



Partnering for Growth, Empowering Innovation

ESG IMPACT REPORT 2020



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Empowering Innovation

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FSI sustainability in a snapshot

FSI

ENVIRONMENTAL



Hybrid cars in the company fleet



Training on climate change and circular economy



Energy efficient office

SOCIAL



Covid Protocol and Committee



Discrimination and harassment policy



100% of employees undergo performance reviews

€1 million

invested in community projects

96%

of employees on a permanent contract

GOVERNANCE

0

cases of corruption

100%

of employees and BoD members trained on anti-money laundering



Code of Ethics



231 Model

Portfolio¹

ENVIRONMENTAL INITIATIVES

75%

also use renewable energy

100%

have waste recycling programmes in place

75%

choose suppliers based on environmental criteria

SOCIOECONOMIC IMPACT²

€ 236 million

Added Value (GDP) created - total direct, indirect and induced effect

3,211

jobs supported - total direct, indirect and induced effect

POLICIES AND MEASURES

100%

adopt a Code of Ethics and a 231 Model

75%

have a sustainability/ESG policy

100%

allocate ESG responsibility in the BoD/Senior Management

DIVERSITY AND INCLUSION INITIATIVES³

75%

- have over 45% female employees
- have female members within the BoD
- have female managers
- adopt diversity and non-discrimination policies

GOVERNANCE INITIATIVES

100%

confirm zero cases of corruption

75%

provide employees with anti-corruption training

1. ESG performance of the companies Cedacri, Lumson, Kedrion and Missoni.

2. Impact on Italian socioeconomic system only. FSI also has a material impact in other countries not included in this Report

3. All four KPIs have been calculated using the same criteria.

Key ESG topics⁴

For the second year in a row, FSI engages in reporting quantitative figures related to portfolio companies that are continuously monitored by the ESG Committee and the ESG Ambassador. Despite the commitment and the data collection efforts, reporting maturity does not allow to evaluate significant trends, as it would allow comparison only between two fiscal years. Due also to the fact that recent performance might be biased by Covid-19 effects, the following figures relate to the ESG performance of reporting year. FSI is committed to analyze and report main trends in ESG performance in the following reporting documents.

INNOVATION

The transition to a low-carbon economy makes innovation and research crucial to organisations, to support the growing demand for green-tech products by developing innovative processes.



100%
of the portfolio companies invests in R&D

BUSINESS RESILIENCE

Managing systemic risks and critical events that are unlikely to occur but have a high impact is a focal point for developing a resilient business with guaranteed operating continuity.



50%
of the portfolio companies invests in business continuity

SAFETY PERFORMANCE

Especially in light of the Covid-19 pandemic, occupational health and safety is becoming a key topic for organisations, which are increasing their levels of protection in order to guarantee a safe work environment.

The main **measures** adopted include ISO 2018:45001 certification, which has already been implemented or is being finalised, EHS policies and training initiatives.

INJURY RATE

	2020
Portfolio companies ⁵	1.2

Portfolio injury rates are in line with the respective average sector performance. FSI is committed to keep on monitoring health and safety performance of portfolio companies and to engage with these latter to raise awareness on the importance of a safe environment.

CIRCULAR ECONOMY

Portfolio companies are increasing their efforts by promoting circular dynamics in waste management and the supply chain.

100%
of the portfolio companies promotes waste recycling

50%
portfolio companies use renewable materials



4. ESG performance of the companies Cedacri, Lumson, Kedrion and Missoni.

5. The injury rate has been calculated according to the formula suggested by the Global Reporting Initiative Standards: rate of recordable work-related injuries = number of recordable work-related injuries/number of hours worked * 200,000. The injury rate is then calculated as an average across all portfolio companies. Notice that the portfolio companies' performance are calculated basing on INAIL (Italy's National Institute for Insurance Against Accidents at Work) data on: a) reported work-related injuries by economic sector; b) number of workers by economic sector.



Umberto della Sala
FSI Chairman

Sustainability to drive economic recovery and social growth

In 2020 came great unrest in the form of the pandemic, the resulting economic crisis and the need to find the resources for recovery, not just for businesses but for Italy as a whole.

The international vortex of events took no prisoners and accentuated economic and human differences that, unfortu-

nately, are still part of our lives.

Poverty increased, education changed entirely and gender inequality at work reared its ugly head once more, with increasing numbers of women staying at home to care for their children.

Italy's economy was more severely impacted than other Eu-

ropean countries. In 2020, Italian GDP fell by 8.9%, while the European average was "just" 6.2%.

Bearing in mind that Italian businesses are mainly small and medium enterprises, it is easy to see the impact of these figures on development prospects and the importance of a coordinated and effective recovery plan.

The International Monetary Fund estimated 4.2% growth in 2021 and 3.6% in 2022, with OECD predictions also around 4%. The Economy and Finance Document issued by the Italian government was slightly more optimistic, predicting 4.5% GDP growth in 2021 and 4.8% in 2022.

**2021
estimated
growth
4.2%**

+3.6% in 2022

But this is not a mere question of numbers. Our recovery can only come from a change in the way we view the economy. Next Generation EU is an unmissable opportunity to develop investments and move forward with key structural reforms that are absolutely necessary to modernise certain public sectors and to make efficient and effective use of these funds.

Sustainability is viewed as a strength in the ecological transition, digitalisation, training and gender equality. These values form part of the environmental, social and governance (ESG) principles that FSI has always upheld, and – when applied to both public and private sectors – they will allow us to take the leap of quality that Italy deserves.

In fact, we must not forget that Italy is home to some of the finest businesses in the world and that our country is the main beneficiary of the two key tools of Next Generation EU.

For example, the Recovery and Resilience Plan alone will guarantee € 191.5 billion worth of resources to be used over 5 years, almost € 70 billion in the form of a grant. The government has already decided to use the loans of the Plan, totalling an estimated € 122 billion for Italy.

The private sector has never stopped believing in our potential and managerial ability. Despite the fact that public and private investments in Italy have grown by less than half of the European average over the last 10 years (66% compared to 118% between 1999 and 2019), private interest has increased over time in comparison to public interest.

I believe it is important that the private sector maintains its focus on our country. It has always been FSI's philosophy to focus on excellent Italian medium-sized enterprises with a clear vision and strong ambitions for organic growth on the global markets.

In this framework, the pandemic has taught us much, but above all it has mostly served as a reminder of how important people are. Consistently with ESG principles, investing in our people through education and training should become a top priority

for our country to develop the competences that are needed to support the sustainable growth of Italy.

Our excellent universities are capable of nurturing talent and our companies of developing skills so as to create value for our communities and Italy as a whole.

Though Standard & Poor's confirmed its BBB rating for Italy, remarking upon the "stagnation in productivity over the last decade", I am certain that all the requirements for modernising the market are there, starting with a more sustainable vision for the global economy.



Maurizio Tamagnini
FSI CEO

Supporting talent and ideas for long-term growth

2020 will be remembered for the most serious pandemic and economic crisis in recent decades.

We were hit by a tragedy that spared not a single country, sector or company.

For this reason, adopting a sustainable and transparent approach is now necessary. We

can no longer avoid the fight against social inequality and must provide equal opportunity for growth and development to all. At FSI we make investments with the conviction that businesses, the environment and society must create value for one another and thrive together with mutual respect, for the future of the global economy.

For years we have been promoting and upholding ESG values, together with our portfolio companies, with the end goal of generating a positive impact.

Now more than ever we believe that ESG values are a powerful tool for development and that new technologies and research will play a key role

in navigating these delicate socioeconomic circumstances.

In this sense, the partnership between FSI, Politecnico di Milano and Poli-Hub proves that it is possible to simultaneously support talent and ideas with the synergy to facilitate the birth and development of innovative solutions.

The investments in our portfolio companies, which we consider to be partnerships, allow us to promote trust whilst fostering a culture of sustainability and leveraging our human and financial capital to create shared value.

Investments play a crucial role in research and innovation and FSI 'supports and encourages innovative initiatives that significantly benefit society as a whole'. We can achieve this with a moderate use of financial leverage and the empowerment of company management teams and internal resources.

FSI's contribution to universities is the creation of a 'knowledge economy' with equal parts infrastructure and human capital.

Our entire country is rich in excellence and has the potential to become a vital hub for research, innovation, art and culture.

With the National Recovery

and Resilience Plan, the Italian government will implement national strategies for growth, sustainable mobility, environment, climate, the automotive sector and healthcare. FSI and its portfolio companies have been mindful of these topics since the very beginning. Take, for instance, Kedrion's research in plasma, Adler's smart city project in Irpinia (Italy) or the ESG goals embraced by Cedri, Lumson and Missoni.

Over this challenging year FSI has been focused on supporting a sustainable and inclusive model of economic growth, as stated in SDG number 8 of the United Nation's 2030 Agenda for Sustainable Development.

This goal is also a priority for the Italian government; in fact, it is expected that all investments lined up in the 5-year recovery plan will have a significant impact on the 11 main macroeconomic variables and on the inclusion, equity and sustainable development indicators.

A recent ISTAT survey found that between 2005 and 2019 the percentage of individuals living below the poverty line in Italy had increased from 3.3% to 7.7%, peaking at 9.4% in 2020.

Italy also has the highest rate in Europe of NEET, young people aged 15 to 29 who are Not in Education, Employment or Training.

Furthermore only, 53.1% of workers are women, still below the European average (67.4%).

It is clear, then, how fundamental it is to invest in Italian medium-sized enterprises that strive for excellence, while implementing every possible measure to encourage the development of new business models in line with the six pillars of Next Generation EU. According to these guidelines, 38% of new projects will have to be 'green' and a further 25% will need to qualify as 'digital'.

The European funds will be invested in improving the digitisation of public services, small and medium-sized enterprises, broadband, 5G and satellite infrastructure. FSI will support its portfolio as it pursues this objective to strengthen their competitiveness.

Next Generation EU:

38%
of new projects
are green

25%
of new projects
are digital

Despite the pandemic, our target market is full of opportunities. Just a few months ago, FSI divested its shares in Cedacri, a company that created significant value for its shareholders while upholding the 'triple bottom line': Planet, People, Profit.

In 2020 we supported a number of charities tackling humanitarian and health emergencies caused by COVID-19. At the beginning of the pandemic we helped LILT and the Fondazione Rava to purchase ventilators and intensive care equipment.

Therefore, I'd like to personally thank our portfolio companies, investors, partners and all the people at FSI who made it possible for us to lend a helping hand in such a critical time for Italy and the rest of the world.

Let me send you off with a promise: we will further our efforts to allow Italy's top medium-sized businesses the opportunity to develop globally in a structured way and to support them not only financially, but first and foremost in terms of organisation and management. All in a sustainable, ethical and eco-friendly way.



L-R: Marco Tugnolo, Carlo Moser, Maurizio Tamagnini and Barnaba Ravanne

The background image shows a vast field of sunflowers in the foreground, their bright yellow petals and green leaves filling the lower half of the frame. In the middle ground, the iconic CERN Globe of Science and Innovation is illuminated from within, its golden glow contrasting with the dark night sky. The globe is a large sphere made of a grid of steel cables and panels, with internal lights creating a warm, glowing effect. In the distance, the silhouette of the Swiss Alps is visible against the dark sky. The overall atmosphere is one of a peaceful, natural setting with a touch of scientific and industrial architecture.

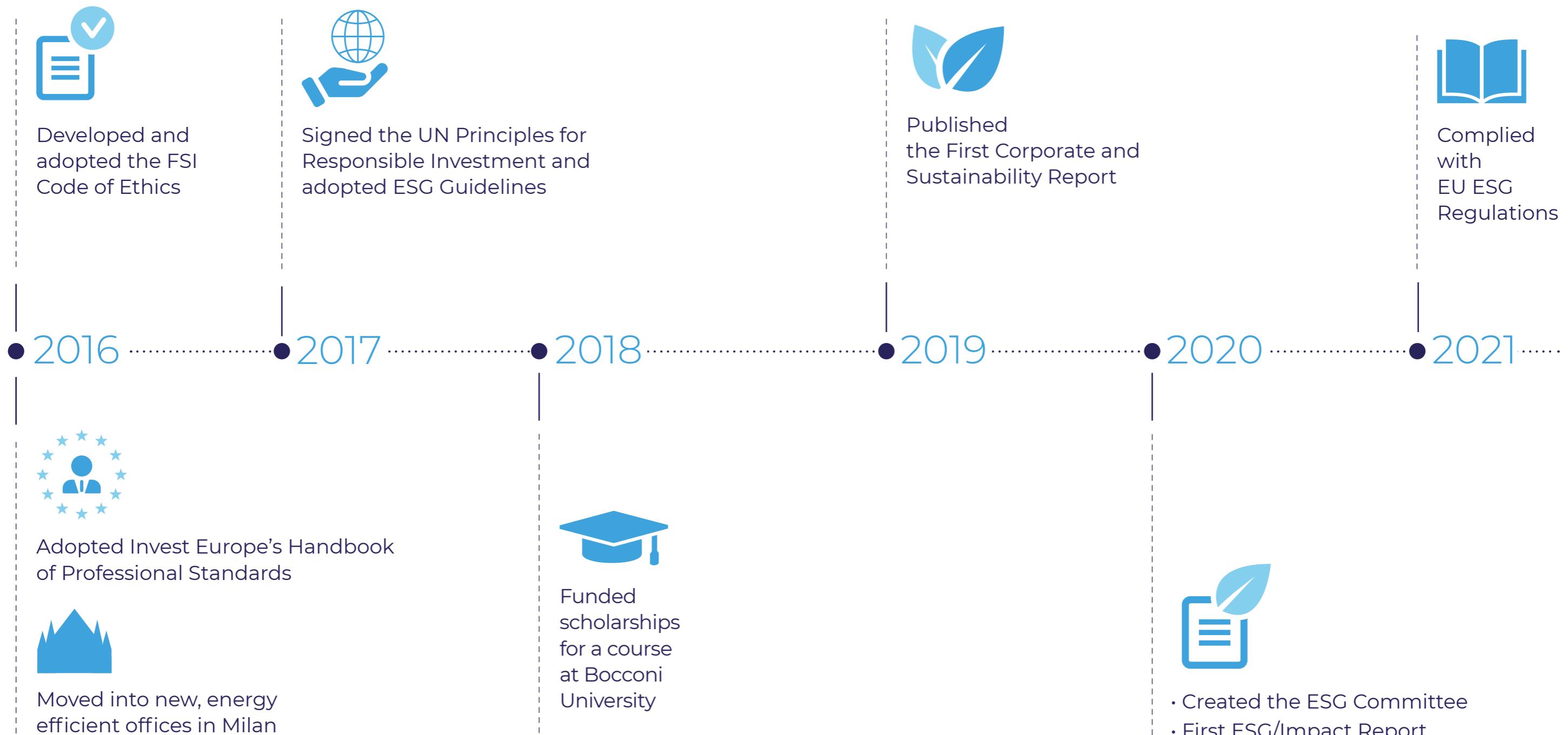
CHAPTER

ONE

FSI's commitment to ESG

Our ESG journey

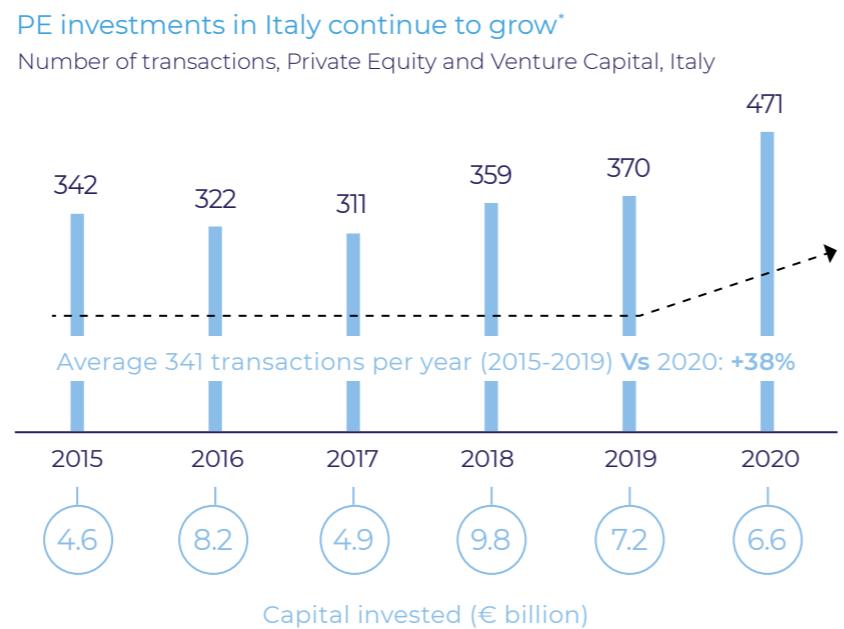
FSI's ESG milestones



Our commitment towards the excellence



Good investments supporting business resilience



* Source: AIFI - "Il Mercato Italiano del Private Equity, Venture Capital e Private Debt, 2020"



Marco Tugnolo
FSI Partner

Supporting Companies to grow

The NRRP - Next Generation EU objectives include the green transition and focus on making the Italian system much more sustainable, not only to 'guarantee the competitiveness', but also to make Italy 'resilient to inevitable climate changes' by strengthening infrastructure, developing

international leaderships in key industries and technologies to ensure an inclusive and equitable transition. These objectives have always been pursued by FSI and now more than ever, they represent a driver of economic development.

