, there is no future, and that's why we are thrilled to be on this sustainability journey together with our portfolio companies.

Responsible investment is key to FSI's investment strategy, culture and values. Since its founding, FSI has embraced the principle that creating shared value requires aligning the interest of the Fund manager with those of the community in which it operates, as well as those of its stakeholders.

FSI is deeply aware of its role in the broader ecosystem of sustainable development. It has therefore adopted management policies that assess how its decisions and activities impact the community, both socially and environmentally.

FSI is consolidating its commitment by publishing, for the second time, this 2019 Impact Report, which is the result of measuring the ESG performance of the Fund Manager and the portfolio. This activity is only the starting point of the path undertaken by FSI, which foresees, on the basis of the monitoring carried out, the identification of strengths and areas for improvement, and definition of a joint development plan in which FSI assumes a role in promoting the sustainable growth of its subsidiaries and, in general, of the entrepreneurial fabric of the country.

In other words, incorporating ESG factors into FSI strategy is essential for building long-term value to the benefit of all the FSI stakeholders and, in particular, investors and communities.

As a signatory of the United Nations Principles for Responsible Investment (UNPRI), FSI is publicly committed to promoting and enforcing these principles both internally and within its portfolio companies

In accordance with its Code of Ethics, FSI recognises the importance of assessing investment opportunities in order to generate long-term value for investors and other stakeholders.

To this end, FSI's "ESG Guidelines" policy defines specific evaluation criteria for its potential investments, including its exclusion policy. Investments in certain sectors are excluded a priori.

We have set in our Fund rules that the Fund does not invest in sectors linked with human cloning, production and trade of tobacco and alcoholic beverages, gambling and coal mining

In this policy, the consideration of ESG criteria is not limited to the pre-investment phase, but takes into account all other investment phases, including engagement initiatives with investee companies and performance monitoring, ensuring effective integration of ESG factors in each individual investment choice.

FSI's UN PRI score



Strategy and Governance

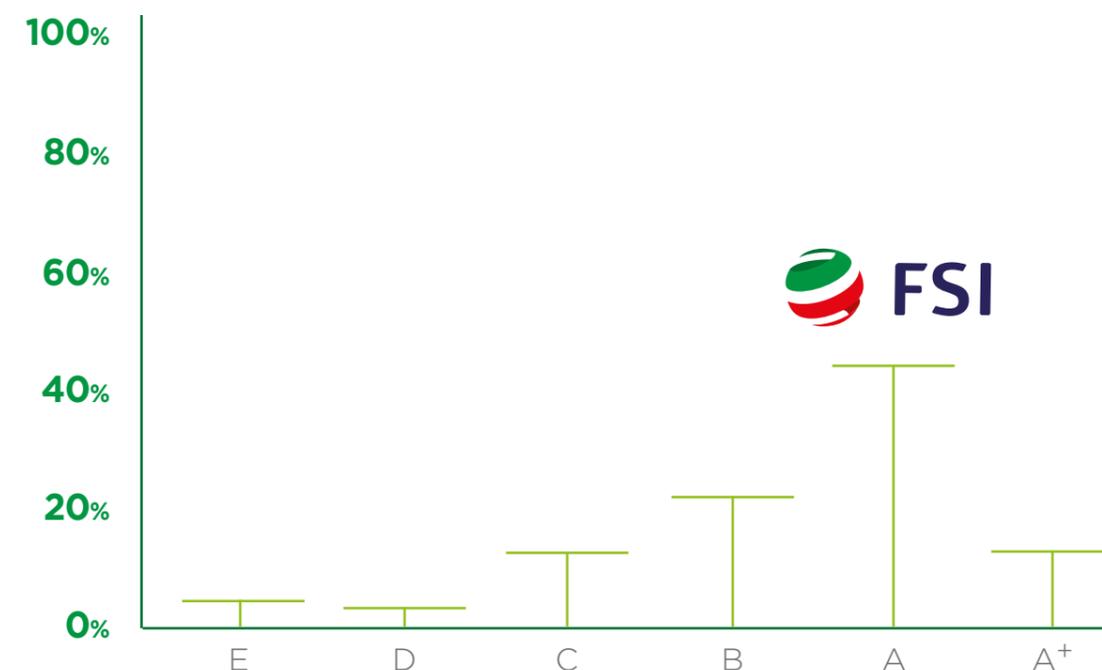


Responsible investment direct Private Equity



FSI is a proud member of the world's leading Responsible Investment organization, the UN PRI, and its 2019 reporting marked a significant improvement compared to the 2018 scores assigned to the modules it reported on.

Comparison with peers - Responsible investment score distribution





Nannj Longo, CFO

Sustainability as a driver for financial return

“Our investment targets share our purpose of becoming leaders in ESG”

At FSI, sustainability is a driver that maximises financial returns. We promote ESG principles at the core of everything we do and as a key component in our investment strategy, which allows us to thrive in the promising yet under-penetrated Italian Private Equity market.

Our 360-degree view of sustainability includes the monitoring of both our own outcomes and those of our portfolio companies.

Nevertheless, we are committed to several initiatives aiming to promote a “sustainability corporate culture”: reducing our energy and paper use, in particular by encouraging use of digital tools, eliminating plastic waste, promoting a strong corporate culture with positive values, building strong relationships with our stakeholders, also adopting reporting and transparency procedures that go beyond mere compliance.

Furthermore, we aim to facilitate our team to achieve a work-life balance that maximises employee satisfaction, and we are committed to build a strong connection with our territory, ensuring that our donations and sponsorships create paths for development and mutual growth.

FSI is not yet bound by reporting rules that require funds to keep investors apprised of the ESG impact of their investments. Nevertheless, we have been publishing this

with FSI to implement ESG measures. We formalise this commitment during the acquisitions phase through contract clauses that incorporate ESG deadlines and benchmarks, then work with the companies as a trusted advisor to help realise their targets.

In particular, we bring a strong focus on good governance and creating transparency in reporting and compliance to help our portfolio companies to become leaders in their fields.

We deploy a combination of capital injections, strategic advising and ambitions to help portfolio companies to accelerate their growth and improve both their financial and ESG performance

information since 2018, well in advance of the March 2021 reporting deadlines that will take effect with the latest EU regulation on sustainability-related disclosures in the financial sector (EU Regulation 2019/2088). These reporting requirements aim to increase transparency in the sector, as opposed to establishing specific outcomes. At FSI, we go beyond the requirements by setting challenging goals.

Our investment targets share our purpose of becoming leaders in ESG. This is where FSI can assist: we deploy a combination of capital injections, strategic advising and ambitions to help them to accelerate their growth and improve both their financial results and their ESG performance.

While our portfolio companies represent a different level of progress in terms of implementing ESG principles, all of them share enthusiasm and willingness to work

All of these initiatives contribute to our goal of creating a broader culture of sustainability, both internally and in terms of investment activities. Recent studies show that companies that develop this culture are rewarded financially: up to 79% of consumers are changing purchase preference based on the social and environmental impact of their choices and almost two-thirds of executives surveyed found that sustainability initiatives boosted revenues. In other words, returns are higher for companies that have a dual aim of making good financial investments and being a good citizen.

The numbers confirm what we've seen first-hand during our decades of combined experience at FSI: being a good corporate citizen is an enabling factor which fosters companies' growth and generates sustainable long-term value for investors and other stakeholders.

TRIPLE BOTTOM LINE APPROACH TO IMPACT

SUSTAINABILITY AT FSI: A SNAPSHOT

KEY ESG AREAS

COMPLIANCE AND SUSTAINABILITY AS CONCRETE ACTION

Letter from Simone Terenzi

A CREATIVE APPROACH TO INVESTING IN PEOPLE AND COMMUNITY

Letter from Monica Onofri

DIALOGUE WITH INVESTORS AND STAKEHOLDERS

Letter from Roberto Pilotto



Sustainability at FSI: a snapshot

- 8 DECENT WORK AND ECONOMIC GROWTH**
97% of employees hired on permanent contracts
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**
1.4bl€ committed to companies in the Italian mid-market
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**
Adoption of a Whistleblowing Policy
- 5 GENDER EQUALITY**
1/3 of female employees⁵
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
122k€ directly invested in supporting the local communities. 1ml€ already committed in 2020. 730k€ invested by our portfolio companies
- 13 CLIMATE ACTION**
Hybrid vehicles in the company fleet and plastic free office

& its Portfolio

- 8 DECENT WORK AND ECONOMIC GROWTH**
266.0ml€ Value Added (GDP) created (direct, indirect and induced)⁴
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**
3,308 jobs equal to 90.0ml€ income from work total effect⁴
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**
100% adopted an Organisational, Management and Control Model
- 7 AFFORDABLE AND CLEAN ENERGY**
60% had energy consumption also from renewable sources
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
-44.0kg of waste produced compared to 2018 per ml€ invested⁶
- 13 CLIMATE ACTION**
-2.2tCO₂e of direct (Scope 1) and indirect (Scope 2) emissions compared to 2018 for ml€ invested⁶

FSI impact on the Italian socio-economic system

| | Total impact 2019 | Impact components | Impact per ml€ invested |
|-------------------|--|--|---|
| Value Added (GDP) | 266.0€ million total effect (direct, indirect and induced) | DIRECT: 139.3€ million INDIRECT + INDUCED: 126.7€ million | Each ml€ invested by FSI creates an impact of 614.5€ thousand in terms of Value Added (GDP) |
| Employment | 3,308 jobs total effect (direct, indirect and induced) | DIRECT: 1,376 jobs INDIRECT + INDUCED: 1,932 jobs | Each ml€ invested by FSI leads to the occupation of 8 people in the country |
| Income from work | 90.0€ million total effect (direct, indirect and induced) | DIRECT: 35.9€ million INDIRECT + INDUCED: 54.1€ million | Each ml€ invested by FSI generates an impact of 64.8€ thousands on the income of the country's families |

⁴ Impact on Italian socio-economic system only. FSI impact is material also in other countries, but not illustrated in this Report.
⁵ In the private equity sector, not only in Italy but globally, the presence of women is still very limited, mostly due to cultural reasons.
⁶ The perimeter considered in the calculation of the quantities associated with SDGs 12 and 13 includes Cedacri S.p.A., Kedrion S.p.A. and Lumson S.p.A.. Calculated according to the FSI "ownership" criterion (the absolute value has been weighed for the share of competence, meaning: current value of investment/investee company's enterprise value).

Key ESG Areas

In order to identify the key areas where it should direct its ESG strategy, FSI carried out a materiality analysis in line with the most rigorous national and international standards.

During the materiality analysis process, a stakeholder engagement activity was initiated involving FSI management, its subsidiaries and the main investors that gravitate around FSI. In particular, the “material” issues identified within the portfolio allow the investment companies’ sustainability performance to be more precisely defined, evaluated and monitored during the investment period. This allows FSI to collaborate with its portfolio companies in identifying strategies and projects to promote sustainable development in the thematic areas that are relevant to the individual companies, according to a continuous improvement approach.

Table 1 - Material topics identified as a result of the materiality analysis

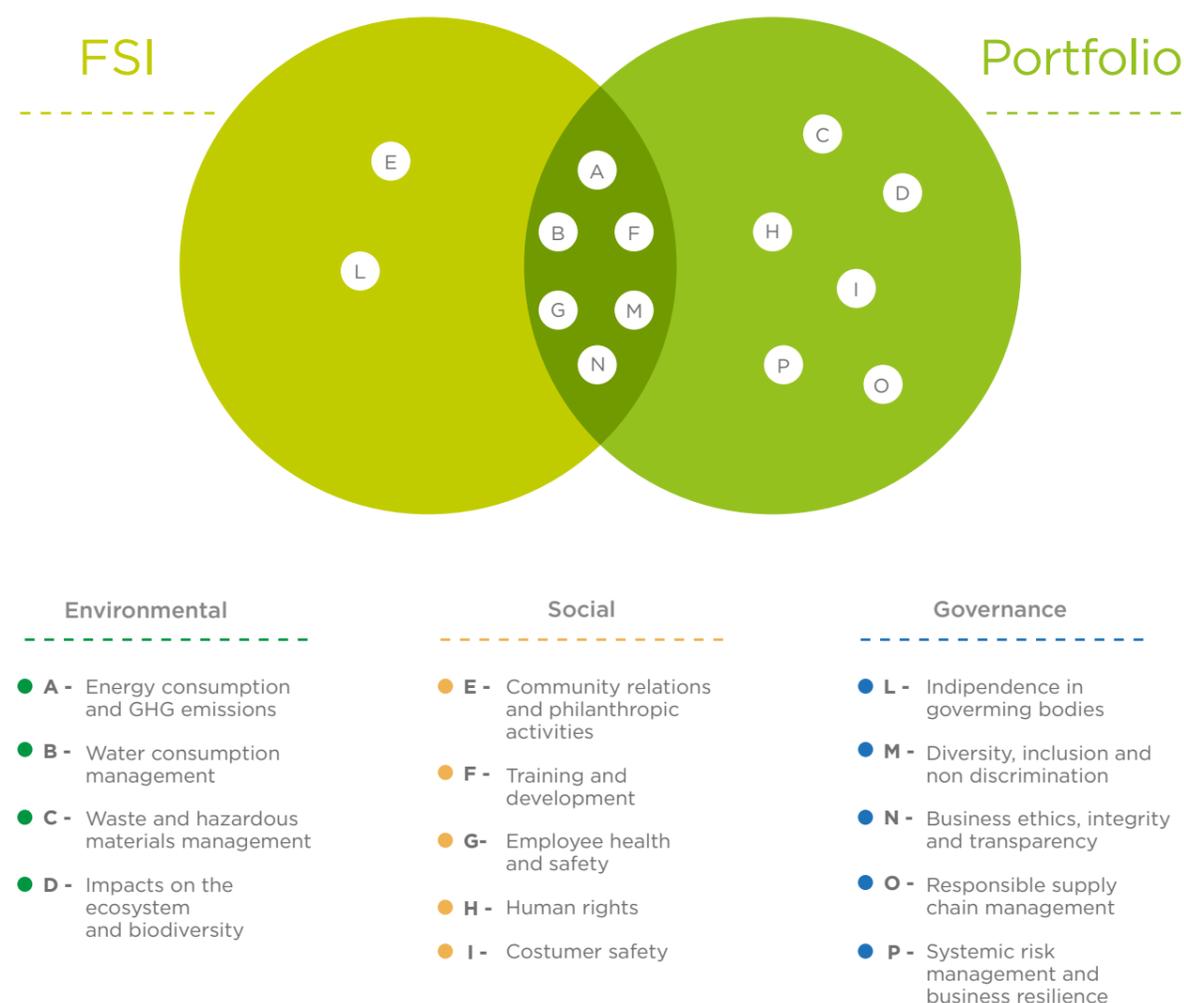


Table 1 summarizes the main material topics identified by stakeholders during the survey. They have been classified as either E (Environmental), S (Social) or G (Governance) areas, with those that are relevant to more than one category being placed in the middle column.

ESG Governance at FSI

FSI believes that maintaining a constant and open relationship with all stakeholders is both in its own interest and in line with market demands.

That means effective communication about management roles and activities with employees, other workers stakeholders, institutional investors and international organizations. Identification, prevention and management of sustainability risks, both internally and with respect to its portfolio, is fundamental for competing in FSI’s reference market according to the principles of good governance.

FSI’s sustainable corporate governance structure guarantees a continuous exchange of information relative to internal sustainability and the investment decision-making processes.

The ESG Committee plays a key role in managing FSI’s sustainability efforts. Composed of senior management, it is responsible for supporting the Board of Directors and the Chief Executive Officer in the areas of environment, social and governance, both within FSI and in relation to its portfolio. The Committee promotes specific projects, analyses progress and supervises reporting initiatives such as the Sustainability Report and the UN PRI Report.

Several functions support the sustainability governance structure, the main ones being the Investment Team and the Investment Committee, which are respectively responsible for implementing the responsible investment strategy and supervising the investment process in all its phases. These functions are supported by the International, Investor Relations and PR Department, the Risk Management Department, the Compliance and Anti-Money Laundering Department for the implementation of all activities to support the investment strategy. In particular, the Operational Support and Human Resources Department is involved in coordinating and developing the FSI’s sustainability initiatives.

The Board of Directors, which has both the ultimate strategic responsibility and monitoring duties, sets the company objectives and defines the FSI’s responsible investment policy and strategy.

60% of the Board members are between 35 and 50 years of age, an aspect that emphasises FSI’s commitment to ensuring age diversity

Generational membership is one of the key factors that differentiates the individual within an organisation and, more generally, within society. Table 1 in the Appendix section of this Report provides details on the composition of the highest governance body.



Simone Terenzi, Compliance & AML

Compliance and sustainability as concrete action

“Sustainability cannot be only a commitment on paper, but a transparent reporting to investors”

New regulations on sustainability related disclosures in the financial services sector represent a challenge for the entire private capital industry. Starting in March 2021, even general funds that don't specialise in sustainable investment will be required to report this information. But where there is challenge there is opportunity. At FSI, we are proud to use legal compliance as any another mechanism for making sustainability a concrete action that we can report to our investors.

In December 2019, the European Parliament adopted EU Regulation 2019/2088 requiring investment firms and financial advisors to disclose how sustainability risks are integrated in their decision-making or investment advising processes. Firms must

The committee supports the various company functions in promoting sustainability principles through the launch of various “ad hoc” projects, including annual reports. We started with a sustainability report in 2019 and have now moved to a full Impact Report that provides quantitative data. Having and sharing this data with our investors allows us to set increasingly ambitious targets.

Also, with respect to the management remuneration, FSI's reward system already incorporates parts of the ESG indicators, such as the promotion of specific ESG projects at portfolio companies. This will be further enhanced by the remuneration policy provisions in EU Regulation 2019/2088 requiring firms to include information on

ESG committee supports the various company functions in promoting sustainability principles through the launch of various ad hoc projects, including Impact reporting

also disclose how the main adverse risks are considered within investment decisions and how remuneration policies are consistent with integration of sustainability risks.

Thanks to these requirements, sustainability cannot be only a commitment on paper, but a concrete activity to report to investors.

Fortunately, this is a task to which FSI has already been committed for some time. The fund had already begun implementing these procedures before the European regulation was even adopted, and years before its first disclosure deadline. The firm released its first sustainability report in the autumn of 2019 and formed an ESG committee soon after.

how those policies are consistent with the integration of sustainability risks.

In any case, new European regulations will represent a great opportunity also for FSI to re-think and update its policy system in order to better address the sustainability goals indicated by EU Commission in light of the Paris Agreement of 2016.

Simply, at FSI, we have always been committed to providing our investors with a wealth of sustainability information even before the requirements were codified into law. Now, we are witnessing a revolution in sustainability reporting within the financial services industry. We're proud to be part of that revolution, as we stay on the cutting edge of financial impact disclosure.

Responsible management of operating activities

Ethics and business integrity

FSI's Corporate Governance is based on the core values of business ethics, integrity and transparency. All parties operating in the Company's interest are required to comply with its principles, as well as those laid out in internal and external regulations. Key values outlined in the company's Code of Ethics are staff professionalism, effectiveness and efficiency in decision-making and operations, independence, ethics in business transactions, and legality, honesty, impartiality, transparency and confidentiality, all signalling FSI's commitment to ethical and social responsibility.

The Code of Ethics is an integral part of the Organisational, Management and Control Model adopted by the Company pursuant to Legislative Decree 231/2001. The company's Supervisory Body ("Organismo di Vigilanza") is responsible for implementing the Model.

FSI created a Whistleblowing Guidelines document to regulate the response to reports of illegal conduct and to establish protective measures for those who report such misconduct

As part of FSI's broader goal of creating a company culture based on fairness and effective corporate governance, the Whistleblowing Guidelines contain general provisions adopted by the Company to guide Whistleblowing processes.

The Guidelines regulate the following:

- **Methods for reporting violations (including to the supervisory authority);**
- **FSI's management of such reports;**
- **Investigations and management of results;**
- **Protective measures for whistleblowers.**

Anti-corruption, anti-money laundering policy and absolute fairness are other core principles of FSI ESG policy.

FSI guarantees business ethics, transparency, integrity and anti-corruption measures through procedures that ensure strict compliance with regulatory requirements. To foster a culture of respect for these procedures, FSI's Head of Compliance and Anti-Money Laundering oversees the implementation of the provisions. FSI also provides specific anti-corruption training courses for all FSI staff and external consultants; in 2019, a total of 270 hours of training took place in this area.

People first

FSI's human capital is one of the Company's main assets; its 30 employees and 6 Industrial Partners are at the heart of its business strategy and are the focal point for achieving the Company's goals. FSI benefits from a flat organisational structure, which supports an open communication culture and direct feedback to senior managers is actively encouraged.

FSI's people-centred culture can be seen in the FSI Management's commitment to periodic assessments of performance and professional development for 100% of its employees

Monitoring team performance is an important part of the professional development process, helping both the Company and individual employee to steer their efforts in a common direction. FSI believes in the potential of its employees and seeks to facilitate their professional growth, promoting diversity and skills development.

At FSI, a workplace culture where employees feel comfortable and where standards comply with all current health and safety regulations is fundamental.

In 2019 there were no workplace accidents

The Company ensures full compliance with the provisions of Legislative Decree 81/2008 on health and safety in the workplace by holding periodic meetings and targeted training activities for all involved.

A healthy working environment and attention to safety conditions are just two of the factors contributing to FSI employee satisfaction. Human Resources and the relevant manager periodically solicit feedback from individual employees as part of the annual review process. Day to day, the company prioritizes direct dialogue to facilitate reciprocal and constructive exchange.

Diversity and people development

FSI believes in diversity as a crucial component of its human capital development. This is clear in the company's adoption of anti-discrimination and diversity-promoting policies, formalised in the Code of Ethics and in specific guidelines addressing the prevention of discriminatory behaviours and harassment. Both policies serve as key references for any issue within FSI.

Although no specific diversity objectives have been laid out, FSI's clearly defined procedures to ensure strict adherence to regulatory requirements. The Head of Compliance and Anti-Money Laundering is in charge of monitoring companies attention and compliance with such regulations.

Embracing diversity as a guiding principle is in FSI's nature. Respect for diversity is guaranteed by valuing individuals' specific characteristics in their day-to-day tasks and performance

Training plays a key role in FSI's professional development plan for human capital. Key training goals are defined during the annual performance review and are supervised by Human Resources.

During 2019, training related to anti-corruption, sustainability, and managerial and technical skill development totalled about 810 hours, corresponding to 27 average hours per employee⁷.

In 2019, FSI organised a sustainability training course for all staff called "The role of investor private equity in social impact"

The courses carried out a qualitative-quantitative evaluation in the short-, medium- and long-term of the effects of FSI's activities on its community, aiming to enhance their overall positive impact. Courses to keep up-to-date on MIFID II also dealt with sustainability issues related to the new European Union regulations on sustainable finance.

⁷The number of hours of training divided by gender and professional level of the workforce can be found in Table 5 in the Appendix.





Monica Onofri, Human Resources

A creative approach to investing in people and community

When FSI moved into its environmentally top-rated office building in the heart of Milan in December 2017, we noticed that the flowerbed in front of the office was in a state of complete disrepair.

Convinced that the space had the potential to offer a green area amidst the traffic and cobblestones, FSI approached the City of Milan and asked for permission to redesign the space and install

new greenery. FSI offered to invest money in the requalification and of the space creating a cleaner and beauty space to enhance the presentation of FSI headquarter and of the city. The Municipality of Milan agreed, leading to a public-private partnership.

This is the type of creative thinking that we deem essential to invest in our people and the community.

For example, we believe the digital revolution could reduce global emissions as well as spur action to stabilise global temperatures in line with the Paris Agreement. To reduce the use of paper, we didn't just require employees to print double sides, we also invested in smart-reader tablets with writing capabilities so that documents could be reviewed and revised by hand, eliminating the need to print. Considering the huge number of doc-

Together with the European House Ambrosetti "Future Leader Programme," FSI also organised two tours in 2019 focused on innovation, science and technology, in South Korea and in Israel. In South Korea was attended by two FSI Investment Managers, who had the opportunity to visit and learn about Korean excellence in the fields of robotics, automation, biotech and electronics. Furthermore, in April 2019,

Our Global Recruitment and Selection policy sets out a fair, open, consistent and effective process to attract talents who will help maximize contribution to the business

uments we work with on a daily basis, technology saves a tremendous amount of paper. Similarly, to reduce plastic waste, we installed fountains for refilling water bottles and eliminated single use plastic - including espresso cups - by adopting biodegradable food containers for the cafeteria. We also provided all employees with a refillable "Clima Bottle" supporting WAMI project.

We take a similarly ambitious approach to employee training and reward systems. We provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of nurturing the wellbeing and satisfaction of our employees by providing a supportive working environment and a healthy work/life balance.

For example, in 2019 FSI, supported by Hecht Harrison Consulting, developed a one-to-one executive coaching program to help four partners to develop their leadership and people management skills as they advance in their careers.

The program lasted for six months and used the diagnostic LEA (leadership effectiveness analysis) and the 360° tools. The program results and action plan were shared with the CEO and used to set specific objectives for 2020.

FSI organised a trip to Israel open to all employees and portfolio companies' top management and heads of R&D to experience innovation and technology accelerators. With the help of INLight, a Technology Observatory based in Tel Aviv, we organised five one-to-one meeting with start-ups of the same sector. The initiative paid off in concrete ways, generating new ideas and partnerships.

Our Global Recruitment and Selection policy sets out a fair, open, consistent and effective process to attract and select high calibrate candidates who will maximize contribution to the business. FSI recruits a small number of people every year. The number of new recruits varies from year to year and our employee turnover rate is low. As a result, it is not practically possible for us to implement meaningful initiatives such as recruitment targets per age group, gender and ethnicity.

Finally, despite its importance, progress on gender equality is slower than we would like. FSI's Board and Top Management have emphasised the importance of creating an inclusive culture and are committed to future initiatives that will increase women's representation in senior management.