It is crucial to raise business awareness and promote an inclusive managerial culture while focusing on ESG topics. Like the rest of the world, Italy had a difficult 2020 and began 2021, in an uncertain scenario. Companies – especially family owned – frequently run into debt and rely on government-backed incentives. The Recovery Plan is certainly an important tool which we hope will be effective to the economic recovery. However, private equity will also play an important – and in some cases essential – role in directing resources towards mid-size companies.

Funds like FSI can play a leading role, supporting companies in redesigning their growth plans and in providing resources in terms of



Carlo Moser
FSI Partner

Creating value within our community

We have seen that the market is extremely responsive and this prompts us to face new challenges in terms of ESG investments and goals. It is essential to look at the coming years with a positive and proactive mindset, focusing on the needs of companies and the post-pandemic socioeconomic situation with the aim of progressively increasing the adoption of ESG and corporate sustainability principles.

Continuous dialogue with institutions and companies is needed to achieve this. High-quality and constant dialogue allow a significant exchange of information, making it possible to fully understand

both finance and people/management for their growth. PE will play a significant role in this ongoing and accelerated socioeconomic transformation. In 2020, PE funds generated 'one third of global M&A activity', and placed exceptional efforts seen in portfolio support activities. In the coming years the PE sector will continue to grow and is unlikely to reach 'maturity' before 2040. This period is expected to be particularly interesting for the technological and ESG transformation¹.

Our country features outstanding examples of entrepreneurial talent that is well-suited to private equity investment in terms of size, development potential and management involvement.

our target market and get a better vision of the 'changes' and 'requirements' that we must consider in order to effectively meet the needs of companies.

In 2020 we began a cooperation project with Bocconi University in Milan and the Sant'Anna Institute of Management in Pisa, the results of which have provided us with important areas of reflection, while suggesting that the balanced and careful use of debt allows companies not just to carry out major development projects, but also to create value and profits over the medium and long term for the benefit of all stakeholders.

Sustainable investments for company growth

Bocconi University highlighted the relationship between a company's financial structure and its medium/long-term performance, underlining the differences between the use of equity vs debt.

Prof. Guido Corbetta, Prof. Fabio Quarato and Prof. Mario Daniele Amore
Bocconi University

In light of the results of the research, how do you think financial structure impacts the profitability of companies and their ability to grow?

Our study looked at the relationship between a company's financial structure and financial performance and found a negative correlation. While some previous research suggests that debt may support returns on investment, others – more in line with our results – show that in many cases debt can drag a company down and limit its potential for growth.

The Bocconi study did not just examine a sample of companies, but all Italian companies with turnover exceeding € 20 million, (i.e. around 17,000 companies). It looked at their performance over the last five years, a period of particular macroeconomic and overall trends that we considered extremely significant for our research.

They found that high use of leverage almost always had a negative impact on

company development. This said, when a private equity fund enters a company's capital, better business development and more financial and managerial advantages are possible.

Italy has a socioeconomic structure mainly formed of SMEs, which are often family run. What role do you think private equity could play in developing these companies, which often represent quality at an international level?

For Italy, family businesses are a genuine resource and it is no mere coincidence that the companies associated with Made in Italy are almost all family run. In our opinion, we currently lack an awareness that family management is not always best for taking the company to the next stage.

While it is true that the company's vision comes from the individual who established it and made it successful, it is also true that in order to take a big step forward, a business cannot be solely entrusted to managers within the family.

Bocconi research reviewed around 17,000 Italian companies with turnover exceeding € 20 million



Considering the know-how, relationships and added value that a private equity fund can offer a company, its governance and development strategy, we understand how essential it is for many companies to have access to the financial resources, expertise and skill that a PE fund brings to the table. This is something that cannot always be found within a family.

The study found a negative relationship between initial debt and company performance. But what happens when private equity is used as a financing tool?

Our study examined various profitability and growth indicators in terms of revenue, but it also looked at growth in relation to tangible and intangible assets, including any M&A transactions.

The data clearly showed the inversely proportional relationship between an increase in debt and company performance, a relationship which becomes stronger if companies start out with a high level of debt.

We also analysed 380 companies involved in private equity operations over the last decade, with majority and minority interests, and private equity clearly offered a significant boost to growth. In this case, there was a direct relationship: the greater the contribution from the fund, the more rapid the increase in company performance.

We hear more and more often about how we need to support an "equity culture", which almost seems to emphasise that Italy is not ready or has not yet fully understood the potential of this tool, yet many investors are looking at our country and its businesses with a great deal of interest. What do you think should be done and what can funds like FSI and institutions like Bocconi University do to spread this culture?

The topic of financial culture has always been around, especially in Italy. Equity should not be seen as a taboo and companies and institutions need to understand that opening up to investment capital can translate into added value.

Funds and universities can help promote this understanding, because in our current economic situation neglecting growth means impeding the survival of many companies.

Creating an "equity culture" means teaching business owners that a company is independent from the family that owns it and that having full control over the company often does not make for the best management. We need to remember that a good company has the best capital and the best managers, regardless of the family who owns it.

The company's welfare needs to be the priority and this, in my opinion, is what "equity culture" means. It is an understanding that ownership means rights and responsibilities, above all acting to ensure that the company develops and gets stronger over time.

Basically, when we say that being open to capital is good for companies, I believe that this means that companies need to develop independently from those who control them.

We also should not forget that a "profit culture" needs to be fostered because sometimes little attention is paid to return on investment in companies, which in my opinion is fundamental for evaluating the quality of past decisions and making better ones in the future.

Funds can play a key role in supporting families with developing their companies, setting an example for the next generation of managers who will benefit from a more comprehensive business and investment management education.



SDA Bocconi Campus in Milan

The role of private equity in a sustainable transition

**Prof. Fabio Iraldo, Prof. Roberto Barontini,
Prof. Francesco Testa and Prof. Jonathan Taglialatela**
Sant'Anna School of Advanced Studies - Pisa

The study carried out by the Sant'Anna School on a panel of around 6,000 companies, analysing a 15-year time-frame, looked at the existing relationship between a company's capital and its ESG performance. The study also analysed changes in the ESG performance of companies involved in M&A transactions.

According to your study, what is the relationship between the various forms of financing and ESG performance?

The research we conducted showed that companies with a lower percentage of debt in their capital structure achieved the best sustainability performance. So we saw a negative correlation between high levels of financial leverage and performance of aggregated and disaggregated ESG parameters.

Specifically from an environmental standpoint, companies with higher financial leverage seemed to be responsible for more carbon dioxide emissions, were less efficient in their use of natural resources and less oriented towards developing innovations to protect the environment.

Analysis of the social aspect suggested a similar trend, showing that companies with high financial leverage tended to show lower commitment to the community and employee well-being. In terms of governance, more indebted companies achieved lower results in terms of implementing best practices and adopting CSR policies.



- It is widely recognised that each kind of financing has different benefits and issues.
- There is a need to investigate the relationship between certain types of financing and the sustainable and financial performance of companies.



L-R: Giulio Rodinò di Miglione, Virginia Fortunato and Giulio Carminati

We are increasingly hearing that the financial world must look at the ecological transition and provide tools capable of supporting companies in the change. In this sense, what role should finance play in development?

Nowadays, finance must serve as a guide for sustainable, environmental and social development and we cannot focus on return on investment in economic terms alone. Finance can make a wider contribution to the business world during the environmental transition. Such a contribution would range from proper management of environmental resources to improving working conditions, with active governance models and long-term perspectives. In this sense, financial instruments must be chosen and structured to support this transition and become a genuine "opportunity multiplier".

The second part of your study found that companies improved their ESG performance after being the target of M&A transactions. Why do you think this is?

Our results were very interesting. The improvement in ESG performance of companies involved in M&A was more significant if the investment was made by a financial investor, such as a private equity fund, and even more beneficial if the investor was from the same country as the target.

Our interpretation is that the entry of a financial sector investor can significantly improve the company's strategic vision, especially when done in partnership and cultural harmony with the other shareholders. A venture capital investor aims to create financial value, which, as is now evident, is also generated by an improvement in ESG indicators with a clear advantage for all stakeholders.

The study by the Sant'Anna School also highlighted the importance of Corporate Social Responsibility for investors and how much ESG topics have become fundamental when selecting investment methods. Is the Italian business fabric mature enough to incorporate these topics into companies and improve their business profile?

Finance today must assume a social role and guide the change by nurturing, developing and supporting business owners. We believe finance needs to guide the market and recovery with a long-term perspective. It is also essential to work with companies that genuinely want to develop in an ethical and sustainable manner, with immense untapped potential and a focus on long-term returns.

Many companies are ready to take advantage of these changes and we must seek them out, while offering financial instruments to help them make the leap forward they deserve but that they are unable to make alone.

From where we are standing, Italian companies are ready and looking with great interest at the new opportunities offered by more mature finance, which understands the meaning of CSR. Through the two worlds – business and finance – this change really could be a revolution in the way we understand a company's development.

Overview of results

Finding 1: Profitability, ESG and financial leverage

Moderate/no leverage often means better:

Overall ESG performance	Financial performance
 Environmental Emissions Eco-efficiency Eco-innovation Climate change	 Financial EBIT/Total assets EBIT/Revenues Sales Growth Market-to-book value
 Social Community Human Rights Product Responsibility Workforce	 Governance Management CSR practices

Finding 2: Profitability and ESG after M&A

After a significant stake is acquired in an M&A transaction, the target's ESG performance improves when:

 The investor/buyer is domestic rather than foreign	 The stake acquired is higher (>15%)	 The investor/buyer operates in the financial services sector
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A photograph of a fountain in a garden. The fountain is circular with a stone base and a marble top. A child is walking away from the fountain towards the left. Another child is standing near the edge of the fountain. A third child is walking away from the fountain towards the right. The garden has gravel paths and green hedges.

CHAPTER

TWO

FSI's
contribution
to the 2030
Agenda

Developing business models to accelerate a sustainable future

Climate change, deforestation, biodiversity, human rights, inclusion, corruption and transparent tax strategies are all aspects that must be taken into account when considering business sustainability, because they all impact investment activities in some way.

By identifying and measuring the impact and repercussions of these aspects on our environment, it is possible to develop business models focused on constructing a more sustainable future.

The European regulatory framework promotes the adoption of regulations to implement the aims of the Paris Agreement and the European Commission's Action Plan on Sustainable Finance. These actions globally ensure the responsible use of environmental resources and respect for humanity.

Since it was established, FSI has invested in sustainable business development, contributing to its portfolio's responsible growth.

When a materiality analysis was conducted to identify the most significant areas for FSI's activities and portfolio, material topics were pinpointed and grouped by area (environment, social, governance) to define a list of priority areas. The company monitors these priorities, measuring its ESG performance in light of socioeconomic and market impact.

FSI measures its contribution to the Sustainable Development Goals of the UN Agenda 2030.

In 2020 FSI's commitment included the introduction of an ESG Ambassador to its organisational structure, a position dedicated to creating sustainability processes and developing new projects to improve ESG performance. In compliance with the disclosure requirements set out in the SFDR⁶, all information about investment sustainability and transparency was published on FSI's website and its internal procedures were updated.

A major training project was also undertaken for the employees of FSI and its portfolio. As a signatory of the United Nations' Principles for Responsible Investment (UNPRI), FSI has strengthened its commitment to promoting and respecting these principles by preparing the 2021 PRI Report.

In this ESG Impact Report 2020, FSI analyses its strengths and areas for improvement, measuring its environmental, social and governance performance of its own structure and portfolio. The 2020 performance serves as a starting point for further development, with FSI promoting and enforcing new processes and methodologies to effectively manage the risks and, above all, the opportunities of sustainable growth.



L-R: Irina Petre and Anna Venturini

⁶. Sustainable Finance Disclosure Regulation: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Material sustainability areas

Sustainable development strategies and performance

A materiality analysis was carried out in accordance with the most important international standards⁷ and allowed FSI to identify key topics to take into account when defining material internal management policies, as well as those for its portfolio companies.

Thanks to benchmark analysis, an assessment of the main principles proposed by the standards and an examination of the reference framework for sustainability performance reporting, it was possible to identify the key sustainability areas discussed in the FSI ESG Impact Report 2020.

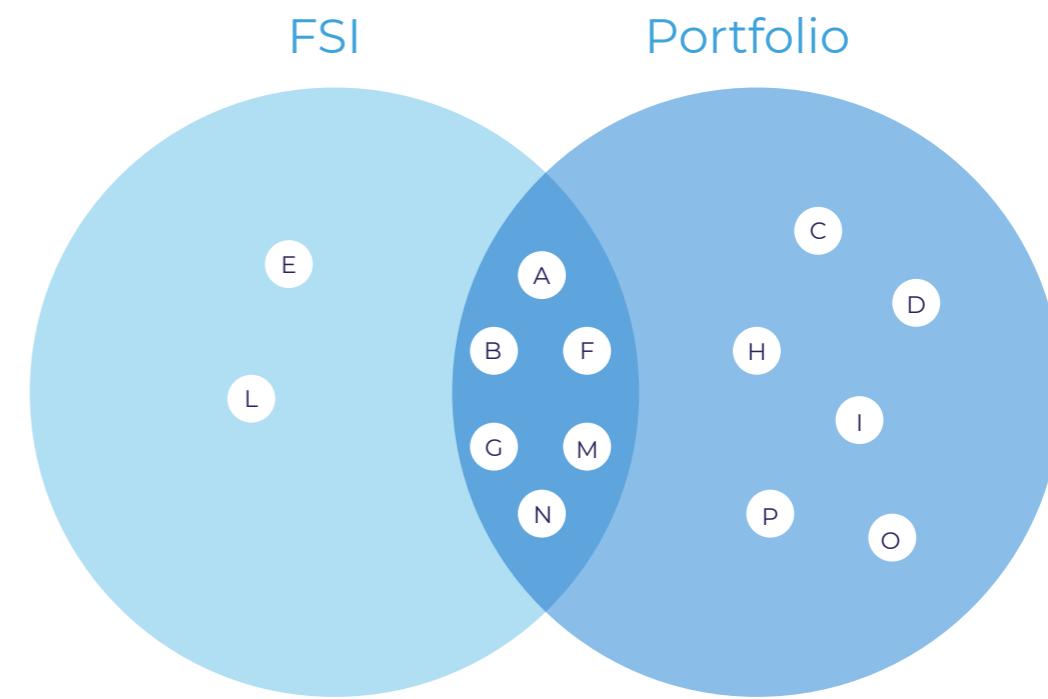
To complete the process, several stakeholders were involved. The FSI management teams, its portfolio companies and main investors were all called upon to assess the topics deemed potentially material on the basis of their relevance for FSI or its portfolio.