FSI and the community: creating shared value

Community relations are a focal point of FSI's strategy, which has always been committed to creating value through philanthropy and the responsible growth of its subsidiaries. For FSI, maintaining a constant and constructive dialogue with the communities in which it operates, either directly or indirectly through its portfolio, is a priority. FSI takes supporting community needs seriously, investing in the quality of its relationships and the added value they generate.

Over the years, FSI has established a strong connection with its territory, paying attention to its specific needs and establishing paths for development and mutual growth. FSI's donations and sponsorships have helped to build and solidify its community relationships, crossing over into support for entrepreneurship and development of professional skills.



• Supporting communities

FSI's commitment to community can be seen in its willingness to make concrete contributions to the people it works with every day.

FSI, together with Comune di Milano, was the main sponsor of "In piedi per tutte", a fundraising event for projects supporting women and orphans of femicide, organised by the association Feminin Pluriel Italia (FPI) in Milan.

In terms of community involvement abroad, FSI has contributed to different projects launched by the Francesca Rava Foundation - NPH Italia Onlus. The first, "Solidarity Gifts," coincided with Easter 2019; its proceeds went toward the "Street Schools in Haiti" initiative to promote educational access for children in Haiti.

FSI also supported the Festival Internazionale delle Abilità Differenti (International Festival of Diverse Skills), organised by the Italian Embassy in Baku, Azerbaijan, to promote the inherent values of people with physical or mental limitations. In this path, FSI was a sponsor of the solidarity dinner "Women for Haiti," held on 21 March 2019 in Milan to support the diagnosis, treatment and prevention of breast cancer in Haiti.

Of particular note in 2019 initiatives: the so-called Mongol Rally, a non-competitive humanitarian event.

• Promoting entrepreneurship

As further evidence of FSI's attention to these issues, FSI participated as a Competence Partner in organising the Italian Association of Family Business (AidAF), Corriere della Sera and Bocconi "Family Business Festival", a family business workshop held in Brescia on April 4 to 6, 2019.

The event was a sort of "temperature check" for the state of family businesses, which contribute to more than a quarter of Italian GDP and more than half of the GDP generated by businesses.

FSI was again awarded the role of Competence Partner for the planning stages of the National Conference of Family Businesses 2019, organised by AidAF, and held from 3 October 2019, through 5 October 2019, in Monopoli, Puglia. Its aim was to promote business growth and an economic culture based on the ethical values that helped birth many Italian businesses.

• Promoting education

FSI's contributions to the local community also include some sponsorships. In Milano, for example, FSI awarded educational training scholarships to two Bocconi University students.

This sponsorship is part of the University-organised fundraising effort called "A Possible Challenge," aimed to financing youth education and thereby fostering the development of human capital.

Mongol rally

FSI was a sponsor of the **Mongol Rally**, a non-competitive, humanitarian rally whose proceeds go to charities operating in the countries that the race route crosses. **Sponsorships by FSI and other external partners** allowed race participants (some of them for the FSI team) to raise funds to invest in charity projects.



FSI Portfolio Technology Trip

Given the importance of creating trust-based relationships and increasing high tech competitiveness of FSI portfolio companies, **FSI organized a technology trip to explore Israel's** finest and meet with startups. Bringing together FSI's management and its portfolio companies, the trip allowed all participants to learn about Israeli best practices with their similar business model. The trip was an **excellent opportunity** to explore ideas for business development and collaboration.





Environmental responsibility

Given the nature of FSI as a Fund manager, its direct environmental impact is mostly related to its office operations, making its footprint less substantial than that of many other sectors. However, FSI is still committed to minimising its environmental impact and improving its performance in terms of resource consumption.

FSI's activities that generate a tangible environmental impact, included within the material issues identified by the Company, are linked to energy consumption, CO₂ emissions and water resource management.

FSI's total annual energy consumption is approximately 738 GJ, mainly due to diesel and gasoline consumption for the company's fleet and the use of electricity from non-renewable sources, resulting in a relatively low impact in terms of associated CO₂ emissions, equal to approximately 58 tonnes of CO₂e.

FSI's commitment to reducing energy consumption and, consequently, Greenhouse Gas (GHG) emissions is clear from its monitoring of daily office operations and its attention to energy efficiency at its headquarters

At the fund's headquarters, energy consumption is reduced with energy-saving LED lighting in all offices, along with motion detectors that help minimise even the smallest usages.

FSI also benefits from its strict "Travel and Transfers" and "Corporate Car Assignment" operational policies, which encourage employees to think sustainably when choosing their company travel methods, and which include hybrid vehicles in the company fleet to help reduce emissions.

Regarding management of water resources, FSI assesses this issue as material. Here again, most consumption is for hygienic-sanitary purposes. In 2019, the Company consumed a total of 57,695 m³ of water.

738_{GJ}
energy consumption

58_{tonnes}
of CO₂e

57,695_{m³} of water

Responsible management of investment activities

Responsible investment strategy

As a Fund manager, FSI has the opportunity to further contribute to sustainable development through responsible management of its investment portfolio. FSI aims to offer its investors responsible investment strategies for the medium-long term, integrating financial reports with environmental, social and governance analysis.

FSI manages investments rigorously. This can be seen in its definition of responsible investment strategy laid out in the “ESG Guidelines.” It addresses roles, responsibilities and integration of ESG factors in each investment phase.



Pre-investment phase

Exclusion of controversial sectors and activities, and evaluations dedicated to relevant ESG parameters

Integration of results of ESG evaluations carried out within the decision-making process based on material topics of the portfolio



Post-investment phase

Engagement activities with portfolio companies to adopt policies and strategies on relevant/critical ESG topics

Monitoring portfolio performance and ESG impacts and related reporting activities



Investment exit phase

Estimation of the socio-economic impact generated up to the time of exit and analysis of future ESG strategies

The impacts generated by FSI investments

Monitoring the impact and management methods adopted by the portfolio companies is a crucial phase of the investment process that allows FSI to periodically understand and update the risk/opportunity profile of the portfolio.

Accordingly, FSI provides portfolio companies not only with financial support, but also with guidance for correctly monitoring sustainability impact, where needed. For this reason, FSI has adopted a model for measuring both the impact of invested companies and companies' portfolio as a whole.

FSI monitors, through specific indicators, the significant ESG performance of both the individual investee companies and the portfolio as a whole

The monitoring carried out allows for a fruitful dialogue with the portfolio companies' management teams, helping them to undertake or continue along a path of sustainability. Where necessary, it also facilitates the implementation of corrective mechanisms for the adopted investment policy and portfolio management as a whole.

FSI measures and analyses the value generated by its investment activity, both financially and non-financially.

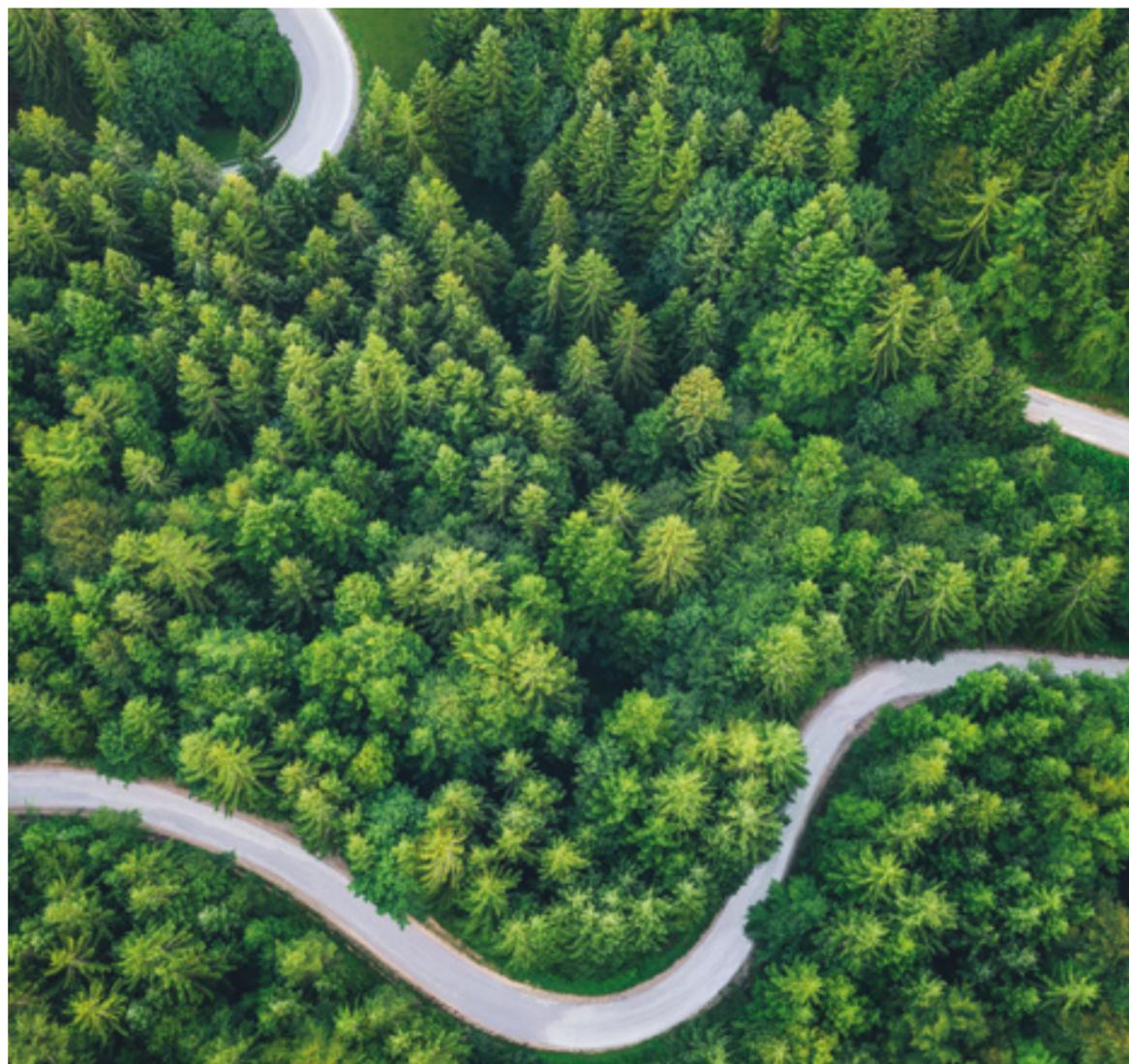
FSI developed a dashboard using the reference indications currently available in the legislation under development in Europe and according to the key accredited frameworks for measuring ESG impacts

For what concerns the socio-economic impacts, in order to provide a complete representation of how FSI, through its business model and the investments in its portfolio, creates shared value for the country, FSI has defined a model that estimates the overall socio-economic impacts generated on the territory. In particular, the model estimates the impacts on the country system in terms of contribution to the Added Value created (Gross

Domestic Product) in Italy, to employment and to the income distributed to households through wages and salaries. The described impacts attributable to FSI can be quantified on the basis of the "ownership" criterion, so that values have been added in proportion to the share of FSI in each of the companies in the portfolio. In this regard, these impacts concern the entire value chain of the investee companies and are the result of:

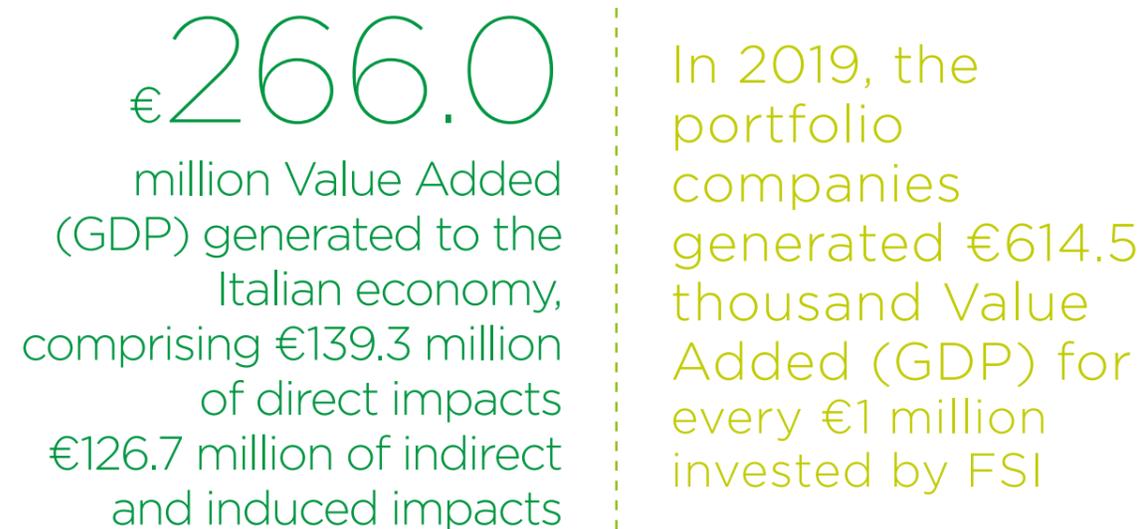
- **Direct impacts:** impacts generated as a result of the exercise of economic activities by the companies in which FSI invests;
- **Indirect impacts:** impacts generated by local suppliers of investee companies;
- **Induced impacts:** impacts generated by consumption expenditure by workers employed in the chain of investee companies.

The three impact categories confirm that FSI is able to generate wealth and employment, not only through its business activity, but also through investment in companies which have an impact on their value chains. This generates value and positive externalities through the involvement of local supply chain operations.



Economic impacts

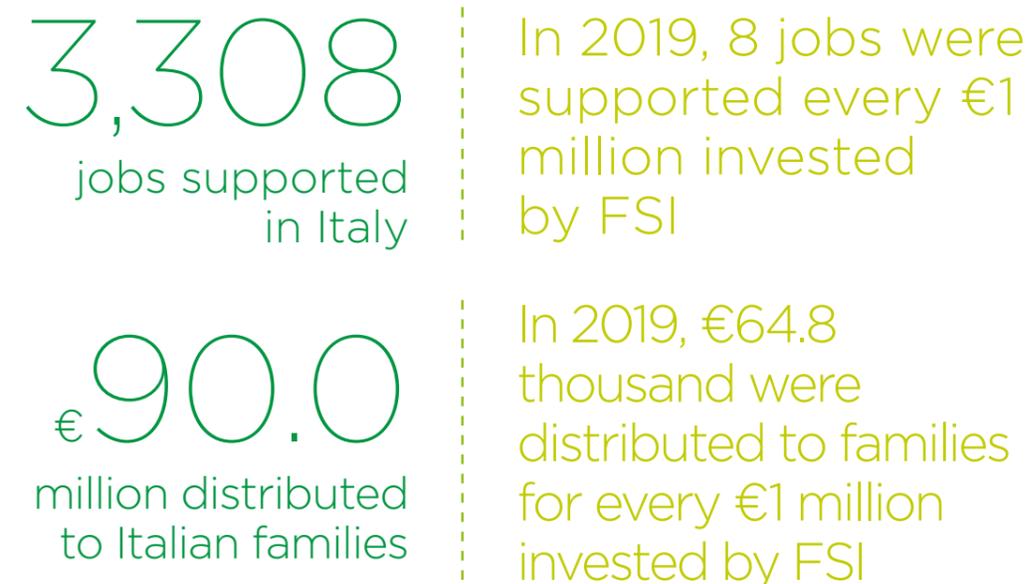
Among the main impacts generated by FSI are undoubtedly the economic impacts generated on the country system, more specifically on the Added Value (GDP) created in Italy. During 2019, the economic activities of the companies in the portfolio⁸ generated direct, indirect and induced impacts on the national economy that can be estimated for a total of 266.0 million euros in Value Added (GDP) created⁹.



Social impacts

In addition to the economic impacts, through its investment activity FSI has also generated direct, indirect and induced impacts on employment. In 2019, every 1 million euros invested by FSI led to the employment of 8 people within the Italian economy; this impact considers the employees of the investee companies⁸ and their respective supply chains.

At the same time, workforce employment translates into income distribution for both workers and their families. In 2019, this value was estimated for a total of 90.0 million euros distributed to families.



⁸The data for the Adler Pelzer Group used in the calculation of impacts were obtained from external public sources and relate to the year 2018.

⁹The calculation was made considering the value of Italian GDP at market prices updated to September 2020 (source: ISTAT, National Economic Accounts: Gross Domestic Product and General Government Net Debt).



Roberto Pilotto, IR, International Partner

Dialogue with Investors and stakeholders

At FSI we partner with stakeholders to jointly develop a growth strategy, which creates value for both sides, while contributing to sustainable and inclusive progress

During the course of my career, before joining FSI, I have been exposed extensively to the private equity global and emerging markets industry especially as a limited partner, monitoring closely the financial performance of many different

regional and local private equity funds, and their investments. Such a special perspective has allowed me to closely observe the effects and potential of the private equity activities from a wider point of view, and develop a sincere

sensitivity for the values of sustainability and inclusiveness that are so strongly at the roots of the FSI team.

At FSI we have the ambition to become a consistent and reputed world-class

From a wider stakeholder point of view, conscious of our responsibility as the largest Italian equity house with international reputation, we are aware that we can contribute to our stakeholders' environmental footprint and

With all our investors we share the determination to progressively drive ESG factors into all aspects of the private equity sphere

manager, with a strong focus on being able at the same time to deliver the returns that our investors expect, as well as to uphold the highest standards of ESG and sustainability in our activities, and to promote them in all activities and communications with portfolio companies and investors.

From the point of view of the dialogue with our investors - whose trust and backing of our Fund is key to our existence - we are totally focused on our fiduciary duty of developing a transparent and honest reporting and communication flow, and to share with them actively the progress of our investments and activities. From this point of view, we are dedicated in supporting consistent and detailed information to our Limited Partners, as we do through our quarterly reports, Investors' Day, Advisory Board sessions and periodical meetings. But we are and always will be also very alert to develop dialogue and exchanges in special moments of the life of the fund, as we have been doing recently during the peak of the tragic Covid-19 pandemic crisis. During the lockdown period in the first half of 2020, we actively produced special reports and one-to-one meetings with each of our investors to keep them abreast with the effects on FSI activities and portfolio of that unfortunate event.

social culture by supporting portfolio companies to develop their sustainability credentials.

Close communication and close dialogue with all parties of the private equity vertical allows us to properly understand stakeholders needs, anticipate global trends or regulations that may impact our business or portfolio, and focus on minimizing risks, identifying business opportunities at an early stage and sharing information on sustainability priorities and performance. This is something that comes very high on our agenda.

Investors by number

Investor breakdown by geography



68% Italy
32% Foreign Countries

Investor breakdown by asset class



9% International institutional investors
14% Family offices
18% Insurance companies
27% Banks
14% SWFs
18% Italian institutional investors

Investors by capital commitments

Investor breakdown by geography



71% Italy
29% Foreign Countries

Investor breakdown by asset class



8% International institutional investors
2% Family offices
23% Insurance companies
12% Banks
16% SWFs
39% Italian institutional investors

Communications with stakeholder



Quarterly reports Investors receive performance and investments updates every quarter;



Investment memos Investors receive a detailed communication for every Fund investment and portfolio companies' follow-up investments;



Advisory Boards FSI advisory board meets at least twice a year;



Investor Day Annual general meeting to update investors on FSI and portfolio activities and performance;



Investors meetings Fund Manager's team regularly holds dedicated calls/ meetings with each investor;



Perspective sharing Senior Executives regularly participate as speakers and panellists at Italian and international PE conferences and events;



Business trip and events with portfolio companies The Team organizes 1-2 events with FSI portfolio companies every year with a focus on specific topics;



Roadshows The Team organizes one-to-one meetings with key investors, which include visits to the portfolio companies' offices and plants;



Relationships The Team develops relationship with other investors, placement agents and fund managers to generate intelligence on FSI and its investment formula, in order to develop possible interests in future investments/business opportunities.

PARTNERING TO SHARE VALUE

INVESTING TO TRANSFORM COMPANIES AND MARKETS

Letter from Vittorio Previtoli, Giacomo Tofani e Marco Valcamonica

THE FSI CONTRIBUTION TO THE 2030 AGENDA





----- Vittorio Previtali

----- Giacomo Tofani

----- Marco Valcamonica

Investing to transform companies and markets

“At Missoni, the company intensified its efforts to use recycled materials from past collections to create its newest and is focusing in finding environmentally certified suppliers”

Giacomo Tofani

FSI Investment Partners and Principals work on investment documents, make recommendations and negotiate transactions with target companies. They

also sit on the boards of the Fund's portfolio companies to actively manage the investments, taking a role in guiding sustainable development. At FSI, we in-

vest not only to develop our portfolio companies, but the markets in which they operate.

In 2019, our portfolio companies made giant leaps in achieving their sustainability targets.

“At Missoni, the company intensified its efforts to use recycled materials from past collections to create its newest and is focusing in finding environmentally certified

And finally, “Lumson won a major research grant from the region of Lombardy that will allow it to team up with Milan's Politecnico University to develop eco-friendly packaging solutions,” explained Vittorio Previtali.

FSI is an active partner that promotes and supports these initiatives. We request detailed reporting from our portfolio companies and work together to

“Cedacri continued to implement a series of cutting-edge governance policies and is a people-driven business” **Marco Valcamonica**

suppliers,” and Kedrion continued its strict supply chain control and state-of-the-art plasma collection standards, Giacomo Tofani said.

Adler further strengthened its competitive positioning in the electric car sector, where it was already a major player supplying insulation equipment to reduce heat and noise, he added.

Cedacri continued to implement a series of cutting-edge governance policies. “Cedacri is a people-driven business, so the company invests a lot in that,” Marco Valcamonica said.

The portfolio companies also invested heavily in R&D as part of a strategy of viewing sustainability as pillar for creating value.

draft and implement rigorous internal ESG policies. We meet with the portfolio company CEOs and CFOs to engage directly on these issues and, where necessary, help them identify high-level figures who can take on these responsibilities within the company. We provide guidance on issuing reports, and we support efforts and initiatives to improve areas where certain social and governance goals still fall short, such as gender diversity within the financial sector.

Our portfolio companies are chosen in part for their willingness to embrace sustainability principles and do the in-depth work necessary to bring them to life. Like FSI, they know that customers and markets reward companies that achieve concrete results in ESG, and they are enthusiastic about the path to sustainable growth.

“Lumson won a major research grant from the region of Lombardy that will allow it to team up with Milan's Politecnico University to develop eco-friendly packaging solutions” **Vittorio Previtali**

The FSI contribution to the 2030 Agenda

ESG performance of FSI portfolio

Policies and procedures adopted



100%

adopts a Code of Ethics

100%

adopts an Organisational, Management and Control Model

80%

defines ESG responsibilities at Board level



Environmental¹⁰



Cedacri S.p.A., Kedrion S.p.A. and Lumson S.p.A. also use energy from renewable sources

-2.2 tCO₂e

of emissions vs 2018 per million € invested, equal (in absolute value) to GHG emissions generated by more than 1,000 driven small cars for one year

-44.0 kg

of waste produced vs 2018, per million € invested, the equivalent (in absolute value) of the weight of about 12 small cars



Social (illustrated impact on Italy only)

266.0 ml€

of GDP generated, more than 15% of Siena's GDP in 2019¹¹

64.8 k€

of income from work distributed to families per million € invested

8 people

occupied per million € invested



Governance¹²

75%

has female managers

0%

experiences incidents of corruption

50%

appoints women in the board of directors



¹⁰The perimeter considered in the calculation of the quantities associated with the "Environmental Scope" dimension includes Cedacri S.p.A., Kedrion S.p.A. and Lumson S.p.A.. Calculated according to the FSI "ownership" criterion (the absolute value has been weighed for the share of competence, meaning: current value of investment/investee company's enterprise value).

¹¹Sources: Istat, National Accounts: Territorial Economic Accounts and Aggregates; Istat, Demography in Figures.

¹²The perimeter considered in the calculation of the quantities associated with the "Scope of governance" dimension includes Cedacri S.p.A., Kedrion S.p.A., Lumson S.p.A. and Missoni S.p.A..

BUILDING THE FUTURE OF SUSTAINABILITY ON SOLID FUNDAMENTALS

CEDACRI GROUP

EMBRACING SUSTAINABILITY

Letter from Corrado Sciolla (CEO of Cedacri)

ADLER PELZER GROUP

INNOVATION ABOVE ALL

Letter from Paolo Scudieri (Chairman of Adler)

MISSONI

LUMSON

KEDRION



Cedacri Group

SECTOR

Computer programming
consultancy and related
activities; information service

INVESTMENT DATE

December
2017

FUND

FSI I

COUNTRIES OF OPERATION



GROUP TURNOVER IN 2019

383m€

EMPLOYEES

2,400



Cedacri S.p.A. is the most important Italian company specialised in IT software and services for the banking sector. Although its operations do not generate a significant environmental impact, Cedacri is committed to reducing its carbon footprint through a series of projects that comprise the "Cedacri Green Up" business plan.

Key initiatives include more efficient waste management systems, and use of the JoJob platform to encourage carpooling and "Bike to Work" practices. Thanks to these initiatives, in 2019, Cedacri employees saved 1,340 kg of CO₂ by cycling or walking 10,330 km distance comparable to about nine round trips from Milan to Rome by train or car.

The company's main energy consumption is electricity used to power Cedacri's Data Centres, offices and other technological infrastructures (81.2% of energy consumption), while the consumption of

Thanks to car pooling and "Bike to Work", Cedracri employees saved

€1,340 kg of CO₂ by cycling or walking 10,330 km

natural gas for office air conditioning and the consumption of other fossil fuels make up for the remainder (18.8% of consumption). Cedacri S.p.A. also uses energy from renewable sources, attributable to the installation of photovoltaic panels.