The topics identified made it possible to precisely measure the sustainability performance of the portfolio companies and monitor trends during the investment period.

This meant that FSI could devise, alongside its investees, the best strategies for sustainable development based on a continuous improvement approach.



Material topics identified through the materiality analysis



FSI material topics	FSI & Portfolio Companies	Portfolio material topics
E Community relations and philanthropy	A Energy use and GHG emissions	C Management of waste and hazardous materials
L Independence in the governing bodies	B Management of water use	D Impact on the ecosystem and biodiversity
	F Training and development	H Human rights
	G Employee health and safety	I Customer safety
	M Diversity, inclusion and non-discrimination	O Systemic risk management and business resilience
	N Business ethics, integrity and transparency	P Responsible supply chain management

7. Global Reporting Initiative (GRI); Sustainability Accounting Standards Board (SASB); World Economic Forum (WEF); main sector regulations (specifically those established in Italian Legislative Decree 254/2016).

Corporate Governance

Roles, functions and processes

Strong relationships with stakeholders and transparent, continuous communication are only some of FSI's assets. FSI has always played an active role in building solid and lasting relationships, allowing the company to be recognised and appreciated on international markets.

The effects of good governance are clear in the mechanisms used to prevent, identify and manage risk. FSI has developed fundamental operating processes that allow for the sustainable development of businesses in its reference sectors.

With this in mind, the portfolio is encouraged to actively embrace sustainability by integrating it into daily activities and implementing ESG corporate governance systems.

The ESG Committee promotes projects and spreads sustainability awareness.

It plays a fundamental role in sustainability governance as it is responsible for assessing ESG initiative performance and supervising the entire sustainability reporting process (Sustainability Report, UNPRI Report). Accordingly, in 2020 the ESG Committee met six times.

As mentioned above, FSI has also appointed an ESG Ambassador, who is responsible for formulating, developing and proposing to the Committee the corporate sustainability strategy to be implemented at all stages of the investment process. The Ambassador supports portfolio companies management in the transition towards more sustainable initiatives, coordinating activities and raising the awareness on a sustainability culture.

Finally, the governance structure includes the Investment Team and the Investment Committee, whose main task is to implement the responsible investment strategy and supervise the various stages of the investment process.

These functions rely on support from the International Investor Relations and PR areas, the Risk Management Structure and the Compliance and Anti-Money Laundering Structure.

Leading the organisation, the Board of Directors plays a strategic and supervisory role, leading responsible investment strategies and guiding the company's ESG decisions.

The Board of Directors approves the annual Sustainability Reports by communicating with the Committee and coordinates with the Investment Team before approving new investment opportunities.



The Board of Directors has 5 members⁸, one of whom is independent.



of the members of the FSI Board of Directors are between 31 and 50 years old.

Different generational views



provides added value

Updating our sustainability policies

The importance of process in sustainability policies

While implementing the requirements of the SFDR⁹, FSI has added to and strengthened its governance structure by updating its internal processes and adapting its sustainability policies.

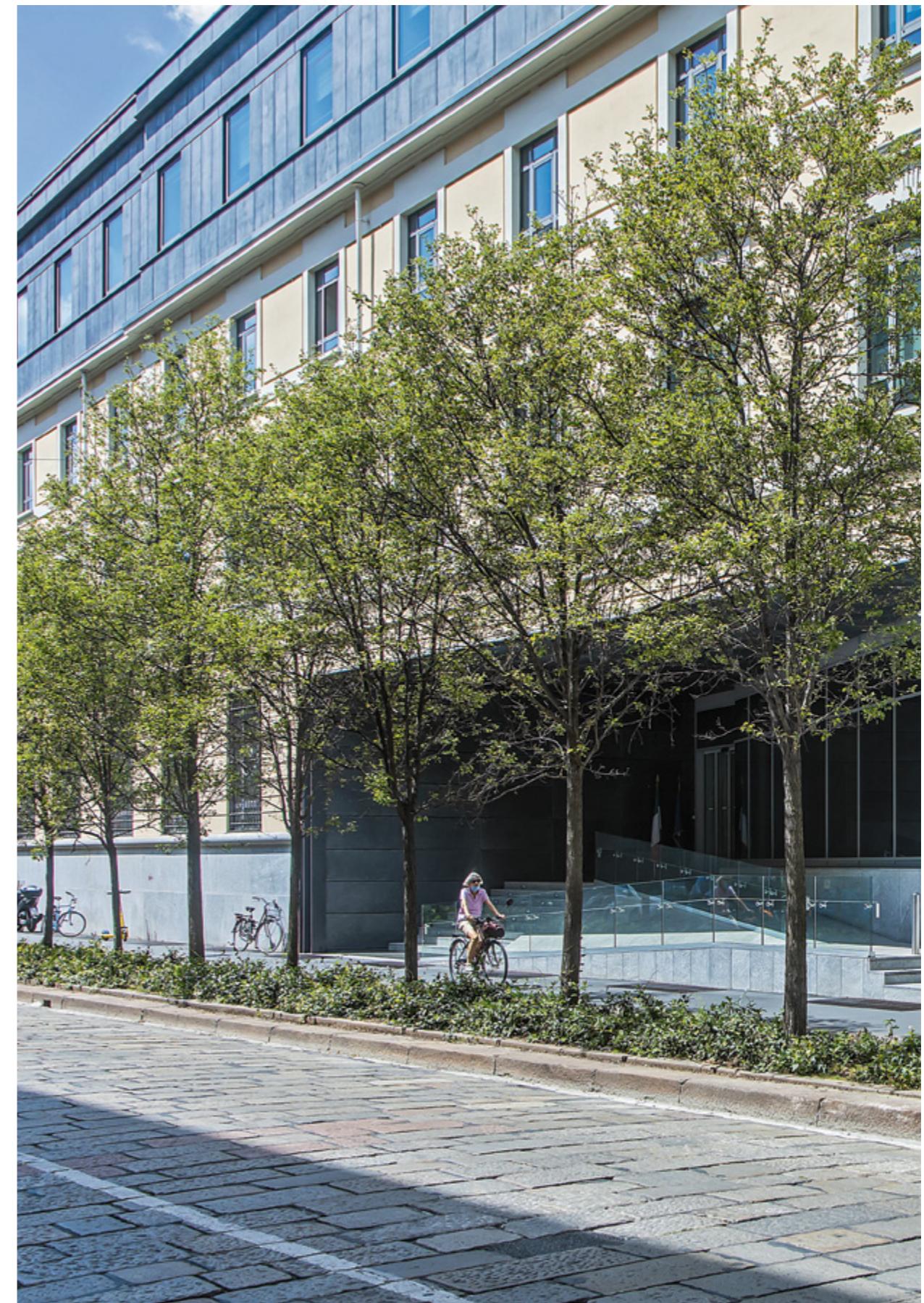
The company has also strengthened its internal regulations to prevent risk related to investment decision-making processes. FSI's internal regulations oversee sustainability objectives and remuneration policies and establish rules for due diligence policies in relation to the negative impact of investment decisions on sustainability factors. They take into account not just the size of the organisation, but also the nature and types of financial products available.

FSI also believes that, among other things, the inclusion of sustainability objectives in remuneration schemes is a focal point of ESG Governance. Please refer to the section "Information on sustainability in the financial services sector" (p.118-119) for more details.

8. The structure refers to the current composition, in force from July 2021.

9. Sustainable Finance Disclosure Regulation: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Our Governance



FSI head office in Milan

Ethics and business integrity

Sustainability values

Ethics, business integrity and transparency are the basic values that underpin FSI's Corporate Governance. These concepts are reiterated in the company's Code of Ethics and disclose the actions taken by its representatives at all levels.

The Code of Ethics forms an integral part of the Organisational, Management and Control Model adopted in compliance with Italian Legislative Decree no. 231/2001, which, among other things, provides for a Supervisory Body to ensure proper application of the Model.

FSI has developed Whistleblowing Guidelines to manage unlawful behaviour while protecting whistleblowers.

The Whistleblowing Guidelines govern the following aspects:



whistleblowing notices
(including to supervisory authorities)



how to process notifications
by FSI



how to verify and manage
the results of these notifications



measures to protect
whistleblowers

Lastly, the Anti-Money Laundering Policy guarantees the utmost correctness of business conduct to avoid the risks of corruption and money laundering. These effective procedures are shared with the entire organisation and monitored by the Compliance and Anti-Money Laundering department.

No cases of corruption
were confirmed
in 2018, 2019 and 2020



In 2020
and the previous
two years



100%
of employees and
directors



received training in
anti-money laundering
and corruption.

People: the central role of human capital

Human resources are the real strength and key to success for every company

Human capital is one of FSI's main assets and is central to its business strategy.

To make the most of its resources, FSI has developed a process that aims to attract talent and develop professional skills, from recruitment and selection to training and continuous professional development.

**Meritocracy and equal opportunity are fundamental.
No discrimination is allowed.**

FSI's employees mainly arrive with experience in the Italian and international banking, financial and private equity sectors and acquire a high level of specialisation in their respective areas of work, while maintaining the ability to work as a team by sharing goals and objectives.

It is this ability to work together towards common goals that makes it possible to maintain a corporate climate of mutual respect, dignity and pride. Everyone is called upon to ensure that the work environment is always calm, positive and proactive.

Occupational health and safety

Safety at work is a one of the core aspects of sustainability

Maintaining a healthy and safe workplace does not merely involve complying with the provisions of Italian Legislative Decree 81/08. Preventing occupational risks and supporting well-being at work is also a sustainability goal of great importance.

FSI promotes a culture of safety by training staff to comply with internal and external rules and encouraging full awareness.

A safe and inclusive work environment allows employees to feel protected and at ease, in a way that improves professional performance and strengthens the team.

It is partly for this reason that in 2020 a COVID Committee was established to guarantee full assistance to all employees and specific training on risks of infection and preventive measures.

In 2020 there were zero workplace injuries.

As per current regulations,
FSI has adopted a
"COVID-19 Protocol".



Diversity and inclusion

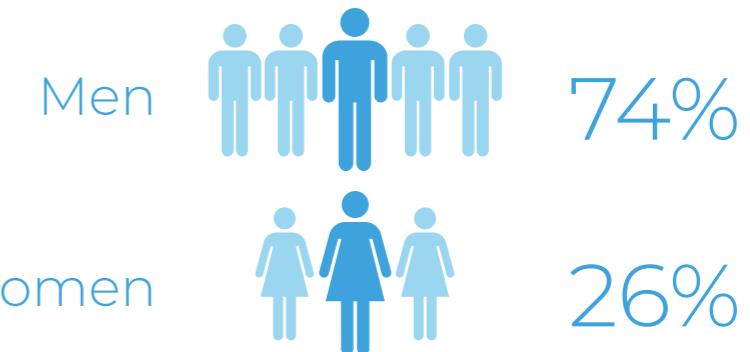
Being inclusive and protecting diversity makes it possible to draw from different experiences and increase the value of human capital

FSI explains this idea in great detail in its Code of Ethics and Guidelines to Prevent and Combat Discrimination, Bullying and Harassment. In addition to those set out in said documents, FSI adopts all useful tools to increase empathy and promote diversity in the workplace.

The Code of Ethics and the Guidelines, approved by the Board of Directors and shared with the entire organisation, ensure rigorous compliance with regulatory provisions and the Compliance and Anti-Money Laundering Structure.

Respect for diversity
is guaranteed when individuals
are allowed to develop
their specific skills during
their day-to-day activities.

FSI Staff 2020



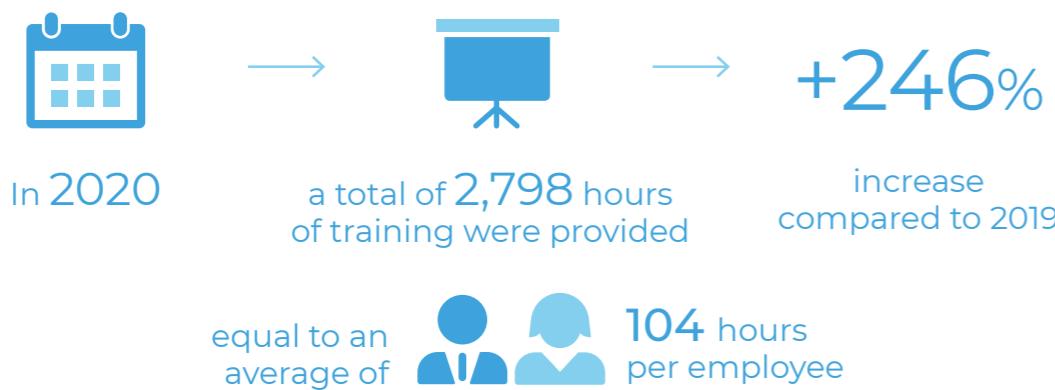
The ability to build solid long-term relationships is extremely important for FSI. It is no coincidence that 96% of employees have permanent contracts. This is a significant example of the company's strong desire to generate value for all stakeholders, including its staff.

Employee engagement and skills development

Professionalism, skills and preparation are qualities recognised and supported through training and coaching

Being able to count on prepared, up-to-date and competent professionals means being able to effectively respond to market requirements and face new global challenges successfully.

FSI is well aware of this and has developed an Annual Training Plan which contains planned training hours, material topics, the company departments involved and pre-established objectives. These activities are monitored by Human Resources manager, who guarantees that the training plan is carried out properly and that feedback is collected.



Training is one of the activities that FSI focused on during the pandemic. Workshops, tutoring and coaching were streamed, taking full advantage of the opportunities of working remotely. This offered a way to increase managerial skills and employees' technical skills, as well as strengthen relationships and communication between various levels of the company.

In 2020 FSI organised a cycle of seminars on sustainable development and the sustainable transition to raise awareness among the team and all staff in relation to ESG topics.

Additionally, in the first few months of 2021, FSI began a training programme consisting of ten sustainability workshops created around the ESG topics deemed most material by the materiality analysis.

Sustainability workshops



non-financial reporting and current trends



sustainable finance



the main characteristics of ESG ratings



climate change and decarbonisation strategies



occupational health and safety



risk management and the creation of Enterprise Risk Management (ERM)



diversity and inclusion



circular economy



sustainable supply chain management

The sustainability workshops were provided to the FSI team as well as all portfolio companies to increase awareness of ESG topics and knowledge of the various ESG material areas of interest.

Training is not the only thing that makes a difference at FSI. All employees are asked to rate their workplace satisfaction and provide feedback, which is then collected and analysed by Human Resources that guarantee, as well as by the individual department managers. The feedback is then reported on in the Annual Review.

Employee engagement, together with a continuous and reciprocal exchange of information and teamwork, makes it possible to maintain a cooperative working environment which led the company to report a turnover of 11% in 2020¹⁰, with only 3 employees leaving the company.

To support employee engagement during the COVID-19 pandemic, FSI undertook an external audit to identify and improve a few organisational best practices.

The Chairman, Industrial Partners, and the employees were individually interviewed by an external consultant to understand how to improve the organisational processes and keep employee satisfaction high.

Employees were involved in many activities in 2020. Everyone had the chance to take part in projects to promote mutual understanding, provide support and enhance employee well-being at a time when the pandemic had interrupted many social opportunities.

In this way, the remote style of working which began at the start of the lockdown was not an obstacle to the flow of information or work, but rather an opportunity for improvement, communication and personal growth.



L-R: Giulio Rodinò di Miglione, Monica Onofri and Nannj Longo

¹⁰This percentage was calculated considering the ratio of employees leaving the company in 2020 and the total number of employees at 31.12.2020.

2020 activities included:

	counselling service		training webinars
	online yoga lessons		a COVID-19 health insurance policy
	review of the welfare plan		agreement with the Italian Institute for Auxology to administer blood and swab tests covered by the company
	specific continuing education courses		flu vaccines

Also during lockdown, FSI organised weekly video conference seminars to keep employees up to date on professional activities and ensure coordination with senior management.

100% of FSI employees receive periodic performance evaluations to ensure continuing professional development and boost personal motivation. Growth of human capital is always a key objective of internal management policies.

Counselling and support for employees

In recent months, FSI's IT department launched a survey to identify potential areas of improvement with the aim of ensuring a safe and secure transition to remote working when needed. Additionally, to promote greater awareness of the health emergency among employees, FSI implemented a few initiatives to educate staff through "guided listening" processes (climate and smart working project surveys during the pandemic).

A remote counselling service "Parlamone" [Let's talk about it] has also been launched for employees who need support with difficult or potentially difficult situations, or want to improve their personal resilience.

This special tool was implemented by FSI to:



improve the psychological/relationship well-being of its employees at home and in the workplace by effectively dealing with issues and/or difficulties



strengthen useful skills for complex periods of life



improve self-awareness, resilience and problem solving, by learning to deal with the continuous and unforeseeable changes in professional and personal life



support the sharing of a company culture that values active listening and care



strengthen organisational links and relationships where deemed fit



take action, including at corporate level, to respond to organisational needs and help employees to understand the context in which those needs arise



constantly, systematically, promptly and preventively monitor the most concerning topics such as work-related stress, in order to facilitate the implementation of training and/or organisational response measures

FSI also organised periodic webinars on material topics such as stress and anxiety management, dealing with panic and fear about the health emergency and the future, digital well-being and appropriate behaviour when returning to the office. Weekly yoga lessons were also offered, which employees could attend remotely. FSI launched a care-giving service to assist employees with balancing family and professional needs. The company has always believed in the importance of guaranteeing the right conditions for individuals to express their personal potential and create shared value. FSI is aware that family well-being is very important in this sense.

Lastly, in 2020, in compliance with the provisions of its Remuneration and Incentive Policy, FSI instituted a Welfare Plan for certain categories of employees. The plan has social use, helps to increase employee loyalty and promotes a healthy work-life balance. It differs from ordinary remuneration and/or incentive plans in that it is not directly linked to employee performance. The services offered to FSI employees and their family members include financial support for education, care-giving, transport, recreational and cultural activities and insurance policies. FSI's heightened concern for the well-being of its employees during the health emergency resulted in additional measures such as transferable work time credit, the conversion of the nursery contribution into a "childcare voucher", the drafting of a COVID-19 policy for all employees and a free swab test service offered through the Auxology Institute of Milan.



L-R: Simone Terenzi and Simone Perga

FSI and the community: sharing the value created

Social commitment and sharing value with the community

Philanthropy is not the only thing that guides FSI's actions in local communities, but a genuine social commitment and representation of the shared values of responsible growth and sustainability.

As open and constructive dialogue is maintained in the communities where the company operates directly and indirectly through its portfolio companies, these values are brought to life via support for organisations and associations working in local communities and support for business owners and skills development.

In 2020 FSI donated €1 million
in sponsorships and other
contributions to the community.

It is no coincidence that FSI's social projects complement its investment activity by focusing on the main Italian businesses. For FSI, both these capital flows contribute to developing and supporting the Italian economic system.

Community and social inclusion projects

FSI promotes a range of initiatives aimed at developing relationships with local communities and actively collaborates with institutions, not-for-profit organisations, associations, schools and universities.

Among the partnerships aimed at creating value for the most vulnerable communities and individuals, FSI supports initiatives by the Fondazione Francesca Rava by joining its efforts to provide tangible assistance in the fight against COVID-19.



FSI contributed to the creation of an intensive care unit at the Policlinico of Milan, fitted with all necessary equipment. Thanks in part to volunteer work provided by FSI's employees as part of the 'SOS Spesa' project, the company helped assist those who were unable to purchase basic needs during the pandemic. This project saw FSI's employees preparing and distributing food parcels, as well as delivering groceries to the elderly.



Other philanthropic projects carried out by FSI in partnership with the Fondazione Francesca Rava in 2020 include the '2020 Easter Campaign', developed in cooperation with Bauli/Motta, the *'Noi non siamo indifferenti, noi facciamo la differenza'* [We are not indifferent. We make a difference] programme – supporting families in need in various Italian cities.

In 2020 FSI and Fondazione Francesca Rava also launched a corporate volunteering programme in partnership with Cooperativa Onlus Tempo per l'infanzia, a not-for-profit organisation that has promoted the social integration of citizens for over 30 years by managing social, healthcare and education services. The programme aimed to improve the well-being and positive development of children.

Caritas Ambrosiana, which, through the Fondo San Giuseppe, supports individuals who lost their job due to the pandemic and face financial and social difficulty.

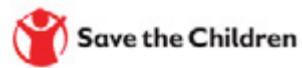
In 2020 FSI supported the Prevention Means Living - FSI Mobile Clinic project for LILT Milano Monza Brianza, aimed at facilitating the early diagnosis of oncological problems for socially and financially underprivileged citizens who may be less aware of cancer prevention.

FSI also supports the Wamba Association, which provides social and healthcare assistance to children with SMA (spinal muscular atrophy) and their families.



2020 Easter Campaign sponsorship, Pasqua Solidale at "Cooperativa tempo per l'infanzia", Milan

Thanks to the company's contribution, several families were given devices that allowed their children to reduce learning loss to a minimum through online education and frequent communication with their classmates.



FSI also participated in the special Save The Children project Non da soli [Not Alone], an extraordinary programme during the covid emergency, dedicated to disadvantaged children and teenagers.



Last but not least, FSI has chosen to support the Milan-based start-up that developed the PC4U.tech platform, a meeting place for public and private entities looking to donate devices for remote learning (PCs or tablets) and underprivileged students who are in need of these devices but are unable to purchase them. The young managers were awarded the 2020 Alfieri del Lavoro Prize for the quality and effectiveness of their project.



Projects with universities, schools and local institutions

FSI strongly believes that its commitment to a sustainable economy requires close collaboration with universities and research institutions. For this reason, over the years it has implemented a number of important cooperative projects, including those with Bocconi University, the Fondazione Politecnico di Milano and PoliHub.

FSI has an important project under way with Bocconi University to support young promising students during their time at university, with the goal of turning their talent into shared value.

Thanks to the three-year partial exoneration programme, FSI allows two students to enrol in a programme at Bocconi, rewarding their commitment and supporting the development of their potential regardless of their financial situation.

The partnerships with the Fondazione Politecnico di Milano and PoliHub were established to support future young entrepreneurs and grant visibility to high-potential, innovative start-ups with the ability to incorporate the principles of sustainable development into their business models.



Research and innovation create lasting value when the genius, talent and uniqueness of individuals are respected. From this standpoint, PoliHub and FSI perfectly complement one another in their respective roles as incubator of the Fondazione and external investor.

As a community partner of PoliHub, FSI also sponsors a minimum of 5 calls for ideas for specialisations, that will receive full support in the initial development stage.

Thanks to its investment experience and business knowledge, FSI will support these projects, examining their potential and working side by side with the companies' management teams in order to create those synergies that enhance skills and opportunities and implement cross-pollination processes between start-ups, companies and universities. This is the most effective way to successfully enter the market and support young talent.

Associations



FSI also works with associations and for some time has supported AIDAF - Italian Family Business, as well as the 'AIDAF EY Chair in Strategic Management of Family-Owned Businesses' established in memory of Alberto Falck at Bocconi University in Milan. Hosted by Professor Guido Corbetta, it is the only high-quality training hub in Italy focused on promoting the economic and social significance of family-owned businesses.

Additionally, FSI has always collaborated with AIFI, an association established to develop, coordinate and represent at an institutional level all Italian parties working in private equity and venture capital. AIFI members include financial, management and advisory companies for closed-end Italian and international funds, Italian and international banks with private equity divisions, regional financial companies and public companies interested in creating and developing entrepreneurial activity. Some FSI professionals contribute their experience and input to the association.



FSI also cooperates with AmCham Italy, a not-for-profit organisation founded in Milan on 13 April, 1915. It aims to develop and foster economic and cultural relations between the United States of America and Italy and to protect its members' interests in the context of business between the two countries. AmCham serves as the main interlocutor in business development in the United States. To this end, it regularly organises meetings and conferences with leading international decision-makers. Through its advocacy work, it offers member enterprises an insider route to communicate directly with senior representatives of Italian and American political and economic institutions.

Environmental responsibility

Sustainability means environmental resources, biodiversity and people

FSI has identified its environmental footprint and focuses on saving energy and promoting environmental protection among its stakeholders.

The company applies the principles of sustainable development within its organisation and in daily office life, starting with electricity use, CO₂ emissions and the management of water resources.

In 2020 the company's total energy use was approximately 860 GJ, a slight increase since 2019 (738 GJ). This is a consequence of the pandemic, especially when it comes to direct energy consumption. The need to contain the spread of COVID-19 led many to opt for private rather than public transport. Accordingly, the company fleet was enlarged and there was an increase in energy use. However, thanks to this measure, FSI's employees were able to travel safely to and from work while minimising the risk of infection.

The related impact in terms of CO₂ emissions was around 62 tonnes of CO₂e, slightly higher than the 53.8 tonnes of CO₂e in 2019.

LED lights are used in all FSI offices. An effective and smart way to save energy is by using motion detectors to switch lights on and off.

Lastly, specific operating policies were developed for "Travel and Transfers" and "Assignment of Company Cars", which, after the health emergency, encourage employees and professionals to opt for public transport when travelling and call for the use of hybrid vehicles in the company fleet.

In 2020 total water consumption was around 251 m³, mostly for hygiene/sewage purposes. FSI promotes water saving among its employees and collaborators, who are prompted to use this resource responsibly.

860 GJ
of energy

62 tonnes
of CO₂e



Responsible investment strategy

Ethics, commitment and values for responsible investment

The Code of Ethics, ESG Policy (ESG Guidelines) and internal regulations have become projects and programmes shared among managers and drivers of responsible governance that combine financial analysis with environmental, social and governance analysis and determine organised, medium- to long-term investment strategies.

In the last year and a half, FSI has updated and implemented its ESG Policy, adding and emphasising sustainability factors that guide responsible investment and paying special attention to ESG criteria that must be taken into account at every stage of investment.

Environmental, social and governance criteria are not only applied to the pre-investment stage, through negative screening, identification of adverse impacts investment decisions on sustainability factors and ESG due diligence, but they continue throughout all other stages of investment.



L-R: Giulio Rodinò di Miglione, Simone Terenzi, Simone Perga and Nannj Longo

The scope for these decisions is the significant involvement of portfolio company management teams in all management processes and in the periodic monitoring of sustainability performance, evaluated using specific indicators. The methodology adopted is effective at measuring and managing all investment stages, from the initial step of entering a fund through to the delicate process of withdrawing the investment.

Constant analysis of the socioeconomic impact generated in the investment stage allows FSI to actively contribute to defining the strategies that companies may adopt in their sustainable development journey.

The ESG Committee, Investment Team and ESG Ambassador constantly ensure proper integration of sustainability criteria and guarantees close communication with the portfolio companies.

Pre-investment



Negative screening: exclusion of sectors and businesses that are controversial in terms of ESG

ESG integration: identification and assessment of negative effects on sustainability and the execution of ESG due diligence

Post-investment



ESG engagement: engagement with portfolio companies, ESG training

Monitoring: periodic monitoring of ESG performance, in relation to adverse impacts of investment decisions on sustainability factors

Divestment



ESG impact: evaluation of the socioeconomic impact generated through divestment from share capital and analysis of future ESG strategies

ESG Framework

Sustainability outcomes

Investment decisions can lead to positive or negative outcomes for the environment and society. Topics like climate change, human rights abuse and a lack of respect for diversity can seriously compromise the long-term performance of economies, while simultaneously putting investor returns at risk.

Consumer, government and regulator expectations have changed significantly with regard to the ways in which investors should make investment decisions. In particular, the urgency to achieve the United Nations goals for the Agenda 2030 has become ever more compelling, especially after the spread of the COVID-19 pandemic. The Sustainable Development Goals (SDGs) have been recognised as a global guide “to ensure no one is left behind”.

To make sure that the SDGs are achieved, investors must understand how to increase the positive outcomes and decrease the negative outcomes generated by their actions.

Aware of its role within the Italian private equity market, FSI uses its responsible investment strategy to identify its sustainability outcomes through a materiality analysis.

In terms of positive outcomes, FSI's ESG strategy seeks to contribute to the Sustainable Development Goals (SDGs) of the UN Agenda 2030, with a particular focus on:



In terms of negative outcomes and taking due account of its size, the nature and scope of its activities and the type of products offered, FSI implements due diligence policies to identify and assess the main adverse impacts on environmental and social sustainability that its investment decisions could create. FSI identifies potential adverse impacts on sustainability using a materiality analysis of its investment portfolio.

FSI works to influence sustainability outcomes with the objective of improving its own sustainability performance and that of the companies in its portfolio.

To this end, it monitors ESG performance using specific indicators, providing ESG training to its own employees and those of its portfolio companies and commits to policy-maker engagement.



Lilt, Mobile Clinic Center supported by FSI

Impact on SDGs

FSI's ESG strategy contributes to the Sustainable Development Goals (SDGs) of the UN Agenda 2030. To this end, an assessment is given below of a number of KPIs associated with SDGs 5, 7, 8, 12 and 13¹¹.

As previously mentioned, being it the second FSI ESG Report, reporting maturity does not allow to evaluate significant trends, as it would allow comparison only between two fiscal years. Due also to the fact that recent performance might be biased by Covid-19 effects, the following figures relate to the ESG performed of reporting year. FSI is committed to analyze and report main trends in ESG performance in the following reporting documents.



11. ESG performance of the companies Cedacri, Lumson, Kedrion and Missoni.

Socioeconomic impact of FSI's portfolio

For the second year in a row, FSI uses a Model to measure the impact of its investment decisions. This Model, which estimates the socioeconomic impact on the country system in terms of contribution to Added Value created (Gross Domestic Product, GDP) and employment in Italy, considers the impact on the basis of the "ownership" criterion, which uses values calculated in proportion to FSI's shareholding in each portfolio company.

The impact categories confirm that FSI is capable of generating wealth and employment not only through its business activities, but also through its investments in companies that have their own production chain, allowing for the creation of value and positive externalities, including through the involvement of local supply chain operations.

As for the economic impact on the country system, and more specifically on the Added Value (GDP) created in Italy, in 2020 the economic activities of the portfolio companies generated direct, indirect and induced impact on the national economy amounting to a total of € 236 million in Added Value (GDP) created. This value represents around 0.013% of Italy's GDP¹².

€ 236 million	→ € 114.6 million direct impact	In 2020 the portfolio companies created
	→ € 121.6 million indirect and induced impact	€ 546 thousand of Added Value (GDP) per €1 million invested by FSI

In addition to the economic impact, FSI has also generated direct, indirect and induced impact on employment through its investment activity. In 2020, every €1 million invested by FSI led to the employment of around 7 people within the Italian economy. This impact takes into account employees of portfolio companies and their respective supply chains.