The company, which favours electric and low-emissions vehicles for the company fleet, also encourages the use of public transportation by reimbursing employees for 25% of the cost of subscriptions. These initiatives have enabled Cedacri to record an overall reduction in CO₂ emissions of 2% compared to 2018, with Scope 1 and 2 emissions totalling 8,293 tCO₂e.

Cedacri encourages more efficient waste management by coordinating with suppliers and adopting efforts to reduce single-use plastic. In 2019, the company was able to reduce waste production by 50% compared to 2018, and generated 18 kg of hazardous waste - a substantial decrease compared to 2018 (2.9 tons).

Cedacri's sector does not pose a high risk of accidents and injuries at work; however, the company constantly monitors employee safety and maps the main associated risks. It also offers numerous training, information and communications initiatives.

Cedacri has entered into a

100% certified renewable energy supply contract, valid from January 2020



in
2019
Cedacri provided
on average

27 hours
of training
per employee

In addition to health, Cedacri emphasises the importance of developing its human capital through training and employee involvement. Thanks to the Cedacri Academy, the company implements customised training plans aimed to meet employee needs; the main training areas include managerial, behavioural, technical-application, certifications and workplace safety.

With regard to employee engagement, the company promotes internal communication, both vertical and horizontal, through surveys and climate analysis, the group company portal, an internal newsletter, periodic meetings with top management, and the direct involvement of employees through listening, dialogue and participation in various work and external initiatives, such as corporate volunteering and team-building initiatives.

In accordance with the International Labour Organization (I.L.O.) provisions, Cedacri does not work with suppliers who employ child labour; in 2019, the company purchased a portal for managing the supplier register that provides for qualification questionnaires based on ESG factors.

Also, in terms of human rights, managing and valorising diversity is an essential part of Cedacri's corporate wellness and welfare policy. Through initiatives such as Gender Equality, Work/Life Balance, and People Inclusion, Cedacri offers corporate welfare packages,

flexible on-site hours, remote working, and inclusive athletic activities, even for employees with disabilities.

The internal group that oversees the evaluation and management of risks due to corruption is the Supervisory Body required by the Organisational and Control Model, pursuant to Legislative Decree 231/2001. In 2019, no incidents of corruption, conflicts of interest, unfair competition or non-compliance with social and economic laws occurred.

Cedacri's
**Code
of
Ethics**

states that any kind
of harassment or
unwanted behaviour
based on qualities such
as race or nationality,
gender, political or
religious beliefs,
sexual orientation,
ethnic or social origins
or other personal
characteristics
is absolutely
unacceptable





The Green Up project

“Cedacri towards Plastic Free”:

this is the payoff of the all green initiative created by Cedacri to improve its environmental performance and reduce its impact on the environment. The Action Plan outlined by the initiative is divided into three areas, within which specific actions are defined

Reduction of plastic consumption: Cedacri pursues the objective of reducing the consumption of materials within its offices, with particular reference to the consumption of plastic. Among the main initiatives undertaken are the installation of water dispensers in the Group’s offices, the supply of steel water bottles to all employees who adhere to the WAMI project, the purchase of glasses and pallets in organic-compostable material and the replacement of plastic bottles with aluminium cans.

Activate and strengthen separate collection: Cedacri promotes recycling within its offices. The Company encourages separate waste collection within its own offices and is committed to extending it to all its premises.

Other actions of Vending Green: Cedacri promotes the inclusion of organic drinks in 50% of dispensing machines and the creation of information documents on the Cedacri Green Up project.

Table 2 – ESG performance of the investee company

| KPI | u.o.m. | 2019 | 2018 |
|---|--------------------------|----------|-----------|
| Policies and procedures adopted | | | |
| Adoption of a Code of Ethics | Yes/No | Yes | Yes |
| Adoption of an Organisational, Management and Control Model | Yes/No | Yes | Yes |
| Environmental certification | Yes/No | No | No |
| Assignment of responsibility for ESG topic to the Board of Directors / Senior Management | Yes/No | Yes | Yes |
| Environmental | | | |
| Total energy consumption | GJ | 99,176.0 | 101,229.9 |
| Total direct and indirect emissions (Scope1 and 2) | tCO ₂ e | 8,296.3 | 8,453.0 |
| Water withdrawals | m ³ | 11,424.0 | 14,288.0 |
| Waste production | t | 19.3 | 38.7 |
| | <i>of which recycled</i> | % | 88% |
| | | | 94% |
| Social | | | |
| Injury frequency rate for employees ((Injury arising out of, or in the course of, work/Number of hours worked) * 200,000) | | 1.3 | 1.1 |
| Voluntary employee turnover rate (Number of employees who voluntarily left the company/Number of employees at year end) | % | 1.3% | 3.5% |
| Employees involved in satisfaction surveys (employees' engagement) | % | 26% | 0% |
| Average hours of training per employee | % | 27 | 41 |
| Employees receiving a performance evaluation | % | 98% | 97% |
| Female employees | % | 34% | 34% |
| Employees hired on permanent contract | % | 100% | 100% |
| Governance | | | |
| Employees who have received an anti-corruption training | % | 75% | 0% |
| Confirmed incidents of corruption | N. | 0 | 0 |
| Members of the Board of Directors aged between 30 and 50 years old | % | 36% | 36% |
| Female managers | % | 22% | 29% |



Corrado Sciolla, Cedacri's CEO

Embracing sustainability

Sustainability means looking at the company's needs without compromising the environment and the future generations needs

For Cedacri CEO Corrado Sciolla, defining sustainability is simple: it's meeting the current needs of the company without compromising the needs of future generations. In other words, it means looking at how every decision will impact costs in the long term, and being responsible with human, financial and natural capital.

Mr. Sciolla knows from decades of first-hand experience in the IT field that this type of commitment ensures competitive success despite an uncertain future. It's also paying off in the present as policies that started out as employee perks - such as flexible working arrangements - have

suddenly become indispensable as a consequence of Covid-19.

At Cedacri, a 16-person sustainability committee - headed by the company's Head of Mergers and Acquisitions, who oversees ESG - meets every quarter to define targets and monitor their implementation. In 2019, the committee took a remarkable step for a fintech company: it developed a sustainability strategy based on the UN Sustainable Development Goals.

The committee analysed the SDGs in the context of Cedacri's business operations and identified the 10 most relevant goals.

It then designed 15 concrete initiatives to drive personal and professional growth, reduce waste and make the company's consumption more sustainable. For his part, Mr. Sciolla personally helps the committee set targets, and he seeks out partners and central suppliers that share Cedacri's commitment to reducing energy use and waste.

As a technological services provider, energy use and employee development are especially crucial to the company's sustainable growth.

At Cedacri, the numbers speak for themselves. In terms of human capital, from 2016 to 2019, Cedacri invested almost 1.3 million euros in professional development and training. The company has also allowed employees to work remotely part-

and has completely eliminated plastic bottles from its sites in Collecchio and Castellazzo Bormida.

The benefits are both long-term and immediate, Mr. Sciolla said. They improve the corporate work environment, which in turn increases employee satisfaction, reducing turnover and the associated costs. Reducing energy use and switching to renewable electricity sources have lowered the company's exposure to changes in the fossil fuel price. Such efforts have improved relationships between the business and its local communities.

"As next up, we want to improve sustainability within Cedacri's supply chain" Mr. Sciolla commented. "In the meantime, the company is holding a se-

At Cedracri we have identified the 10 most relevant SDGs and we have designed 15 concrete initiatives to drive personal and professional growth, reduce waste and make the company's consumption more sustainable

time since 2016. In 2019, it increased the option to two days per week to help parents achieve autonomy and flexibility. As a result, when the Covid-19 pandemic hit in early 2020, the company was ready to implement broad remote working plans while maintaining full productivity.

In the environmental sphere, Cedacri has reduced its energy use by 12% since 2016, and has provided financial incentives for car-pooling and public transit use. It has installed electric vehicle chargers in its parking lots, and in 2020, it switched to 100% renewable energy sources for its electricity supply. The company has also reduced its water use by 20% since 2018,

ries of meetings with managers across the company's various departments to strengthen its corporate sustainability culture and continue to reduce energy consumption. Cedacri also wants to invest more in charging stations for electric vehicles, and is launching programs to reduce its water use even further".

FSI and the company are confident that by continuing to invest in sustainable growth, it won't just weather possible global financial storms - it will thrive no matter what the future brings.

Adler Pelzer Group

SECTOR

Design and manufacturing of components for the automotive industry

INVESTMENT DATE

April
2018

FUND

FSI I

COUNTRIES OF OPERATION



Witten (Germany) and Naples (Italy), in addition to 70 plants, 9 Research & Development centres

TURNOVER IN 2019

1.4bl€

EMPLOYEES

11,000

Adler Pelzer Group



The Adler Pelzer Group is a worldwide leader in the design and manufacturing of thermal and acoustic insulation components for the automotive industry, supplying the world's leading OEMs at an international level. Founded in 1956 by Achille Scudieri, Adler has become a multinational group with headquarters in Witten (Germany) and Naples (Italy), in addition to 70 plants, 9 Research & Development centres and almost 11,000 employees in 21 countries worldwide. The company has been pursuing a strategy aimed at reducing environmental impact for a long time, offering integrated and innovative solutions and working in partnership with customers to offer them solutions that have the lowest possible impact on the environment and on our planet's resources.

For instance, Adler was included among the companies given the "Supplier of the Year 2017" award by General Motors, a recognition that the automotive

more than
11,000
 employees in
21
 countries worldwide

brand assigns to suppliers capable of exceeding expectations, creating value and introducing important innovations.

Technological evolution in vehicle user experience and a strong interest in alternative fuel vehicles are providing the Automotive sector with a strong drive for innovation. Some of the most relevant trends include the development of hybrid and electric vehicles, the distribution of technologies for advanced active safety and for driverless cars, new standards regarding the quietness of vehicles and resistance to high temperatures, and the spread of vehicle sharing. In particular, the development of hybrid and electric vehicles entails higher expectations of quietness and comfort compared to traditional vehicles, for which the group's acoustic and thermal insulation solutions provide a key contribution. Adler is at the forefront of developing innovative and cutting-edge solutions for electric cars and has a strong competitive position. Adler EVO - the new line of specific solutions for electric cars - is used in the main development programs for new full electric and plug-in models at the most innovative OEMs in Europe, Asia and America, including Tesla.

Adler EVO
 is the new line of
 specific solutions for
**electric
 cars**

With almost 11,000 employees in 21 countries worldwide, Adler is a global "family" company.

The strong focus on innovation positions the company as a perfect path for those talents wishing to help envisioning the future while building their career development. Entrepreneurial spirit is present throughout the company as a distinctive value.





Adler develops programs for young graduates that aim at enhancing knowledge and skills, through job rotations in different regions worldwide and in diversified roles.

The Adler Pelzer Group's Corporate Social Responsibility policies have been developed according to the following guidelines, in accordance with the "people first" principle:

- People at work – goal: improve safety conditions and completely avoid accidents at work;
- Working with other people – goal: Code of Ethics and stakeholder Code of Conduct with the following aims:
 - Manage areas with potential high ethics risk;
 - Develop employee guidelines to identify and address ethical matters;
 - Maintain a culture of integrity, honesty, and responsibility within the Company;
- People development – goal: community economic development;
- People environment – goal: develop processes and solutions that allow the use of zero-impact materials, the reduction of energy consumption, waste minimization and the achievement of a sustainable recycling process;
- People future – goal: compliance and anticipation of laws and regulations or customer requirements.

Adler Pelzer Group works to achieve a positive impact within local communities and to contribute to a better society in which social and business issues are integrated. Adler Pelzer Group focuses on its day by day activity on developing processes and solutions that encourage the use of zero-impact materials, thus reducing energy consumption, minimizing waste and improving recycling standards.

The Group's Research & Development department has developed a variety of innovative new recycling initiatives to establish a closed-loop recycling system across the business. For example, the Group uses PET and Cotton Wool recycling systems in its plants, which are used to produce fibres to help insulate components of its vehicles. Accordingly, the group aims to achieve the highest products quality with the lowest possible level of waste.

Adler Pelzer Group acts as an "intelligence collector" in the development of acoustic insulation technologies. In September 2019, Adler organized the APG Acoustic Symposium, attended by

leading international experts from the world's of research and industry to discuss the latest developments in the automotive sector and in acoustics and thermal insulation technologies, with particular emphasis on specific technologies for newly developed vehicles with alternative fuels. In addition, Adler main shareholder is leading the committee for the development of a "Borgo 4.0", a real "smart city" featuring intelligent infrastructure road to test unmanned cars.

The project aims to be an example of an "open laboratory" in which the use of complementary technologies in different fields of application can be analyzed, such as energy efficiency, environment, safety and tourism. International industry experts from automotive, aeronautics, infrastructure architecture, telecommunications technology, cybersecurity, integration and development of complex technological architectures, have been brought together to collaborate on this initiative. In addition, various automotive companies, universities and local institutions are partners in the project.

Borgo 4.0 is a real "smart city" featuring intelligent infrastructure

The first step towards the "Borgo 4.0" project was the Hydro project, a fuel cell-powered electric car built in Italy and presented in June 2019, for which Adler produced most of the supports and fittings directly, as well as part of the carbon fiber bodywork.