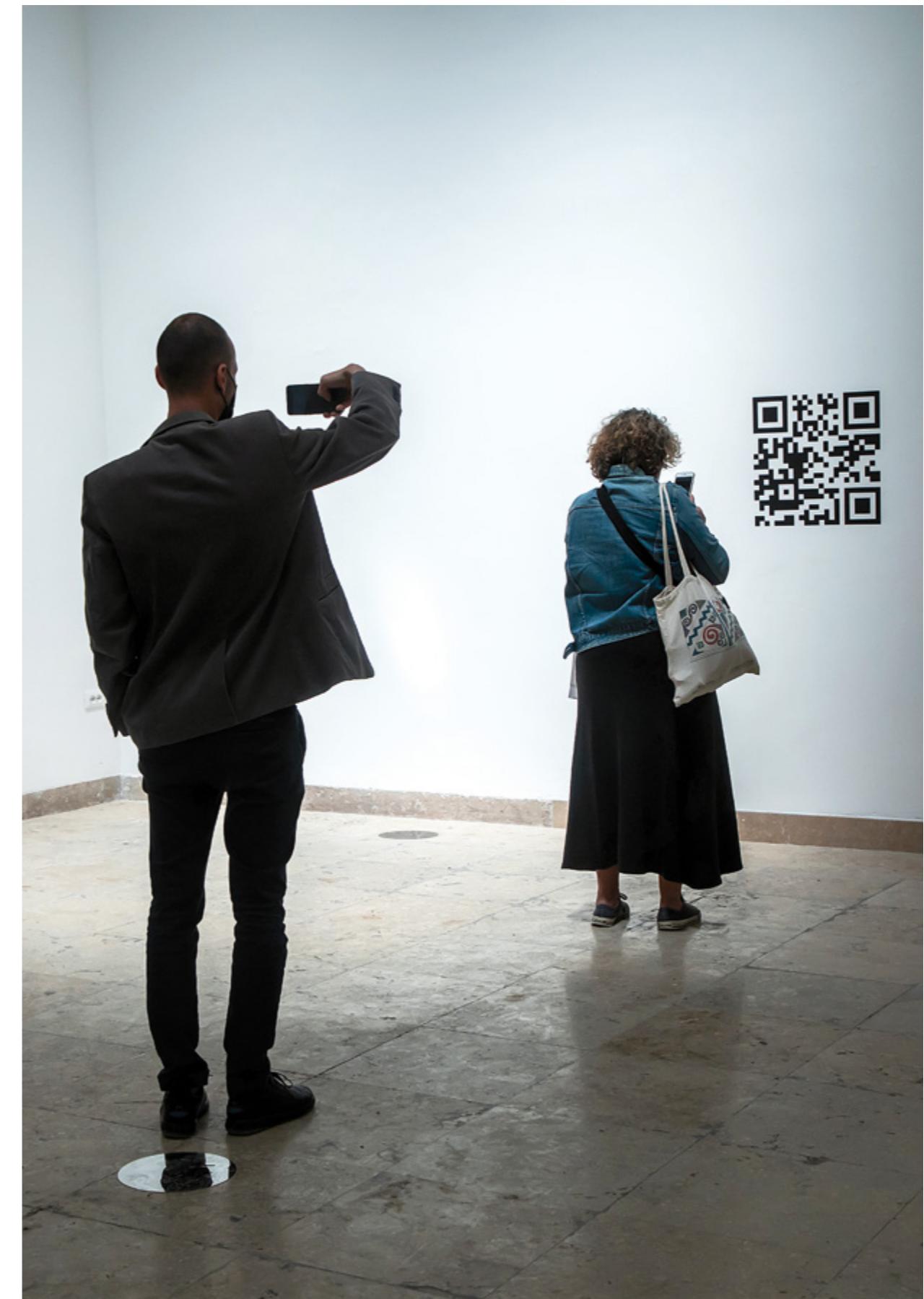
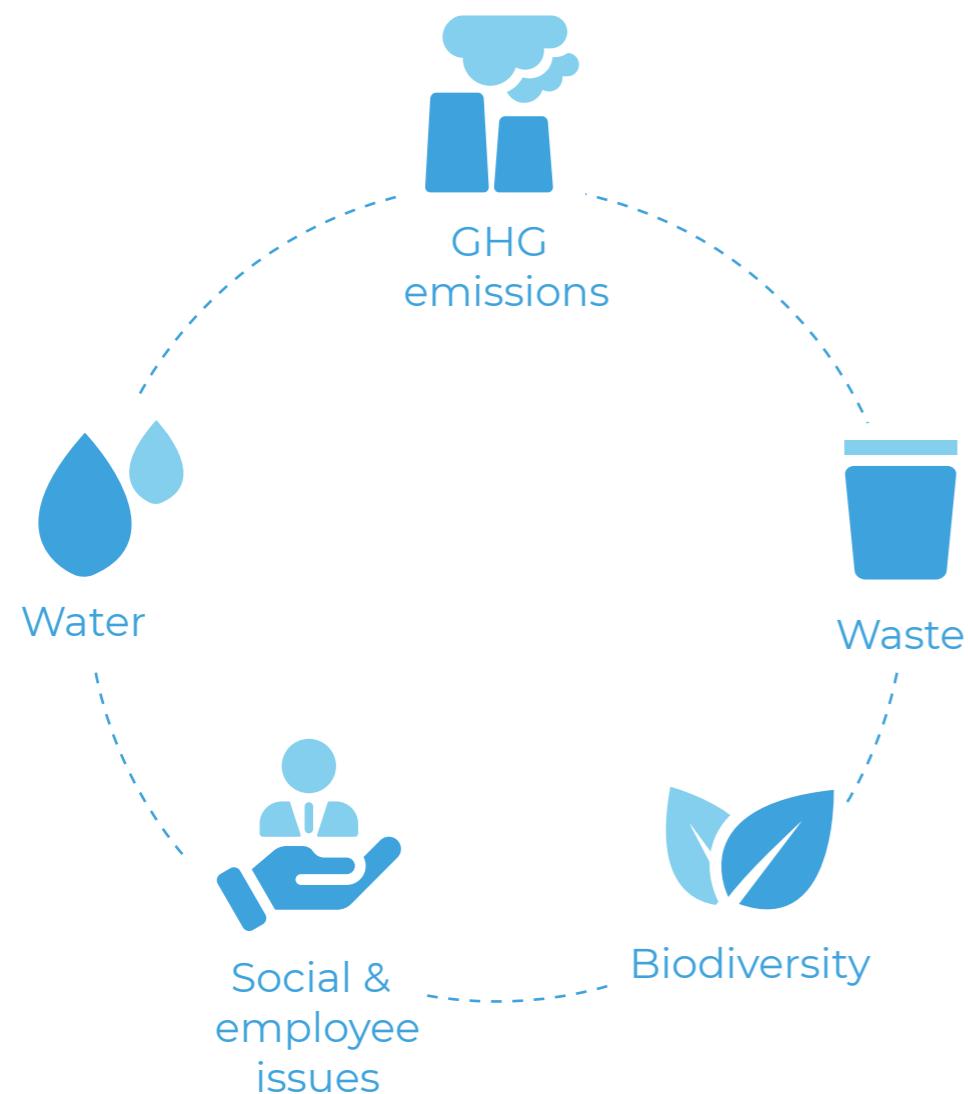
3,211 jobs supported

In 2020 around 7 jobs were supported per €1 million invested by FSI

12. Calculated considering the value of Italy's GDP at market prices in September 2020 (source: ISTAT [Italian Institute of Statistics], Conti economici nazionali [National Income Statements]: Gross domestic product and net borrowing of public administrations).

Principal Adverse Impacts (PAI)

In anticipation of the regulations on disclosure regarding the sustainability of financial services, FSI calculates the trend in the ESG performance of its own portfolio against a set of indicators that monitor the negative effects that investment decisions have on sustainability factors. For details of the results of monitoring these indicators, see the following¹³:



¹³. Regulatory Technical Standards (RTS) indicators provided for by Reg. (EU) 2019/2088. For the purposes of this report, were considered only the indicators in Table 1 of the RTS.

A photograph of a woman with short grey hair, wearing a dark jacket and a white face mask, looking down at a small object in her hands. She is standing in front of a large, well-lit classical bust of a man's head. The background is dark, making the bust and the woman stand out.

CHAPTER

THREE

Contribution
from our
stakeholders

ESG principles are increasingly at the forefront of investors' minds

François Ruel, CIO of BNP Paribas Cardif Italy*, spoke to **Roberto Pilotto**, IR and International Partner of FSI, about his company's experience; how they identify, select and manage ESG investments and the importance of sustainability topics when choosing partners.



Roberto Pilotto - What we are seeing today is a period of change and the ecological transition cannot be put off any longer. In this situation, what are BNP Paribas Cardif's policies in terms of ESG investments and how important are they in selecting which fund managers to work with?

François Ruel - ESG developments are rapid and continuous, and application of the Sustainable Finance Disclosure Regulation requires investors like us to declare (using separate accounting methods) the degree of sustainability achieved by the funds in which we invest. All investments are now associated with ESG aspects regardless of whether they are listed on public markets.

No investment is made without evaluating ESG aspects, on top of the obvious assessments to be made involving financial performance.

Unfortunately, there is no definite universally adopted rating system, hence everyone analyses the "investment universe" through their own lens.

In terms of listed funds, there are rating labels, but these vary from country to country. There is no uniformity, which means there is currently no shared evaluation system to guide capital. In our case, before each investment BNP Paribas Cardif analyses data and filters them based on its parameters. These parameters are then further developed in certain sectors, for instance by examining the carbon footprint or ESG insurance rating through an external company.

Before investing, we need to be sure that we focus only on the "best positioned" businesses,

those for which sustainability is a genuine driver of development.

For unlisted investments such as PE funds, ESG topics are also very important and are included in the due diligence questionnaire sent to counterparties for investment evaluation.

In terms of fund managers, we evaluate their internal commitment to sustainability, whether they have signed the PRI (Principles for Responsible Investment) and where they have dedicated ESG staff.

RP - So management companies need to have clear ESG strategies, the PRI and a dedicated team, and be present in investment policies, developing a defined plan in line with the most significant sustainability topics.

If we look at the underlying private equity fund investments, the investments made by the fund managers backed by you, what minimum ESG standards do you expect and are there rules that need to be followed by the portfolio companies?

FR - We generally expect that a private equity fund manager will set up KPIs on each investment and monitor them carefully. We look for this not just when an investment is pre-selected, but rather when it is completed, to understand how they want to structure sustainable development and what ESG objectives they hope to achieve through the investment in the underlying company. We want a strong ESG team with real power to take action, not just a "box-ticking" formality checked by consultants during due dil-

 Before investing we need to be sure that we focus only on the "best positioned" businesses, those for which sustainability is a genuine driver of development.

I recommend that FSI continues its journey to establish measurable objectives that give investors visibility and highlight the commitments to improve business sustainability.

igence. It is not enough to just fly the ESG flag. We must show how significant it is, including when selecting investments.

RP - So planning, but also careful assessment and monitoring of ESG results. Who is responsible at BNP Paribas Cardif for examining the progress and actions of managers and investments?

FR - All ESG topics at BNP Paribas Cardif are included in the Investment Policy, which is approved by the Board of Directors. When the PRI are approved, all investment team commitments to ESG selection are also estimated, so the investment process as a whole "is born and grows" within the general policy. It is clear that investment decisions are based on objective assessments, scoring and due diligence, but the parameters and objectives are subject to later verification. If the initial positive assessment is confirmed, we maintain the investment.

RP - Let's now look forward, to the future of ESG investments. Of the various critical areas, diversity and inclusion are receiving more media attention, but there are many areas in which we can and must take action to improve sustainability. In your opinion, what are the specific areas that need the highest level of monitoring PE portfolio companies executives so as to satisfy investors like BNP Paribas Cardif, and what suggestions would you make to funds like FSI?

FR - The BNP Paribas Group has greatly restricted our "investment universe" to ensure consist-

ency with a real, properly planned and measurable ESG approach. We believe a "gender drive" approach is important and the Group is working to include more women in the Board of Directors and key positions. This is a goal that can be easily measured and expresses the quality of the decisions made. The private equity sector has very few women. The fund managers are aware of this and are working to achieve progress by including women in senior management teams in various companies. Unfortunately, with a few exceptions, there is still much to do in this area, as is the case for many other ESG aspects.

I recommend that FSI continues its journey to establish measurable objectives that give investors visibility and highlight the commitments to improve business sustainability. I know that this requires time and that efforts do not always immediately lead to clear results, but having a well-defined route and announcing at least a few quantitative objectives with a clear timeline is important. These are significant milestones for satisfying investors and giving a clear signal about commitment to a given area, such as sustainability, which is fundamental and increasingly important for the common good of society.

RP - Thank you very much. Much of what you have said mirrors FSI's efforts. We began our sustainability "journey" several years ago and we are making rapid progress in the right direction. Encouragement from investors like you will certainly be useful for all of us.



Healthcare: a strategic sector where Italy is a global leader



New investments in R&D worth more than

€ 4.5 billion per year | 25,000 new jobs will be created

This is a positive outcome at a critical time when we are witnessing profound local and global changes due to COVID-19.

In conversation with **Francesco Granata**, FSI Industrial Partner, **Elcin Barker Ergun**, CEO and Member of the Board of Directors of the Menarini Group, and **Paolo Marcucci**, Chairman of Kedrion Biopharma, on a sector representing Italian excellence.

The following statements demonstrate that thanks to partnerships it is possible to continue making successful investments in research and development

Francesco Granata
FSI Industrial Partner

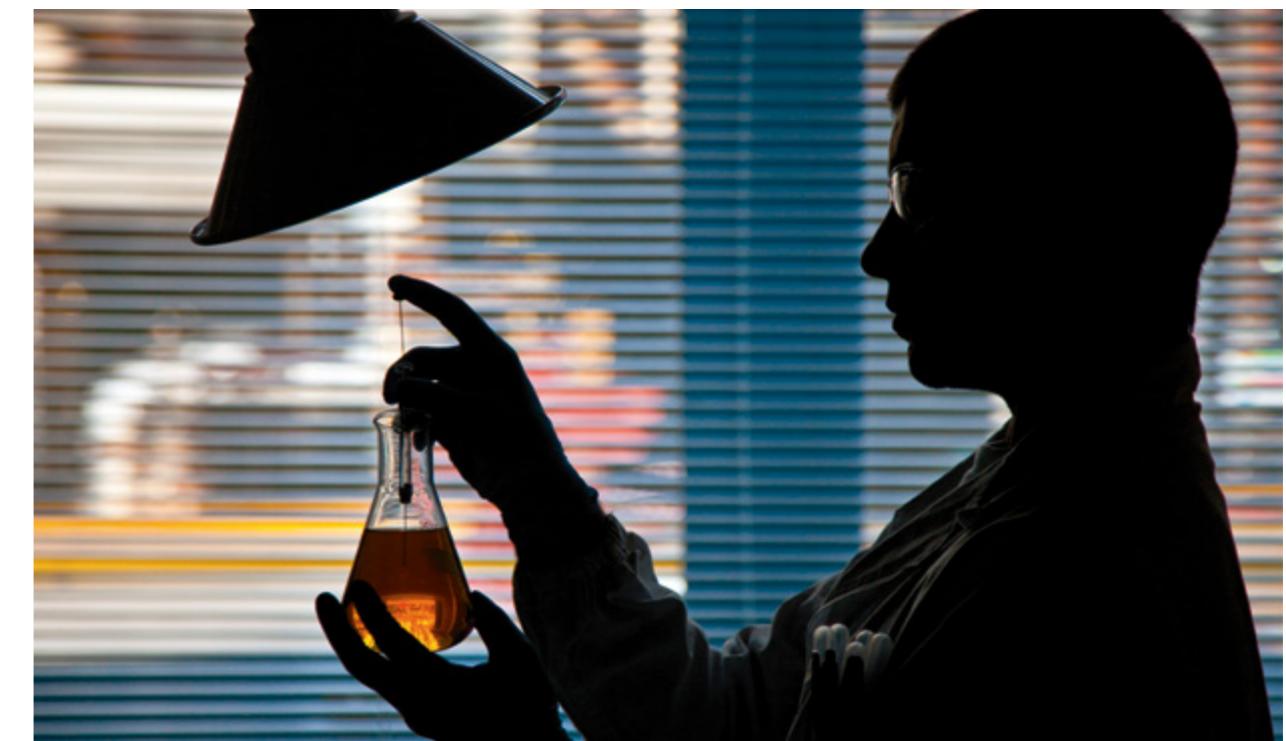


In Italy we can boast of outstanding companies in the pharmaceutical and healthcare sectors, including Menarini and Kedrion Biopharma. These businesses constantly invest in research and development, strengthening their position in Italy and abroad over time.

In some cases, the health emergency led to a review of business objectives, while in others, it confirmed past strategic decisions. Overall, it prompted everyone to act for the common good.

The following statements demonstrate that thanks to partnerships it is possible to continue making successful investments in research and development to maintain the leading role in Europe that Italian pharmaceutical companies have gained over the years, with the objective of continually opening up to other markets.

Now more than ever, the role of our institutions is to support and encourage the market in order to promote future global growth across the sector. The commitment to research made in the Recovery Plan is definitely an important step in the right direction.



Italy is currently the EU's largest player in pharmaceutical sectors and services.

In the last decade, exports have increased by 107%, with employment growth of 4.5% over the last two years (against an average of 1.3% for Italian manufacturing).

Thanks to the Recovery Plan, we will have the opportunity to make new investments in R&D worth more than € 4.5 billion per year, creating more than 25,000 new jobs.

Elcin Barker Ergun

CEO of Menarini

At the start of the pandemic, we succeeded in keeping up production at our 17 plants around the world to make sure that medicines were distributed to millions of patients. We also made a contribution to the Italian healthcare system by donating tonnes of hand sanitiser, which was a key requirement in the early stages of the pandemic. We distributed tens of thousands of COVID-19 tests and continue to do so.

In my opinion, diversifying business not only offers better market penetration, but it also helps to manage business risk, something I believe is strategic when talking about a company like ours

coast of the USA, which boasts a highly acclaimed innovation ecosystem for biopharmaceuticals.

In my opinion, diversifying business not only offers better market penetration, but it also helps to manage business risk, something I believe is strategic when talking about a company like ours, which is private and family owned. While public companies are dictated by investor judgement of risk, private



It was normal in such circumstances to review certain company strategies, but we did not lose sight of our research and development goals at any point. For instance, we are working with TLS to bring a monoclonal antibody against COVID-19 to the market. Menarini developed this process and technology.

We are already present in more than 100 countries but are always on the lookout for new opportunities for growth. Recently, the USA and China have been important areas of focus. In 2020 we acquired a biotechnology company focused on oncology therapeutics, Stemline, a highly strategic investment made during Italy's lockdown. This acquisition allowed us to enter the US pharmaceuticals market, where we had previously been present only in diagnostics. The acquisition was also key to taking the agile innovation of our R&D to the east

coast of the USA, which boasts a highly acclaimed innovation ecosystem for biopharmaceuticals.

COVID-19 showed us how important partnerships are and how it is possible to make scientific progress with creative partnerships while simultaneously keeping our companies active and successful. We also look forward to cooperation of this kind within Italian institutions, with the shared goal of supporting the excellence of Italian pharmaceutical companies.

Paolo Marcucci

Chairman of Kedrion Biopharma

Kedrion reacted to the health emergency promptly and with determination, keeping its production plants open while relying on smart working whenever possible.

We provided the healthcare system with technology and tools for plasma inactivation, considered one of the few effective methods to counter COVID-19 in the beginning. We also signed a joint ven-

typically have an excellent view of the market and equally excellent technology but are unable to self-fund their development.

The private sector offers equity, experience, management and connections. This is all added value, which is extremely important for standing out in Italy and the world. It is clear that institutions also need to play their part. This is our challenge for the future.

We provided the healthcare system with technology and tools for plasma inactivation, considered one of the few effective methods to counter COVID-19 in the beginning



ture with the Israeli company Kamada to develop medication using plasma-derived immunoglobulin, which we are currently testing with success. For our company, plasma is an asset that must be protected and the development of donor centres is a priority.

We are very keen to develop internationally and are especially interested in the US market. Twenty years ago, 95% of our turnover came from the Italian market, while today around 40% comes from the US, where we have been present for around 10 years. We are also interested in the Chinese market, which is growing faster than others, though it is a highly competitive and protected market that favours local companies.

Partnerships are fundamental for companies like ours, and I am personally a big fan of private equity, especially in economies like Europe, where SMEs

**In 2000
95%
of our turnover came from the Italian market**

**Today
40%
comes from the United States**

The background image shows a circular window with a white frame, looking out onto a terrace. On the terrace, there is a large satellite dish antenna and some greenery. In the distance, there are mountains under a clear sky. The interior of the room is visible around the window, featuring a dark wall, a potted plant, and a model rocket on a stand.

CHAPTER

FOUR

ESG
management
in the
portfolio

Cedacri

Improving business resilience through sustainability commitment

Cedacri S.p.A. is an Italian leader in IT outsourcing services for the banking sector, with over 200 clients including banks, financial institutions, insurance firms and businesses.

Having fully grasped the importance of operating with respect for environmental and human resources, Cedacri developed a series of activities and identified functions and tools to improve its approach to sustainability.

An ESG Manager was introduced to the organisation, with the responsibility of chairing the Sustainability Committee and coordinating and supervising ESG governance. During the year the company began activities to implement an Environmental Management System according to UNI EN ISO 14001:2005.



¹⁴ Group turnover



Energy and emissions

Since January 2020 Cedacri has only used energy from 100% certified renewable sources

During the year the company implemented energy efficiency projects, reduced consumption and significantly decreased emissions. Halogen lights were replaced with low-energy LED systems (-50%) and an energy efficiency process has begun for Data Centre cooling, which will create notable energy savings in 2021.

To encourage the use of public transport, the company has also continued various initiatives, including reimbursing 25% of train and other public transport passes, making bicycles available and purchasing electric and low-impact vehicles for the company fleet.

In 2020 remote working also made a significant contribution to energy savings and lower CO₂ emissions.

Energy use in 2020 amounted to 90,337 GJ, a slight decrease on 2019 (99,176 GJ).

New 100% certified renewable energy supply contracts allowed Cedacri to significantly reduce its emissions (Scope 1 and 2), amounting to 793 tCO₂e in 2020.

Water

In 2020 Cedacri also made efforts to reduce water usage, though this is not a significant area for the company and water consumption is essentially limited to toilet facilities and company canteens.

In 2020 water supplies were mainly provided by the public network (54%), while well water made up 46% of the total.

Total water consumption in 2020 amounted to 6,459 m³, compared to 11,424 m³ in 2019. Remote working contributed to this decrease.

90,470 GJ
energy use
in 2020

793 tCO₂e
(Scope 1 and 2) in 2020

6,459 m³
total water consumption
in 2020

Nonetheless, the importance of proper and responsible water use is a global issue that Cedacri monitors carefully, raising employee awareness around acting ethically even outside of the office.

Waste

For several years Cedacri has been focused on waste management by committing to rationalising recycling, storage and disposal and optimising processes in order to reduce environmental impact.

In 2020, 100% of waste produced was recovered, compared to 87% in 2019.

The Cedacri Green Up project continued at the main company offices and included various initiatives: recycling in the offices, removal of plastic bottles and installation of water fountains, supplying WAMI bottles to employees and installing vending machines with compostable cups and stirrers.

Workplace safety

Though the company is considered low risk in terms of worker health, Cedacri has committed not just to complying with all relevant legislative provisions, but also to promoting employee health through various initiatives, including healthcare screening and encouraging healthy lifestyles and a sustainable diet.

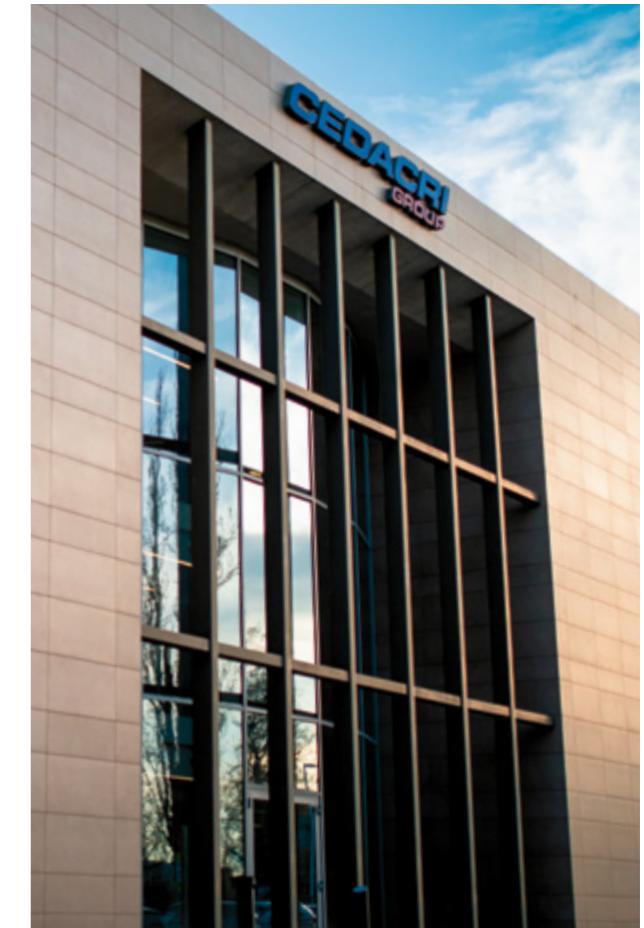
Special attention was paid to acquiring and producing appropriate personal protective equipment for the entire company, especially for fighting the spread of COVID-19.

Lastly, Cedacri offers training and information at all levels to strengthen the safety culture in the workplace. In 2020 the injury rate was 0.3, compared to 1.3 in 2019.

In general, Cedacri produces a relatively low quantity of waste (around 30 tonnes in 2020), 98% of which is classified as "non-hazardous", making it easy to dispose of.

100% of its paper comes from renewable materials and is recycled.

100%
of waste produced
was recovered



Human Resources

Cedacri develops its human capital through training and employee engagement

In 2020 specific training on certification began, a new online quality and security awareness course was implemented and a phishing education and awareness campaign was rolled out. Company resources have access to various training activities ranging from technical/application courses to individual technical courses and training on company processes.

In 2020 Cedacri provided around 19 hours of training per employee.

2020 Cedacri provided around **19** hours of training per employee.

Internal communication is active and continuous and makes it possible to monitor the corporate climate. Employees are involved in various initiatives, including outside of work, which help to strengthen group and internal cohesion. The company's portal, internal newsletter, periodic meetings, employee volunteering and team-building activities are just some of the ways Cedacri engages with its employees.

In 2020 a survey was conducted to gauge employee satisfaction with the workstation management service in order to understand how and whether to adjust workplace management.

98% of Cedacri human capital receives a professional evaluation.

In line with its Code of Ethics and the goals of the United Nations' Agenda 2030, Cedacri applies

Cedacri's gender pay gap is

79% for executives

95% for middle managers

97% for office workers

standards of equity, equal opportunity and respect for human rights for all those operating within its organisation.

The company's policy to promote well-being and corporate welfare works alongside selection, hiring and career development processes and was adopted according to the principles of correctness and transparency, with no room for discrimination on the basis of age, sex, disability, ethnicity or any other protected category.

Through initiatives like Gender Equality, Work Life Balance and People Inclusion, Cedacri offers corporate welfare services, expands remote working to the entire workforce and implements inclusive sport activities.

Moreover, 36% of Board members are between 31 and 50 years old, marking the importance of age diversity at Cedacri.

In 2020 Cedacri had zero episodes of corruption, conflicts of interest, unfair competition or non-compliance with social and economic regulations.

Management of systemic risks

Cedacri has adopted two main tools to tackle systemic risk: the disaster recovery procedure containing business continuity processes and insurance policies.

Business continuity is guaranteed at two levels. The Business Continuity Plan is constantly test-

Suppliers

The procurement qualification, management and performance assessment process is carried out using dedicated platforms and applies rigorous supplier selection criteria. Suppliers must meet various parameters, provide economic and financial information and meet compliance standards.

In 2020, 26.4% of suppliers were assessed using socio-environmental criteria.

ed using periodic simulations, and personnel are trained to deal with disaster recovery situations, guaranteeing continuous improvements to performance. This is accompanied by a series of insurance policies taken out by the company to mitigate the risks associated with its business.

2020
26.4% of suppliers
were assessed using
socio-environmental criteria



Case study: Action Plan - Sustainability Goals

Cedacri is committed to creating a business model focused on sustainable innovation and responsible competition in order to create economic, environmental and social value for its stakeholders.

For this reason, the company created a Sustainability Action Plan inspired by the 17 Sustainable Development Goals (SDGs) of the UN 2030 Agenda. The plan includes activities, roles and time frames and has been shared with various organisational levels in the relevant business units.

The results of the actions outlined in the plan are analysed, measured and reported on using Global Reporting Initiative (GRI) Standards.

Performance trends are evaluated at least every six months at the company's Sustainability Committee meetings.

In 2020 Cedacri achieved 12 business sustainability improvement goals in 4 strategic areas (Governance, Environment, Employees and Community).

Every goal in the Cedacri Sustainability Strategy is aligned with the company's material topics and coincides with at least one of the 17 UN 2030 Agenda goals.

In 2020 Cedacri also continued examining the main actions implemented in relation to some of the 169 targets associated with the 17 SDGs.

In 2020 Cedacri achieved **12** business sustainability improvement goals in **4** strategic areas

(Governance, Environment, Employees and Community)



Table 1 - ESG performance of the portfolio company

KPI	UM	2020	2020
Policies and procedures			
Code of Ethics	Yes/No	Yes	
Organisational, Management and Control Model	Yes/No	Yes	
Sustainability/ESG Policy	Yes/No	Yes	
BoD/Senior Management responsibility for ESG topics	Yes/No	Yes	
KPI			
Environmental	UM	2020	2019
Total energy consumption	GJ	90,470.4	99,176.1
Direct energy consumption	GJ	13,178.4	18,716.1
of which from renewable sources	GJ	149.9	146.7
Indirect energy consumption	GJ	77,292.0	80,460.0
of which from renewable sources	GJ	77,292.0	0
CO ₂ emissions (Scope 1 and 2)	tCO ₂ e	793.0	11,597.3
Water consumption	m ³	6,459.0	11,424.0
Waste produced	t	29.6	19.3
of which recovered	%	100%	87%
Material used	t	1.3	5.2
of which renewable	%	100%	100%
Operating sites owned, rented or managed within or adjacent to protected areas	N°	0	0
Social			
Employee injury rate		0.3	1.3
Voluntary employee turnover	%	3%	1%
Employees involved in satisfaction surveys	%	47%	26%
Average training hours per employee	N°	19	27
Employees who have received a performance review	%	98%	98%
Female employees	%	34%	34%
Employees with a permanent contract	%	100%	100%
Governance			
Employees who have received anti-corruption training	%	16%	73%
Identified cases of corruption	N°	0	0
Board of Directors members between 31 and 50 years old	%	36%	36%
Female directors	%	14%	22%
Suppliers assessed using social criteria	%	26%	0%
Suppliers assessed using environmental criteria	%	26%	0%
Unplanned interruptions to business activities	N°	42	14
Business continuity investments	€/000	4,743	3,670

Adler

Innovation
through talent
promotion

The Adler Pelzer Group is a world leader in the design and manufacture of automotive thermal and acoustic insulation components and is a supplier to the most advanced OEMs (Original Equipment Manufacturers) worldwide.



Adler Pelzer Group

Since its foundation in 1956, the Adler Pelzer Group has been consistently innovative in its approach to the automotive world, successfully introducing the use of natural raw materials, recycled from the waste streams of other industries or recovered from production cycles.

The company is led by the Scudieri family and the vision of Paolo Scudieri, a holder of the Italian Order of Merit for Labour who succeeded his father Achille in 1992 and began to expand and internationalise the company.