The "Borgo 4.0" is based in Irpinia, Lioni (Avellino) with the aim of transforming it into a digital city, to experiment autonomous driving with advanced intelligent mobility technologies and real-time monitoring.



Paolo Scudieri, Adler's Chairman

Innovation above all

"Innovation above all to make important strategic choices that meet the needs of future markets is the most important decision to ensure a successful future for companies"

At Adler Group, we want to provide the market with solutions that have the lowest possible impact on the environment and on our planet's resources. We are well aware that the available resources are not infinite, and therefore we must implement every possible choice and strategy to reduce consumption. This means implementing production processes and supply chains that reduce waste and - above all - power consumption. In 2019, we successfully managed to reduce these two items significantly.

Adler Group is one link in a value chain. We believe that the most important sustainability initiatives are those we work on within the system: with suppliers, customers, scientific bodies and institutions in order to share principles, objectives, innovation and action.

We can provide the market with innovative solutions on sustainability if we give the right inputs to our suppliers, stimulating them to achieve what we need tomorrow and supporting them on this path. Therefore we must work with our customers to create new rules, which must be shared with the entire ecosystem, meeting the guidelines that national and European governments give us and will give us.

Business logistics is one of the most important topics. We operate using materials that are as light as possible, despite producing components that are relatively large. It is very important for the environmental impact of our production that we limit as much as possible the travelling distance between the place of production and the place of usage.

To achieve our ESG targets, we have been pursuing a strategy aimed at reducing environmental impact over the long term. Among the many initiatives undertaken by Adler, we follow circular economy principles when producing our passenger car carpets by reusing PET containers for beverages, mainly mineral water. Our environmental policies are therefore not limited to following market requests, consumer trends or regulation. Rather, we're guided by a precise strategic choice that we made several years ago - a choice shared with all of the company's managers, and that is now part of the company culture.

Today, all industrial, research and innovation activities are subject to an analytical process that considers all aspects related to the impact on environment, society and social responsibility.

In this environment we define our main innovation activity according to three main topics or clusters, identified with suffixes that matches our products:

- "BIO": products that use raw materials of natural origin, without impacting the food industry.
- "REC": products that use as raw materials scraps of other industries - or materials that are recovered during our own production cycle - so that the product contains at least 25% of recycled raw materials.
- "ECO": technological solutions and/or innovative production processes leading to a reduction of CO₂ emissions and/or reduction of component weight.

Over the years, Corporate governance has placed sustainability at the top of the company's agenda, so much so that in our monthly management meetings, sustainability and related topics occupy a significant part of the meeting.

New industrial initiatives, new innovation activities and all current activities are analysed using specific indicators that we have refined over time. This gives us an overview of the state of our commitment to sustainability, the environment and the social impact of our choices.

As a worldwide leader in the automotive industry supplying the world's leading OEMs at international level, Adler Group is an important part of the world of mobility. It is a part of a value-chain ecosystem that combines different capabilities, that wins or loses together. To better improve our products and reduce the impact on the environment, we constantly work with all the contributors of this fundamental industry. We stimulate the system to follow the key paths that are emerging, and playing an active role in supporting change and developing best practices.

The world around us is rapidly changing. It has become clear that topics that for years were up for debate, and which were often met with

Within this system, we continue to be at the forefront of innovation and proactivity. Profit and ESG targets become more easily attainable goals

scepticism and reluctance, can no longer be postponed. Besides our specific industrial activity, we understand the impact of sustainability and the environment to be much broader, reaching consumers in their daily habits.

These considerations gave rise to our projects on smart mobility. We were fortunate enough to gather an incredible group of companies, talents and skills that together can bring extremely innovative and interesting solutions.

The most interesting future developments will come from companies working "around mobility," building infrastructure, creating communication networks that support new needs and value-chain suppliers. Companies like Adler Group are indispensable for designing a new mobility that is totally on a human scale, at the service of humanity and without impacting the surrounding world.



Missoni

SECTOR

Fashion and luxury

INVESTMENT DATE

July
2018

FUND

FSI I

COUNTRIES OF OPERATION



Production in Italy one-third of sales in Italy, one-third in the rest of Europe and one-third in North America

GROUP TURNOVER IN 2019

111m€

EMPLOYEES

400

MISSONI



Missoni is one of the most renowned luxury fashion brands in the world, with headquarters in Sumirago, near Milan. Missoni style is the result of the long-term research and creative process, starting from its heritage on knitwear.

Missoni designs, manufactures and distributes collections of apparel and accessories for women, men and children through the brands "Missoni" and "M Missoni", as well as its home collection through the brand "Missoni Home", and employs approximately 400 people.

The brand is also present in other categories through strategic partnerships, such as the Safilo group for eyewear production since December 2018.

Missoni, in line with recent evolution of fashion industry, has become increasingly conscious of sustainability being able to drive customer's attention not only to product quality and price, but also to the traceability of the production chain.

77%
of employees
are women

95%
of employees
are hired with a
permanent contract

The Company has intensified its efforts to use recycled materials from past collections to create its newest and is focusing in finding environmentally certified suppliers.

These aspects represent a big challenge which implies the development of the organization in relation to its production and cross-functional processes, from design to manufacturing, and its supply chain. Top-of-the-range and Made in Italy symbolise an important competitive advantage.

With ESG policies as an integral aspect of its business, Missoni has always strived to promote several social and environmental initiatives. The shareholders are extremely aware of sustainability matters and of the decisive role they must play in the company decision-making process. Supply chain is managed directly and responsibly, as requested by the founders, shareholders and management, from design to distribution. This guarantees compliance with high standards both regarding personnel and environmental management. All suppliers must certify a non-pol-

14%
Members of
the Board of Directors
are women

36%
of top management
are women



luting supply chain as an essential aspect of the selection process.

Within the plants, waste management and disposal are carried out in compliance with the current legislation; recycling has been separated since 2012, and in 2018 the Company started a project aimed at reducing the use of single-use plastic containers.

The community has always played a fundamental role in Missoni and since 2015, Missoni agreed with the Province of Varese and Cesvip (local administrative agency supporting employment), to support people with disabilities through training programs aimed to favour their inclusion in the professional environment. This project opens five or more internship opportunities within the company in order to train people in specific company functions and to give them the possibility

Missoni process of innovation brought the digitalization of the Missoni Archive, with more than

30,000

items among clothing and accessories



to work with the support of department managers. Missoni also subsidised 100% the cost of a tutor to lead the project for one year, helping to support the interns during their training. Since the programme's launch, Missoni has hired three interns into full-time positions.

As part of a continuous creation of social value, thanks the Ottavio and Rosita Missoni Foundation, and the support of the Italian Fashion Agency and international institutions and of relevant bodies in the textile, fashion and arts fields, Missoni promotes exhibitions, cultural events, conferences, studies, publications and educational projects in Italy and abroad.

Missoni process of innovation brought the digitalisation of the Missoni Archive, with more than 30,000 items among clothing and accessories. This

has allowed fashion schools, universities, and institutions to access images, magazines, drawings, prints and knitwear studies. The Missoni Archive constantly cooperates with important universities such as Università Statale di Milano (Fashion history and documentation course) and Politecnico di Milano (Knitwear design faculty).

Finally, in 2019 Missoni aimed to carry on its sustainability strategy through several new initiatives:

- A capsule collection co-branded with an important fashion firm who is a leader in the production of recycled and cruelty-free items (Save the duck);
- A co-branding project for the production of footwear in Ethiopia with Sawa Shoes;
- The production of limited capsule collections using fabrics and yarns recovered and reused from Missoni's and Missoni Home's obsolete stock.

Table 3 - ESG performance of the investee company

| KPI | u.o.m. | 2019 | 2018 |
|---|--------|------|------|
| Policies and procedures adopted | | | |
| Adoption of a Code of Ethics | Yes/No | Yes | Yes |
| Adoption of an Organisational, Management and Control Model | Yes/No | Yes | Yes |
| Assignment of responsibility for ESG topics to the Board of Directors / Senior Management | Yes/No | No | No |
| Social | | | |
| Injury frequency rate for employees ((Injury arising out of, or in the course of, work/Number of hours worked) * 200,000) | | 1.6 | 1.7 |
| Female employees | % | 77% | 76% |
| Employees hired on permanent contract | % | 95% | n.d. |
| Governance | | | |
| Confirmed incidents of corruption | N. | 0 | 0 |
| Women in the Board of Directors | % | 14% | 14% |
| Female managers | % | 36% | 54% |

Lumson

SECTOR

Leading manufacturer of primary cosmetics packaging

INVESTMENT DATE

August
2018

FUND

FSI I

COUNTRIES OF OPERATION



Italy, Europe, USA

GROUP TURNOVER IN 2019

102m€

EMPLOYEES

500



Lumson S.p.A. is a leading European company in the design, development, production and decoration of primary packaging systems for the cosmetic markets.

With a turnover of approximately 100 million euro, Lumson is a "Made in Italy" ambassador in both its own territory and the world. The company is active in Italy, Europe and the US.

Lumson adheres daily to a sustainable approach to its business model. Regarding environmental performance, the company's environmental management system is ISO 14001:2015 certified. In 2019, Lumson recorded energy consumption of 50,939 GJ and generated emissions of 4,239 tCO₂e, down 5% from 2018. Lumson S.p.A. also uses energy from renewable sources, specifically produced by photovoltaic panels. In terms of water consumption, in 2019, Lumson drew 14,620 m³ of water.

During 2019, the Company produced 1,100 tons of waste, 54% of which was recycled (waste sent to recycling includes paper, plastic, iron and steel, glass and wood). In 2019, Lumson received the EcoVadis silver medal to acknowledge its commitment to Corporate

In 2019, the company produced
1,100
 tons of waste
54%
 of which was recycled,
 including paper,
 plastic, iron and steel

Social Responsibility (CSR), and established a partnership with the Politecnico di Milano to invest in research related to the circular economy.

The company believes that this aspect is vital for smooth business operations. In this regard, during the 2020 health emergency following the spread of the Coronavirus, the company implemented a "Lumson S.p.A. Regulatory Protocol" aimed at regulatory measures to combat and contain the spread of Covid-19 in the workplace. The ultimate aim of the Protocol was to safeguard the health and safety of all company employees, in compliance with the provisions of Legislative Decree 81/08. Aimed at both ensuring continued production and guaranteeing healthy company conditions, its scope was extended to all third parties with authorized access to Lumson's premises (i.e. transporters, consultants, suppliers).

Human capital development is at the heart of Lumson's business model. In 2019 an Annual Training Plan was prepared when the company's budget was drawn up. The plan was carried out in collaboration with École - Enti Confindustriali Lombardi per l'Education, a Confindustria company created to promote,

set up, organize and coordinate guidance, training and advanced training initiatives and work services. Training hours included both compulsory courses such as safety, first aid, and fire prevention, as well as optional courses which were more technical and

-5% CO₂
 emissions compared
 to 2018 Comparable
 to the GHG emissions
 produced by about
 45 passenger cars
 in one year





focused on soft skills development. Lumson also carried out coaching and mentoring courses in both individual and group sessions.

Employees' well-being is a focal point of the company's strategy. As a manufacturing company, Lumson cares deeply about customer safety. The company has instituted a series of regular initiatives and controls, including monthly pest control interventions, company cleaning initiatives with dedicated suppliers and machinery, cleanings controlled management of materials like fragile glass and plastics and close management of chemical and biological contaminating materials. To carry out all of these activities, Lumson holds courses on Good Manufacturing Practices (GMP) for the operators involved.

Lumson adheres to the Organisational, Management and Control Model, pursuant to Legislative Decree 231/2001, and has adopted its own Code of Ethics within this context. These documents guide the company strategy for business ethics and integrity, transparency and anti-corruption measures. In 2019, there were no confirmed Incidents of corruption within the company. Lumson leads anti-corruption training courses, primarily

97%
of employees
hold permanent
contracts

for its Board of Directors, which is made up of 10 members over the age of 50 and is primarily responsible for ESG issues.

Given its manufacturing activity, Lumson pays close attention to supply chain management. In 2019, the company carried out social and environmental assessments on three of its suppliers. The main evaluation criteria were adoption of a Code of Ethics or Conduct, the underwriting of social insurance, the assessment of conditions and compliance with health and safety regulations, and the stability and viability of employees' contracts (in terms of salary, working hours and benefits).

If the supplier does not have its own Code of Ethics in place, it is required to defer to that of Lumson. Regarding environmental concerns, the company investigates whether the suppliers have Environmental Policies in place and any environmental certifications, such as ISO 14001:2015.

In 2019
46%
of the workforce
was made up of
female employees,
an indication of
the company's
willingness to focus
on diversity and
gender equality



The Silver Medal EcoVadis

In 2019, Lumson was awarded the EcoVadis Silver Medal for its commitment to Corporate Social Responsibility (CSR)

EcoVadis' overall score reflects the quality of the CSR management system of each evaluated company, and is awarded on the basis of a scorecard ranging from a minimum of zero to a maximum of one hundred points.

Lumson scored 57/100, positioned in the top 30 ranking

EcoVadis CSR ranking system allowed the Company to receive an acknowledgment of merit for its approach to CSR, but also to have a benchmark with all the other companies evaluated by EcoVadis, belonging to the same industrial sector.

Table 4 - ESG performance of the investee company

| KPI | u.o.m. | 2019 | 2018 |
|---|--------------------|----------|----------|
| Policies and procedures adopted | | | |
| Adoption of a Code of Ethics | Yes/No | Yes | Yes |
| Adoption of an Organisational, Management and Control Model | Yes/No | Yes | Yes |
| Environmental certification | Yes/No | Yes | Yes |
| Assignment of responsibility for ESG topics to the Board of Directors / Senior Management | Yes/No | Yes | Yes |
| Environmental | | | |
| Total energy consumption | GJ | 50,938.6 | 53,076.3 |
| Total direct and indirect emissions (Scope1 and 2) | tCO ₂ e | 4,239.3 | 4,449.7 |
| Water withdrawals | m ³ | 14,620 | n.a. |
| Waste production | t | 1,100.6 | 1,125.2 |
| <i>of which recycled</i> | % | 54% | 57% |
| Social | | | |
| Injury frequency rate for employees ((Injury arising out of, or in the course of, work/Number of hours worked) * 200,000) | | 1.3 | 3.3 |
| Voluntary employee turnover rate (Number of employees who voluntarily left the company/Number of employees at year end) | % | 5.1% | 9.2% |
| Average hours of training per employee | Hours/N. | 8 | 7 |
| Employees who have received a performance evaluation | % | 27% | 30% |
| Female employees | % | 46% | 49% |
| Employees hired on permanent contract | % | 97% | 93% |
| Governance | | | |
| Confirmed incidents of corruption | N. | 0 | 0 |



Kedrion

SECTOR

Manufacture of basic pharmaceutical products and pharmaceutical preparations

INVESTMENT DATE

November
2019

FUND

FSI I

COUNTRIES OF OPERATION



Plant in USA, Italy, Hungary and sales in over 100 countries

TURNOVER IN 2019

808ml€

EMPLOYEES

2,600

KEDRION

B I O P H A R M A



Kedron S.p.A. is an Italian biopharmaceutical company that collects and fractionates human plasma to develop, produce and distribute plasma-derived drugs for patients suffering from haemophilia, immunodeficiency and other serious diseases.

Kedron acts as an intermediary between those in need of plasma-derived drugs and plasma donors, working to ensure access to available therapies for patients globally.

Kedron has several production plants in Italy, the United States and Hungary, and supplies markets in more than 100 countries worldwide, ranking fifth among world players and first in Italy in the plasma derivatives sector.

The company develops its processes in compliance with the highest environmental and safety standards. It has implemented an Integrated Environment, Health and Safety Management System in accordance with international standards ISO 14001:2015 and EMAS Regulation in the environmental field, and BS OHSAS 18001 in the health and safety field.

Since
2005
 Kedron has
 recognised, adopted
 and supported the
10
 Principles of the UN
 Global Compact

The company therefore bases its strategy on the values of reducing negative environmental impacts

-8% CO₂
 emissions compared to 2018 Comparable to the GHG emissions produced by about 935 passenger cars in one year

With regard to the environmental performance, in 2019, Kedron recorded a total electricity consumption from the grid of 198,582 GJ, a slight increase compared to 2018 (+7%). Kedron S.p.A. also uses energy from renewable sources, attributable to the installation of photovoltaic panels. At the same time, it recorded a decrease in CO₂ emissions thanks to fewer gas losses, plus the substitution of refrigerant gases with less harmful substances.

In 2019, Kedron produced 6,343.4 tons in waste, most of which (87%) was hazardous waste (the criteria for identifying an element as hazardous is inherent in the company's business model, which provides for the use of products such as ethyl alcohol).

Kedron aims to create a safe working environment for all employees and external collaborators. Through its policies, the company promotes health and safety at all organizational levels, starts initiatives aimed to

improve working conditions, supports local offices in managing these issues, and carries out continuous monitoring at both the local and consolidated levels. A healthy environment is a prerequisite for Kedron's effective management of human capital, where people's development and training also play a crucial role.

Kedron renewed its commitment to invest in employee training in 2019, providing a total of 24,000 hours, up 10% from 2018.

Kedron's dedication to human capital development is clear, as demonstrated by the percentage of employees who receive a periodic performance evaluation.

This figure was up 10% in 2019 compared to 2018. The KedPMP (Kedron Performance Management Process) requires that employees be assessed on the basis of their achievements in both departmental and individual objectives, as well as their possession of skills laid out in the leadership model.

Since 2017, Kedron has also a People Review process in place, which aims to increase management's ability to identify development opportunities that are consistent with company needs.

In 2019, the Company achieved renewal of this certification, valid until 2022, and established the Ethics Office, responsible for managing this issue and implementing the Business Ethics Management System.

65%
 of waste produced by Kedron was recycled, and the highest rate of recycling fell under hazardous waste, which is mainly sent to energy



Kedrion has been
SA8000 certified
since

2004

Since 2004, Kedrion has adopted an Organisational, Management and Control model pursuant to Legislative Decree 231/2001, with Board of Directors establishing a Supervisory Body to ensure that the Model is properly applied.

With regard to whistleblowing, the company has also implemented reporting mechanisms and tools, including anonymous reporting, addressed to the aforementioned body.

Kedrion renewed its
commitment to invest
in employee training
in 2019, providing
a total of

24,000

hours, up

10%

from 2018

In
2019

there were no
confirmed incidents of
corruption or human
rights violations

The company has also prepared training, information and awareness-raising activities on anti-corruption issues, periodically provided by the Supervisory Body to the departments most exposed to the subject of corruption.

At the end of 2019, an additional training module was also prepared that focused on the company's Model.

Kedrion takes great care to respect diversity as a key value in its relationship with employees. This is demonstrated by the percentage of female employees, which represented 53% of the total workforce in 2019 and was up 5% from 2018.

The company participates in Valore D training courses, the first Italian association of companies committed to ensuring gender balance and inclusion within Italian organizations. Kedrion also launched an internal study on gender diversity, comparing the composition of its governing groups and its workforce with a benchmark of other companies operating in the pharmaceutical sector.

The study confirmed that Kedrion is aligned with other companies in the panel analysed in terms of diversity.

Finally, regarding supply chain management, Kedrion has a procedure in place for overseeing its relationship with suppliers. It stipulates that, in order to qualify the supplier within the company's operating system, the supplier must sign and comply with Kedrion's Code of Ethics, and adopt social and environmental policies in line with local laws.



Kedrion car pooling

Kedrion considers the reduction of its environmental impact as a priority element of its approach to sustainability

During 2019, the company launched initiatives aimed at reducing its carbon footprint, first of all the car pooling project, the initiative that promotes car sharing during the home-work commutes through the JoJob platform, the online portal designed by BringMe and used by many leading Italian companies.

In 2015 Kedrion had already won the “Best Carpooling Company” award assigned by JoJob; thanks to the diffusion of carpooling the Company had saved 775 kg of CO₂ through the sharing of about 400 home-work trips of 170 employees

During 2019, the project was relaunched at Italian level, with the idea of rewarding the most virtuous carpoolers. Kedrion has set a target to reach 50,000 certified km in car pooling. The result of the initiative has been more surprising than expected, since it has reached 110,000 certified km, which is more than double the expected.

Table 5 – ESG performance of the investee company

| KPI | u.o.m. | 2019 | 2018 |
|---|--------------------------|-----------|---------|
| Policies and procedures adopted | | | |
| Adoption of a Code of Ethics | Yes/No | Yes | Yes |
| Adoption of an Organisational, Management and Control Model | Yes/No | Yes | Yes |
| Environmental certification | Yes/No | Yes | Yes |
| Assignment of responsibility for ESG topics to the Board of Directors / Senior Management | Yes/No | Yes | Yes |
| Environmental | | | |
| Total energy consumption | GJ | 682,228 | 641,500 |
| Total direct and indirect emissions (Scope1 and 2) | tCO ₂ e | 52,894 | 57,221 |
| Water withdrawals | m ³ | 1,035,828 | 908,771 |
| Waste production | t | 6,343.4 | 6,315.9 |
| | <i>of which recycled</i> | % | 65% |
| | | | 68% |
| Social | | | |
| Injury frequency rate for employees ((Injury arising out of, or in the course of, work/Number of hours worked) * 200,000) | | 2.5 | 2.2 |
| Voluntary employee turnover rate (Number of employees who voluntarily left the company/Number of employees at year end) | % | 21% | 13% |
| Employees involved in satisfaction surveys (employees' engagement) | % | 66% | 0% |
| Average hours of training per employee | Hours/N. | 9 | 8 |
| Employees who have received a performance evaluation | % | 74% | 67% |
| Female employees | % | 53% | 52% |
| Employees hired with a permanent contract | % | 98% | 95% |
| Governance | | | |
| Employees who have received anti-corruption training | % | 8% | 1% |
| Confirmed incidents of corruption | N. | 0 | 0 |
| Members of the Board of Directors between 30 and 50 years of age | % | 36% | 0% |
| Female managers | % | 26% | 24% |

IMPACT FRAMEWORK

FSI'S COMMITMENT FOLLOWING THE HEALTH EMERGENCY

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FSI's Commitment Following the Health Emergency

FSI's commitment to the community is even more crucial in light of global events like the 2020 Covid-19 outbreak. On 31 January 2020, Italy declared a State of Emergency, the precursor to a health crisis with repercussions for the entire global economy.

The unavoidable containment measures adopted as a result of the pandemic have helped stem the devastating effects of the virus, but have significantly damaged the real economy, with an unprecedented drop in GDP in Italy and elsewhere.

Mitigating the effects of the pandemic on small- and medium-sized enterprises (SMEs), which are among those hit the hardest, represents an opportunity for FSI to reaffirm its finance commitments and to support Italian companies.

A strong restart will stem from the valorisation of Italy's cultural heritage and the need to include ESG factors in business models as crucial elements for a successful recovery

As a result of the health emergency, FSI has added a Covid-19 section to its website, which reports key updates from the Italian association of Private Equity Venture Capital Private Debt (AIFI), in order to streamline information sharing and facilitate development both in Italy and abroad.

FSI management actively participated in the public debate to show how private capital supports and sustains the economic recovery and the relaunch of the labour market. A partnership between private equity and entrepreneurs could prepare Italian companies for as fast of a recovery as possible, making private capital an opportunity for growth, rather than a simple band-aid solution.



Covid-19: facing the emergency. Going all-in to fight the pandemic

As we publish this report, many countries around the world are still battling the Covid-19 pandemic. When the coronavirus pandemic hit Northern Italy in late February, we focused on protecting the wellbeing of our own employees and those of our portfolio companies. We have also supported our portfolio companies to ensure that they remained able to operate and contributed positively to their communities.

As part of our focus on keeping our employees safe and motivated, we closed our office in accordance with local restrictions and allowed our team members to work from home. We were able to transition immediately and seamlessly to remote working by activating existing business continuity plans. Where required, employees have been provided with additional equipment to work effectively from home.

“During the lockdown period, the team has been very proactive showing a great capacity for human connection”

Maintaining staff engagement has gained new importance while working remotely. Senior managers, team leaders and HR have made a particular effort to keep staff informed through regular updates and virtual meetings, including Monday morning meetings with all employees, Chairman and Industrial Partners.

Recognizing the potential mental health consequences of working remotely through a prolonged period of lockdown, we also implemented a special mental health program with a wellbeing consultancy firm. The program included a series of webinars and virtual workshops on how to deal with issues such as sharing space at home, having limited opportunity to go outdoors, experiencing general anxiety, working at home with young children or while home schooling older children, worrying about elderly relatives, and living and working alone.

In the meantime, our investment teams have been engaging actively with our portfolio companies in order to manage a range of operational issues and problems that have arisen as a result of Covid-19. This included making sure that portfolio company employees remained safe and healthy, and that our portfolio companies were able to comply with evolving regulations in their regions.

We focus our charitable activities principally for the disadvantaged, the elderly, young people and education and, therefore, most of the charities that we support have played a key role in protecting a range of different vulnerable groups from the worst impacts of the pandemic and of living under lockdown. The increase in the charity budget has also been used to fund Covid-19 focused donations to local charities. In addition, we have encouraged our employees to volunteer their time with local-sponsored schemes or with local charities to provide assistance to vulnerable groups during this difficult period.

Specifically, FSI donations worth ventilators, respirators and monitoring equipment to Policlinico hospital in Milan, San Gerardo in Monza. During the Easter period, FSI supported the distribution of 1,000 chocolate eggs and cakes to six hospitals and to children whose families couldn't afford to celebrate the holiday this

year. FSI also supported a Fondazione Francesca Rava campaign to help newly impoverished families during the coronavirus outbreak. In this complicated moment of uncertainty for all, FSI supported patients suffering from neuromuscular diseases. Responding to a campaign launched by the medical nonprofit Wamba, FSI's contribution provides resources for the NeMO Clinical Centres in Milan, Genoa, Rome and Messina. This funding will ensure the continuity of medical assistance even at a distance, and will support the purchase of crucial protective devices for doctors, healthcare professionals, operators and patients who are present in the wards on a daily basis.