Despite the severe impact of the COVID-19 health emergency on the automotive industry (especially

in the first half of 2020), the Group was able to proceed with a series of initiatives, which, alongside recycling and cost-cutting measures, allowed it to maintain steady employment levels and perform well throughout the year.

The company is committed to developing processes and solutions that allow for increasing amounts of low-impact or recycled materials to be used, thus reducing waste and effectively enhancing the sustainability of all stages of production.

It is a company priority to strive for zero waste in the production chain and to progressively reduce the use of virgin fibre in order to minimise environmental impact. To this end, it continues to innovate its internal recycling process. Its plants are adapted to function with systems that recycle PET and cotton yarn, which is used to produce insulating fibres to soundproof vehicles.

This circular economy model is continuously implemented, helping to extend product life cycles and generating added value.



In line with the objectives of the UN 2030 Agenda, the Code of Ethics adopted by the Group and shared by its employees, collaborators and suppliers promotes a culture of integrity, honesty and responsibility inside and outside the company and offers useful pointers for recognising and addressing ethical topics.

This commitment to ethics and solidarity became reality in 2020 with support measures,

including the donation of personal protective equipment, for certain local communities in the Campania region to aid in their fight against the coronavirus.

The Group has also adapted two of its Italian textile factories for the production of anti-Covid masks. One mask model, now patented, can be fully recycled after its useful life and used in the production of textile components for the automotive sector.

Workplace safety

The Company guarantees a healthy and safe workplace for its employees by not only complying with the regulations of current legislation in various countries, but also by developing ethical behaviours to help achieve the target of "zero accidents at work".

Human Resources

Everyone working in the Adler Pelzer Group brings their own talent and skill set and the company ensures that this know-how is enhanced by investment in continuous training and professional development. It was precisely the desire to seek out and nurture young talent that led the company to support a research centre in Campania and sponsor projects to increase young people's access to the job market in Italy and abroad.

Adler also insists that the work environment champions equal opportunities and promotes gender equality and respect for diversity.

Adler Pelzer's strategic goals now include a commitment to reduce CO₂ emissions and increase the use of recycled raw materials to 25%.

During the year Adler Pelzer began a number of important acquisitions, including the STS Group and the Faurecia Group's AST business unit. These transactions are of major importance not only for global commercial development, but also for their sustainability potential, since they will allow the

More than 11,000

employees in 21 countries worldwide

Group to optimise its processes and integrate its operations.

The strategic objective is still waste reduction and the optimised use of production and energy resources, to encourage development with low environmental impact and better synergy between companies.

In 2020 the company received the "Superior Performance Award" in Cost Management for "Cost Competitiveness" from Toyota Europe. This is important recognition of the company's constant efforts to optimise performance and achieve the best quality at competitive prices.

In 2020 the Adler Group Chairman Paolo Scudieri was awarded the Targa di Mattarella as part of the scheme for recognition of the new "Ambassadors for Southern Italy". The award has significant symbolic value, recognising the merit of those "whose activities have helped to support development and progress in the south of Italy".

Case study

Adler Pelzer is involved in the creation of a "Technological Platform for Sustainable and Safe Mobility" and leads the committee for the development of "Borgo 4.0", an "open laboratory" developed in Lioni in the province of Avellino, Italy. The goal is to make Lioni the first smart city in Italy and to revolutionise the relationship between people, cars and the environment.

Under the "Borgo 4.0" scheme, Lioni will be fitted with mandatory "smart road" infrastructure – an essential requirement for testing self-driving cars on public roads. There will be a 5G network for fast connections, various systems for real-time detection and monitoring and systems that allow the vehicle on the road to communicate with its surroundings. The goal is to harness smart road infrastructure and complementary technologies to increase energy efficiency and safety, while protecting the natural environment and using resources responsibly.

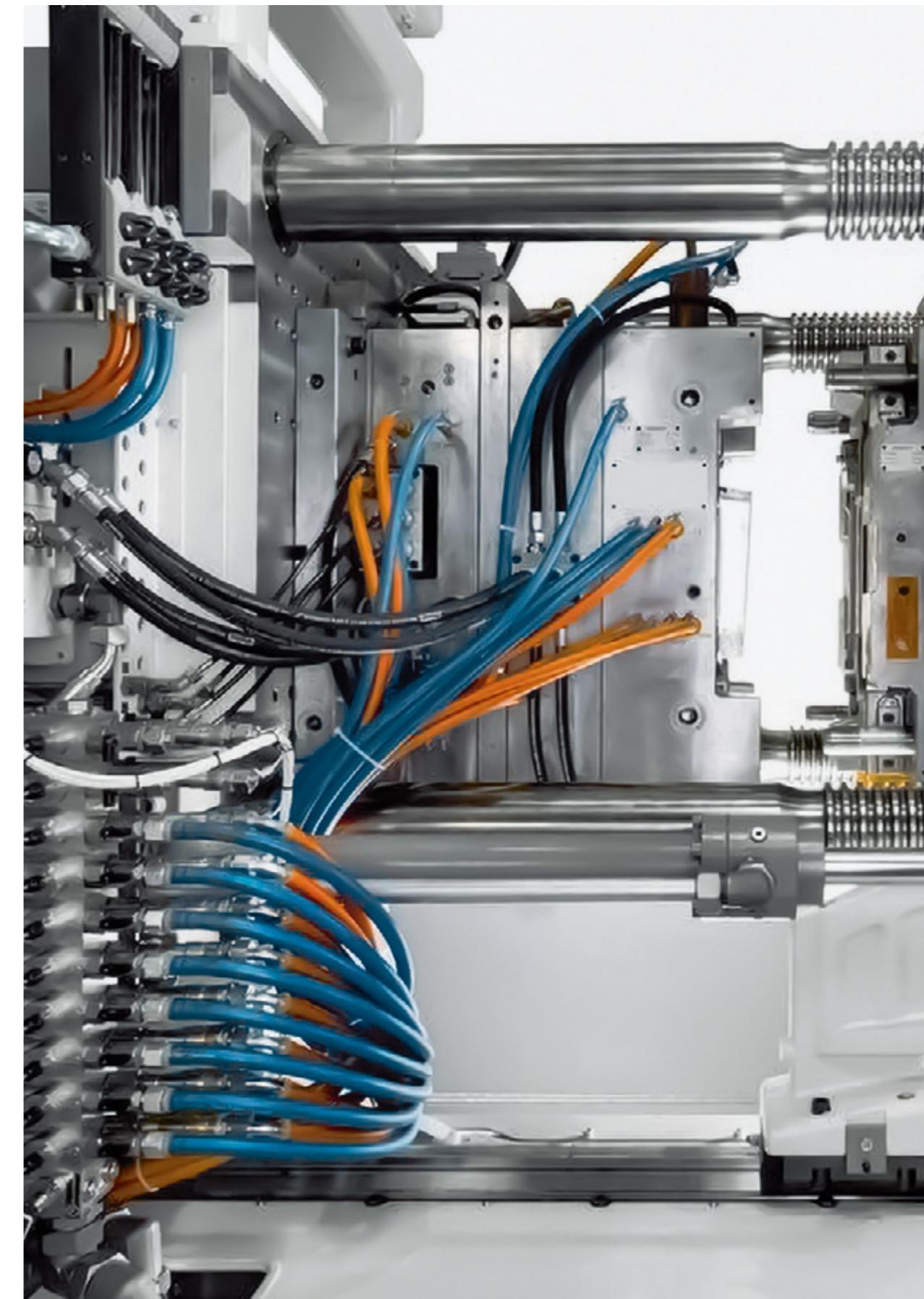
Participants in this ambitious project include the regional government of Campania, 54 small and large automotive companies, three public research centres, five universities located in Campania and the Italian National Research Council, offering a total of € 80 million in financial resources.

Lioni will offer us the chance to test self-driving and green-powered cars in an urban setting, offering real-time performance of all safety checks necessary to develop smart mobility.

The project also includes a number of schemes for

young graduates with professional experience in different parts of the world. Research and environmental sustainability are important elements of the Adler Pelzer mission. Universities and research centres must therefore work to enhance and support young talent, including commitments from companies and institutions.

Borgo 4.0 is a genuine
"smart
city"
with intelligent
infrastructure



Missoni

Creativity
and sustainability:
the heart and mind
of our development

The creative process begins with a search for raw materials, leading to the development of clothing and accessory collections that are universally recognised for their style and quality.

Taste, refinement and artisan culture make this company an excellent representative of Made in Italy quality across the globe. In 2020 it achieved a turnover of € 73.6 million, with approximately 400 employees.

Attentive as always to sustainability and actively committed to energy savings and policies on informed use of resources, Missoni draws customers' attention to traceability in its production chain.



MISSONI

The company includes sustainability topics in its Business Plan and Code of Ethics.

Environmental protection is of fundamental importance to the company's growth. It contributes to the sustainable development of the local area, in part through the use of cutting-edge production technology and constant monitoring of company processes.

Identifying the best industrial solutions in terms of sustainability allows Missoni to optimise its use of resources, which translates into a continuous search for ways to reduce energy consumption, optimise use of raw materials and reduce waste.

One example of this is the recent line of sus-

tainable trainers designed in collaboration with ACBC (Anything Can Be Changed), a start-up with expertise in the production of eco-friendly footwear. The shoes, which feature the characteristic style of Missoni collections, are made with materials obtained from wheat waste and recycled plastic bottles and will be available in September 2021.

It does not end here. The company is also committed to implementing production processes that avoid the use and release of hazardous chemicals and is working to combat deforestation by eliminating certain types of packaging in favour of more sustainable products.



Workplace safety

Missoni recognises the importance of guaranteeing its employees health and safety at work. For this reason, it has adopted the most appropriate measures to avoid, combat and manage the risks associated with its business and has declared its commitment to "adapting the job to the individual".

In this sense, the layout of workstations, the equipment used and the production methods adopted are designed to avoid monotonous and repetitive activities, while reducing stress and other harm to workers' health.

Because of this, Missoni is taking the final steps towards its UNI EN ISO 45001:2018 certification.

In 2020 the injury rate was 1.0.

Human Resources

In 2020, as part of the fight against the spread of COVID-19, Missoni adopted a remote working policy which set out the percentage of employees authorised to work remotely (between 40% and 80% of the workforce).

The decision to facilitate a balance between home and work life during the initial lockdown was particularly appreciated by employees and led to a decrease in the voluntary turnover rate, which was 5% in 2020 compared to 6% in 2019.

In 2020 Missoni provided 833 hours of training to its employees.

The company is committed to developing human capital and protecting workers from all forms of discrimination based on age, gender, sexual orientation, health, nationality, race, political affiliation, union membership or religion. Respect for equality is described in the Code of Ethics, which protects diversity in all decisions with an influence on stakeholder relations.

The creation of an inclusive workplace is also demonstrated by the fact that women make up 77% of the workforce, a trend that has remained stable over time.

2020
1.0 injury rate

As required by the current regulations on occupational health and safety (Italian Legislative Decree 81/08), in 2020 the COVID-19 Protocol was adopted, which allowed for efficient management of the pandemic in the workplace, establishing preventive and after-the-fact measures combined with constant communication, training and information.

833
training hours in 2020

77%
of the workforce are women

29% of the Board of Directors members are between 31 and 50 years old, making an important contribution thanks to differences in generational views. The gender pay gap is 77% for executives, 104% for middle managers, 77% for office workers and 73% for manual workers.

The responsibility embraced by Missoni to improve professional skills and protect its workforce allows it to create stable lasting relationships, which are also helped by 98% of staff being employed under permanent contracts.



Organisational Model

The company has an Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, which also governs topics related to anti-corruption and anti-money laundering.

The Model was updated in 2020 to include tax crimes and establish specific protocols for anti-money laundering, anti-corruption and self-laundering, as well as to add a specific section on whistleblowing.

Together with the Legal, Human Resources, Administration and Operations departments, the Supervisory Board established under the Model is responsible for business ethics, anti-corruption and anti-money laundering, also overseeing any related reports (which can be sent via email or using the post boxes installed in various company locations).

All employees and members of the Board of Directors have received adequate training on anti-corruption and are constantly kept up to date on relevant regulatory changes in relation to anti-money laundering.

Suppliers

The Code of Ethics also governs Missoni's responsible approach to the supply chain. Its procurement processes aim to achieve the best competitive advantage, granting equal opportunities to all suppliers while ensuring loyalty and impartiality.

An objective assessment of quality, price and ability to supply and guarantee adequate service levels is used to select suppliers and set the terms of purchase.

In 2020, 50% of suppliers had signed the Missoni Code of Ethics and in 2021 this percentage reached 100%.

In 2020 a project was also launched to adopt a quality management system certified to UNI EN ISO 9001:2015.

2021
100% of
suppliers
have signed the Missoni Code of Ethics

Case study: Responsible supply chain management

Missoni governs the responsible management of its supply chain within the Code of Ethics.

Its procurement processes identify the best competitive advantage.

The processes grant equal opportunities to all suppliers while ensuring loyalty and impartiality.

Suppliers are selected based on an objective assessment of quality, price and ability to supply and guarantee adequate service levels.

For products managed with industrial and commercial processes, in relation to suppliers of raw materials such as yarn, accessories or textiles, as well as finished products, a REACH¹⁵ declaration of conformity is required.

¹⁵. Regulation (EC) 1907/2006, also known as REACH, is an integrated regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals intended to ensure a greater level of protection for human health and the environment while maintaining and strengthening the European chemical industry's competitiveness and capacity for innovation.

Table 2 - ESG performance of the portfolio company

KPI	UM	2020	
Policies and procedures			
Code of Ethics	Yes/No	Yes	
Organisational, Management and Control Model	Yes/No	Yes	
Sustainability/ESG Policy	Yes/No	No	
BoD/Senior Management responsibility for ESG topics	Yes/No	Yes	
KPI	UM	2020	2019
Environmental			
Total energy consumption	GJ	12,079.4	12,694.0
Direct energy consumption	GJ	6,510.1	6,342.5
Indirect energy consumption	GJ	5,569.2	6,351.5
CO ₂ emissions (Scope 1 and 2)	tCO ₂ e	1,077.6	1,181.7
Waste produced	t	82.1	33.7
Social			
Employee injury rate		1.0	1.6
Voluntary employee turnover	%	5%	6%
Female employees	%	77%	77%
Employees with a permanent contract	%	98%	95%
Governance			
Employees who have received anti-corruption training	%	100%	0%
Identified cases of corruption	Nº	0	0
Board of Directors members between 31 and 50 years old	%	29%	29%
Female members of the BoD	%	14%	14%
Female directors	%	42%	33%



Lumson Group

Social and environmental responsibility to reduce global impact

With a turnover of around € 93 million, the Lumson Group¹⁶ (which operates in Italy, Europe and the United States) brings and promotes the Made in Italy concept to the world.

In 2020 and early 2021 Lumson strengthened its commitment to sustainability by adopting a Corporate Social Responsibility (CSR) Policy, which identifies CSR as the company's sense of responsibility towards the community and the social and ecological environment where it operates.

In 2020 the company also drafted an Environmental Policy which governs various areas, including energy and water consumption and waste production, establishing defined and measurable objectives to reduce pollution and optimise resource use. All Lumson staff are involved in achieving these objectives, with the company providing adequate training and information to allow them to adopt ethical conduct even outside of work.



¹⁶. Figures for 2020 and 2019 include Marino Belotti, compared to the figures for 2018.



The Environmental Policy is respected and implemented thanks to the Environmental Management System, in line with UNI EN ISO 14001:2005.

The company's approach to environmental protection is also described in its Code of Ethics and its 231 Model.

Energy and emissions

As proof of Lumson's commitment to energy efficiency objectives, in 2020 it appointed an Energy Manager to monitor all aspects linked to consumption and guarantee the activities implemented to optimise resource use.

Total energy consumption in 2020 amounted to 59,350 GJ (including both direct and indirect use).

Part of this (14% of direct consumption) came from solar panels installed at two production sites.