Furthermore, FSI's supported the “Non da Soli” project part of the broader intervention that Save the Children is carrying out in Italy. The donation has been used to support distance education for children and young people and materially support the most vulnerable families with the purchase of vouchers valid for food expenses.

FSI's portfolio companies also joined the effort to help fight the pandemic and rebuild in its aftermath.

Near the outbreak's epicentre in the North, Missoni supported a field hospital in Milan and bought a new ambulance for the city of Varese. Cedacri bought 100 devices for children without computers so they could follow their lessons and take their exams online. Lumson helped the Civil Protection Service distribute masks and hand sanitizer to the community, and provided bonuses to employees who continued working in essential services during the pandemic. Kedrion provided plasma-cleaning kits in Pavia and Padova so that transfusions could be done safely. Meanwhile, in Southern Italy, Adler's foundation donated masks and promoted a fundraising in the Campania region to fight the Covid-19.

We will continue to support organizations which help the most vulnerable communities in which we and our portfolio companies operate. We are proud of the hard work, community spirit displayed by our employees, and those of our portfolio companies throughout this crisis. We are proud of the country's resiliency in the face of an unprecedented health crisis.

In support of Italy's growth and the community in emergencies

FSI supported:

4

associations

over

90

thousand € donated

7

hospitals

- Ospedale Valduce Como
- Ospedale Treviglio
- Ospedale S. Giuseppe Milano
- Ospedale Buzzi di Milano
- Ospedale di Cremona
- Ospedale San Gerardo di Monza
- Ospedale Policlinico di Milano.

1000

Easter Eggs distributed in family homes and hospitals

Methodological Note

Reporting areas

The main purpose of this Impact Report is to communicate FSI's commitment to sustainability issues and to represent the environmental, social and governance (ESG) impacts generated by FSI through its investments.

The topics dealt with in the document have been deemed relevant following a materiality analysis carried out in order to put into practice a responsible management of both the internal operating activities of the asset manager and the investment activities undertaken. The importance of sustainability issues was, therefore, considered both from an internal perspective (so-called "Responsible management of operating activities") and from a portfolio perspective (so-called "Responsible management of investment activities").

This analysis saw the direct involvement of the management of FSI, its subsidiaries and the main stakeholders that gravitate around the FSI, such as, for example, investors. Specific engagement activities were carried out to verify the importance assigned to potentially relevant sustainability issues, indicated as such also by the main frameworks available at international level.

Reference standards and guidelines



Approach used to quantify FSI ESG impacts

In defining its approach to sustainability, FSI has identified, through materiality analysis, sustainability issues relevant to the Fund manager and its portfolio companies, on which it has defined performance monitoring indicators in order to create shared value for its stakeholders and mitigate the negative effects on society and the external environment. To this end, FSI has associated positive performance indicators in terms of sustainability with the contribution that each of them makes to the achievement of

the Sustainable Development Goals (also known as "SDGs") defined by the United Nations. FSI has thus identified the main SDGs to be considered in the development of corporate and investment strategies.

Since, therefore, through its investments, FSI generates a contribution that has effects on society, the environment and, more generally, on the national economy, this Report aims to define the extent of these impacts by defining a model through which to calculate them. The Model used provides a representation of how FSI, through its investment strategy and business model, creates shared value for both society and its stakeholders in terms of responding to needs and contributing to the socio-economic development of the country.

In particular, in the economic dimension, the Report highlights the shared value created through ongoing investments, quantifying the potential impact of FSI on the national economy (GDP), employment and household income. The methodology used to measure the impacts generated on the national socio-economic system includes the sum of "direct" impacts (linked to the activities of FSI subsidiaries and generated by the operating activities carried out in the country), "indirect" impacts (due to the activation of the supply chain of subsidiaries and generated by purchases from local suppliers) and "induced" impacts (due to the distribution of income to employees along the supply chains and generated by local household consumption).

The Model is, therefore, able to estimate the economic and social impact of the activity carried out by a company in a given territory in terms of:

Value Added (GDP): added value calculated as the difference between the value of production and the intermediate costs of production;

Employment: total number of jobs employed in the economic system thanks to the activity carried out by companies in the territory;

Labour income: wages and salaries distributed to workers employed in the economic system thanks to the activity carried out by companies in the territory.

In order to estimate the consequences of the economic activity deriving from the companies participated by FSI in Italy, quantified in the measurement of indirect and induced impacts, "Input-Output" multipliers were used, calculated from tables and data provided by ISTAT and the Ministry of Finance. These multipliers indicate the effect on GDP, employment and income distributed to households deriving from the variation in expenditure on goods and services produced by a specific production sector. The effects produced are the result of intersectoral dependencies that characterise an economic system, therefore, variations in conditions in an economic sector have further consequences on related sectors and on the general economic and social system. The multipliers described have been applied to data collected internally by the investee companies.

The calculation of the impacts was carried out on the basis of FSI's "ownership" criterion, according to which the data in absolute value were weighted for the FSI share of ownership on the portfolio companies capital, always concerning the Italian territory. This share of FSI's ownership has been defined following the current indications on sustainable finance set by EU bodies (e.g. the Technical Standards of Regulation (EU) 2019/2088).

With regard to the management of internal sustainability and the individual companies in the portfolio, ESG performance has been monitored using a number of environmental, social and governance performance indicators that are considered material due to the nature of the investments and activities carried out, and defined by international standards (i.e. Sustainability Accounting Standard Board (SASB) Standards, Global Reporting Initiative (GRI) Standards and World Economic Forum (WEF)).

Reporting period and perimeter

The information contained in this Report is based on data collected internally and refers, as far as FSI is concerned, to the sustainability performance recorded in fiscal year 2019 and, where relevant, in the first half of 2020 by FSI. The companies in the investment portfolio considered within the scope of consolidation of this Report are: Cedacri S.p.A., Lumson S.p.A., Kedrion S.p.A., Missoni S.p.A. and Adler Pelzer Group. The reporting perimeter related to the calculation of impacts considers all FSI's investee companies and the related economic activity in Italy; in particular, data related to the investee Adler Pelzer Group have been estimated from external public sources, are related to the year 2018 and refer to the company's global operations, not only those performed in Italy.

With regard to the information referring to the consolidated portfolio performance ("ESG performance of the FSI portfolio"), the reporting perimeter of the data includes the Cedacri S.p.A. companies for "Policies and procedures adopted" and "Social" sphere, Kedrion S.p.A., Lumson S.p.A., Missoni S.p.A. and Adler Pelzer Group; for the "Environmental" sphere the companies Cedacri S.p.A., Kedrion S.p.A. and Lumson S.p.A.; for the "Governance" sphere the companies Cedacri S.p.A., Kedrion S.p.A., Lumson S.p.A. and Missoni S.p.A..



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Appendix

Table 1 - Composition of the Management Board – Age diversity (N.)

| Board of Directors | 2019 | | Total |
|-------------------------|----------|----------|----------|
| | Men | Women | |
| Members aged 35 - 50 | 3 | - | 3 |
| Members aged > 51 years | 2 | - | 2 |
| Total | 5 | - | 5 |

Table 2 - Total number of employees by age and gender (N.)

| Employees | 2019 | | Total |
|------------------------|-----------|-----------|-----------|
| | Men | Women | |
| Managers | 5 | - | 5 |
| Younger than 30 | - | - | - |
| Between 30 and 50 | 4 | - | 4 |
| Older than 50 | 1 | - | 1 |
| Middle managers | 15 | 4 | 19 |
| Younger than 30 | 3 | - | 3 |
| Between 30 and 50 | 12 | 2 | 14 |
| Older than 50 | - | 2 | 2 |
| Office workers | - | 6 | 6 |
| Younger than 30 | - | 1 | 1 |
| Between 30 and 50 | - | 4 | 4 |
| Older than 50 | - | 1 | 1 |
| Total | 20 | 10 | 30 |
| Younger than 30 | 3 | 1 | 4 |
| Between 30 and 50 | 16 | 6 | 22 |
| Older than 50 | 1 | 3 | 4 |

Table 3 - Total number of employees by contracts and gender (N.)

| Employees | 2019 | | Total |
|---------------------|-----------|-----------|-----------|
| | Men | Women | |
| Fixed-term contract | - | 1 | 1 |
| Permanent contract | 20 | 9 | 29 |
| Total | 20 | 10 | 30 |

Table 4 - Average total remuneration of women compared to men (N.)

| Employees | 2019 | |
|-----------------|--------------------|--------------------|
| | Men | Women |
| Managers | n.s. ¹³ | n.s. ¹³ |
| Middle Managers | 67% | 67% |
| Office workers | n.s. ¹⁴ | n.s. ¹⁴ |

Table 5 - Number of training hours by gender and rank (N.)

| Employees | 2019 | | Total |
|----------------------------------|--------------------------|--------------------------|------------|
| | Men | Women | |
| Managers | 207 | n.s.¹³ | 207 |
| Average number of training hours | 41 | n.s. ¹³ | 41 |
| Middle Managers | 402 | 80 | 482 |
| Average number of training hours | 27 | 20 | 25 |
| Office workers | n.s.¹⁴ | 120 | 120 |
| Average number of training hours | n.s. ¹⁴ | 20 | 20 |
| Total | 609 | 200 | 809 |
| Average number of training hours | 30 | 20 | 27 |

¹³ Data is not significant because there are no female managers¹⁴ Data is not significant because there are no male officer workers

Table 6 - Total amount invested in the community in euros (€)

| Community investments | 2019 |
|-----------------------------------|----------------|
| Donations | 31,597 |
| Sponsorships | 90,068 |
| Total community investment | 121,665 |

Table 7 - Annual energy consumption by source (GJ)

| Energy consumption | 2019 |
|--|--------------|
| Direct consumption | 397.0 |
| Diesel | 313.1 |
| Petrol | 83.9 |
| Indirect consumption | 340.8 |
| Electricity from non-renewable sources | 340.8 |
| Total energy consumption | 737.8 |

Table 8 - Greenhouse gas emissions scope (tCO₂ eq)

| GHG Emissions | 2019 |
|--|-------------|
| Direct (Scope 1) | 27.9 |
| Diesel | 22.2 |
| Petrol | 5.7 |
| Indirect (Scope 2) | 30.1 |
| Electricity from non-renewable sources | 30.1 |
| Total emissions | 57.9 |

¹⁵The perimeter considered includes Cedacri S.p.A., Kedrion S.p.A. and Lumson S.p.A.

¹⁶ Calculated according to the FSI "ownership" criterion (the absolute value has been weighed for the share of competence, meaning: current value of investment/investee company's enterprise value).

¹⁷ Calculated according to the share of invested ((the absolute value has been weighed for the share of investment, meaning: current value of investment/current value of all investments (€M))

¹⁸ The perimeter considered includes Cedacri S.p.A., Kedrion S.p.A., Lumson S.p.A. and Missoni S.p.A.

ESG performance of the FSI portfolio

| Environmental Performance ¹⁵ | u.o.m. | 2019 | 2018 |
|---|------------------------|---------|---------|
| Energy consumption and GHG emissions | | | |
| Total direct and indirect emissions (Scope1 and 2) ¹⁶ | tCO ₂ e | 9,215.7 | 9,837.0 |
| Carbon footprint - Total direct and indirect emissions (Scope1 and 2) per million euro invested ¹⁶ | tCO ₂ e/ml€ | 32.4 | 34.5 |
| Percentage of exposure of the investment portfolio to fossil fuel sector | % | 0 | 0 |
| Water usage | | | |
| Water withdrawals from portfolio companies per million-euro invested ¹⁶ | m ³ /ml€ | 443.3 | 365.8 |
| Investments in companies operating in water-stressed areas | % | 0 | 0 |
| Impacts on ecosystem and biodiversity | | | |
| Investments in companies that adopt an Environmental Management System | % | 77% | 77% |
| Waste and hazardous materials management | | | |
| Hazardous waste generated by portfolio companies per million euro invested ¹⁷ | t/ml€ | 10.3 | 9.5 |
| Recycled waste generated by portfolio companies per million euro invested ¹⁷ | t/ml€ | 8.2 | 8.6 |
| Social Performance | | | |
| Diversity, inclusion and non-discrimination | | | |
| Average gender pay gap ¹⁵ | % | 86% | 91% |
| Average number of female board members compared to men in portfolio companies ¹⁸ | % | 5% | 7% |
| Human Rights | | | |
| Investments in companies with a human rights policy (Ethical Code) | % | 100% | 100% |
| Governance Performance | | | |
| Business ethics, integrity and transparency | | | |
| Investments in companies with a reporting procedure (Whistleblowing) ¹⁸ | % | 81% | 81% |
| Investments in companies involved in the production and/or sale of arms | % | 0 | 0 |
| Investments in companies with an Organisational, Management and Control Model | % | 100% | 100% |
| Number of confirmed incidents of corruption | n. | 0 | 0 |

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