As for emissions, in 2020 the company generated a total of 6,941 tCO₂e.

59,350 GJ
 of total energy consumption
 in 2020

6,941 tCO₂e
 of emissions in 2020

8,645 m³
 of water consumed in 2020

Water

Water is mainly used in the toilet facilities, water fountains for employee use, the production of water-based paint, in the blowdown system and in the closed cycle that cools the printing presses.

With a view to optimising resource use, in 2020 various sources of water consumption were analysed.

This said, a significant decrease in water use was seen in 2020, dropping from 16,160 m³ in 2019

to 8,645 m³ in 2020. This reduction is partly explained by a broken underground pipe, which was discovered and repaired in September 2019.

Similarly, in 2020, 8,533 m³ of wastewater was recorded, compared to 15,243 m³ the previous year.

In terms of emissions to water, Lumson falls under the limits set out by regulations on discharge into the sewer network, based on Italian Legislative Decree 152/06.



Waste

A careful use of resources also means producing less waste. Lumson is highly focused on circular resource use and in 2020, 89% of waste produced (1,335 tonnes) was sent for recycling. This percentage has hiked sharply compared to 2019 (51% of waste produced).

The Group's commitment to continually reducing its environmental impact can also be seen in its use of recovered materials. Of 6,248 tonnes of raw materials purchased, 383 come from recycled materials (production scrap or recycled materials). Of those secondary raw materials, Lumson used 345 tonnes of paper and 38 tonnes of plastic in 2020.

Its environmental efforts led to the company being awarded the EcoVadis silver medal in 2019 for Corporate Social Responsibility (CSR).

2020

89%

of waste produced
(1,335 tonnes) was sent
for recycling



Workplace safety

In 2020 Lumson adopted a Safety Policy and developed processes to guarantee a safe and healthy workplace for all employees, in compliance with current regulations and with the aim of ensuring better environmental and social conditions. Last year the injury rate was 1.4.

2020

1.4 injury
rate

Human Resources

The development of human capital is at the centre of the Lumson business model.

In 2020, when the corporate budget was being prepared, the Annual Training Plan was also created to identify activities that benefit employees. Notable training activities include courses on safety, first aid and fire prevention, as well as more technical options and courses to develop soft skills.

Lumson describes its approach to protecting diversity, inclusion and human rights and combatting discrimination in its Code of Ethics. The focus on diversity is also demonstrated by the gender pay gap¹⁷ indicators, which in 2020 showed a ratio between average salary for women compared to men of 88% for middle managers, 95% for office workers and 94% for manual workers¹⁸.

In 2020, 47% of local staff were women.

Employee well-being is a focal point in the company's strategy, which continues its commitment to creating lasting relationships with workers: 99.6% of employees have a permanent contract.

The focus on preparing and motivating the workforce can also be seen in the employee performance evaluations, which in 2020 involved 38% of employees (22% in 2019).

3,720

hours of training were
provided, equal to an average
of 8 hours per employee¹⁹.

99.6%

of employees have a
permanent contract

Lumson is also focused on customer safety. The company cares about the safety of its customers and to ensure that its products are considered "safe", it has activated specific control procedures.

These procedures include monthly pest control, company cleaning initiatives using dedicated suppliers, machine cleaning, controlled management of materials, glass and fragile plastic and management of chemical and biological contaminants.

In addition to the above activities, the company also organises courses on Good Manufacturing Practice (GMP) for relevant workers.

¹⁷. The figure for 2020 includes Marino Belotti.

¹⁸. The category of executives was not considered because there are no female executives.

¹⁹. When calculating the training hours, training at Marino Belotti was not included.



Organisational Model

Integrity, business ethics, transparency and anti-corruption guide the company's strategy and are highlighted in its Organisational, Management and Control Model prepared in compliance with Italian Legislative Decree 231/2001 and in its Code of Ethics.

There were no identified cases of corruption in 2020 or previous years.

Suppliers

Special attention is also paid to the group of suppliers and to supply chain management.

Lumson diversifies its strategic procurement by geographic area and also assesses its suppliers based on social and environmental criteria.

The main assessment criteria include the adoption of a Code of Ethics and Conduct, a social insurance policy, assessing conditions and compliance with regard to occupational health and safety and reg-

ularity of employee contracts in terms of salary, working hours and benefits.

In terms of environmental criteria, the company evaluates any environmental policies and certifications such as ISO 14001:2015.

The company ensures that its suppliers comply with the Code of Ethics.

Case study: Responsible supply chain management

In 2020 Lumson took a number of steps to adopt sustainability policies and procedures. The company has adopted a Corporate Social Responsibility (CSR) Policy, an Environmental Policy and a Safety Policy.

In relation to its CSR Policy, Lumson recognises that corporate social responsibility is the company's sense of responsibility towards the community and the social and ecological environment where it operates.

CSR is therefore a factor in company competitiveness and is increasingly recognised by the biggest international customers. In its CSR Policy, Lumson sets out that acting responsibly means going above and beyond requirements and committing to:

- actions for the community and worker well-being;
- measures for environmental sustainability in products and processes;
- actions aimed at Lumson suppliers and customers.

As for the Environmental Policy, Lumson is inspired by the principles of:

- reducing environmental impact and improving environmental and energy performance;
- increasing awareness around environmental protection among its employees, collaborators, suppliers and contractors;
- using energy from renewable sources whenever possible and pursuing qualitative/quantitative objectives to guarantee respect and protection for the environment.

Lastly, in relation to its Safety Policy, Lumson is focused on achieving the highest standards of occupational health and safety by integrating principles of protection in its activities and at all its production sites.

By January 2022 the company expects to obtain UNI EN ISO 45001:2018 certification.

Table 3 - ESG performance of the portfolio company²⁰

KPI	UM	2020	
Policies and procedures			
Code of Ethics	Yes/No	Yes	
Organisational, Management and Control Model	Yes/No	Yes	
Sustainability/ESG Policy	Yes/No	Yes	
Environmental certifications	Yes/No	Yes	
Social certifications	Yes/No	Yes	
BoD/Senior Management responsibility for ESG topics	Yes/No	Yes	
KPI	UM	2020	2019
Environmental			2018
Total energy consumption	GJ	59,349.9	56,644.2
Direct energy consumption	GJ	8,155.2	8,008.6
<i>of which from renewable sources</i>	GJ	1,156.6	1,104.5
Indirect energy consumption	GJ	51,194.7	48,635.6
CO ₂ emissions (Scope 1 and 2)	tCO ₂ e	6,941.6	6,711.0
Water consumption	m ³	8,645.0	16,160.0
Wastewater	m ³	8,553.0	15,243.0
Waste produced	t	1,334.6	1,176.1
<i>of which recovered</i>	%	89%	51%
Material used	t	6,359.1	8,079.3
<i>of which renewable</i>	%	53%	64%
Raw materials purchased	t	6,248.3	7,972.1
<i>of which secondary raw materials</i>	%	6%	4%
Operating sites owned, rented or managed within or adjacent to protected areas	N°	0	0
Social			
Employee injury rate		1.4	1.4
Voluntary employee turnover	%	3%	5%
Average training hours per employee	N°	8	7
Employees who have received a performance review	%	38%	22%
Female employees	%	47%	44%
Employees with a permanent contract	%	100%	98%
Governance			
Identified cases of corruption	N°	0	0
Female members of the BoD	%	11%	11%
Suppliers assessed using social criteria	%	11%	9%

20. Figures for 2020 and 2019 include Marino Belotti, compared to the figures for 2018.

Kedrion BIOPHARMA

Keep Life
Flowing

Kedrion is a genuine example of excellence in Italy with an extremely important social role. Serving as a link between plasma donors and patients, the company actively works to make treatments accessible to patients on a global scale while managing production activities that comply with the highest safety and environmental standards.

With production plants in Italy, the United States and Hungary, Kedrion supplies markets in over 100 countries and is ranked as the fifth player globally and number one in Italy in the plasma derivatives sector.



KEDRION

BIO PHARMA

The company's commitment to ethical business management is documented in the "Company Policy for Ethics in Kedrion Business". This document also governs some of the main ESG topics focused on by the company, in particular those linked to the social and environmental aspects. The main references in terms of policies consist of the Global EHS Policy Statement and the Kedrion S.p.A. EHSQ Policy.

The Integrated Environment, Health and Safety Management System complies with the environmental aspects of international standard UNI EN ISO 14001:2015 and the EMAS Regulation and the Italian and Hungarian sites are UNI EN ISO 45001:2018 compliant.

Energy and emissions

In 2020 Kedrion recorded total energy consumption of 655,001 GJ, down slightly compared to the previous year (-5%), while emissions totalled 51,357 tCO₂e. With a view to energy efficiency, the company designed/installed trigeneration plants at certain production locations and replaced various "classic" lighting fixtures with LED systems.



655,001 GJ
of total energy consumption
in 2020

51,357 tCO₂e
of total emissions in 2020

Water

In 2020 a project was implemented to improve the purification capacity of the plant serving one location by increasing tank capacity and installing filters. Water consumption in 2020 came to 879,975 m³, a 15% decrease compared to 2019 thanks to specific changes at one of the sites. Wastewater totalled 645,066 m³.

879,975 m³
of water drawn in 2020

6,142 tonnes
of waste produced in 2020

63%
was sent to recycling plants

Waste

In light of its business, most of Kedrion's waste is hazardous (84%), some of which is sent for recycling through energy recovery systems.

Specifically, in 2020 Kedrion produced 6,142 tonnes of waste, of which 63% was sent to recycling plants.

The issue of waste, storage and possible recycling is very important to Kedrion, which has implemented an internal waste weighing system at its Italian production sites and has installed recycling bins in all of its administrative offices in Italy.

Workplace safety

Kedrion's goal is to develop and maintain a healthy and safe workplace for all its employees and external collaborators. This is why the projects implemented not only help improve health and safety at all levels of the structure, but they also improve working conditions and increase awareness of occupational risks.

Workplace safety is discussed in the Global EHS Policy Statement and the Kedrion S.p.A. EHSQ Policy.

The Italian and Hungarian sites have also developed an occupational health and safety management system that complies with UNI EN ISO 45001:2018.

Working conditions, risks and safety policies are constantly monitored both locally and globally, including implementation of the processes governing them. They are also periodically revised.



Human Resources

Employee development and training is of major importance for Kedrion, which again in 2020 demonstrated its commitment by providing over 16,850 hours of training.

The various initiatives implemented during the year included a special project – Scuola Kedrion – in cooperation with the Campus di Lucca Foundation. The company partners with the foundation to support the internationalisation and development of teaching, in part through the use of digital tools and by strengthening the Leadership Model.

Managing and developing human capital also means evaluating performance to check that targets have been met, identify any issues and launch support when needed.

In 2020, 2,051 employees received a periodic performance review (78%), a 6% increase compared to 2019.

Staff evaluations are based on the KedPMP (Kedrion Performance Management Process), which verifies whether department and individual targets have been met and identifies whether staff hold the skills set out in the Leadership Model.

In 2017 Kedrion also introduced a People Review process to strengthen the management team's ability to identify development processes in line with company requirements. This investment translated across to a training programme, which as it stands has involved 144 managers in Italy, Hungary and the USA.

In 2019 the company renewed its SA800 certification which it has held since 2004. The current certification is valid until the end of 2022. This is an important standard in terms of corporate social responsibility, with the main goal of improving working conditions and promoting ethical and fair treatment with respect for human rights.

The company has also established an Ethics Office to manage and implement the Ethics in Business Management System and since 2005 had adopted the 10 Principles of the UN Global Compact on human rights, work, the environment and the fight against corruption.

22%

of Kedrion employees have received specific human rights training, mainly focused on SA8000 certification.

Respect for diversity and inclusion are values that underpin relations with employees. Women represent around 53% of the workforce (in line with 2019) and the number of female managers has increased (32% in 2020 compared to 26% in 2019).

The company participates in Valore D training programmes, the first association of businesses in Italy aimed at promoting the gender balance and inclusion within Italian organisations. The company also launched a gender diversity study to compare the composition of governing bodies and the workforce with the benchmark for pharmaceutical companies, which confirmed that Kedrion is in line with the other companies analysed.

Lastly, the company's gender pay gap is around 75% for directors, 92% for office workers and 96% for manual workers. 33% of members of the Board of Directors are between 31 and 50 years old.



Organisational Model

In 2004 Kedrion adopted an Organisational Model pursuant to Italian Legislative Decree 231/2001 and as required by the regulations, the Board of Directors established a Supervisory Body to monitor proper application of the model.

In relation to whistleblowing, the company has established whistleblowing mechanisms and tools, including anonymous ones, and has adopted a Global Anti-Corruption Policy, formally approved by the entire Group.

Various training activities are provided on anti-corruption and are periodically provided by the Supervisory Body to the departments at greatest risk. Kedrion's commitment is notable, with 22% of workers gaining awareness in 2020, compared to 8% in the previous year.

In 2020 the Global Compliance department was also established (reporting directly to the Board of Directors). One of its primary responsibilities is to design and implement an Integrated Global Compliance Policy, including an Anti-Money Laundering Policy. There were no identified cases of corruption in 2020.

There were no identified cases of corruption in 2020.

Suppliers

Lastly, in terms of supply chain management, Kedrion has established a procedure to govern relationships with suppliers, who must comply with the Ethics Policy or a Code of Ethics in order to qualify. Social and environmental policies in line with the provisions of local law must also be adopted in order to become a supplier for the company.

Suppliers considered critical from an environmental point of view undergo a "qualification" process that begins with collecting information (through a questionnaire) and concludes, if appropriate, with specific audits.

Case study: Scuola Kedrion

Kedrion considers employee training and development a fundamental priority in its approach to sustainability.

The company designed and promoted a unique training programme as part of Scuola Kedrion, a project carried out in cooperation with the Campus di Lucca Foundation.

Active for over ten years, most of the training programmes and courses offered by the "school" are aimed at key company figures operating in its locations around the world. These courses are theoretical and practical, designed to meet the needs of senior and middle management and to support the creation of a shared company culture and identity.

The courses offered include a Technical Skills Programme to promote and spread technical knowledge and skills related to the production of plasma derivatives.

The various activities of the Scuola Kedrion include the Kedrion Management Development Programme (KMDP), initially launched in 2017, which has now trained over 50 managers and is an excellent tool in their journey of development. Focusing on best practices, managerial tools and the new Leadership Model introduced by the company, the KMDP has become a point of reference for creating a leading and knowledgeable managerial class.



Table 4 - ESG performance of the portfolio company

KPI	UM	2020
Policies and procedures		
Code of Ethics	Yes/No	Yes
Organisational, Management and Control Model	Yes/No	Yes
Sustainability/ESG Policy	Yes/No	Yes
Environmental certifications	Yes/No	Yes
Social certifications	Yes/No	Yes
BoD/Senior Management responsibility for ESG topics	Yes/No	Yes

KPI	UM	2020	2019	2018
Environmental				
Total energy consumption	GJ	655,001.2	682,228.0	641,500.0
Direct energy consumption	GJ	455,516.4	483,646.0	456,120.0
Indirect energy consumption	GJ	199,484.9	198,581.6	185,380.0
CO ₂ emissions (Scope 1 and 2)	tCO ₂ e	51,357.2	54,025.9	49,697.2
Water consumption	m ³	879,972.5	1,035,828.0	908,295.0
Wastewater	m ³	645,065.9	743,936.0	645,513.0
Waste produced	t	6,142.4	6,343.4	6,315.9
of which recovered	%	63%	65%	68%
Operating sites owned, rented or managed within or adjacent to protected areas	N°	0	0	0
Social				
Employee injury rate		2.3	2.5	2.2
Voluntary employee turnover	%	21%	21%	13%
Employees involved in satisfaction surveys	%	11%	66%	0%
Average training hours per employee	N°	6	9	8
Employees who have received a performance review	%	78%	74%	67%
Female employees	%	53%	53%	52%
Employees with a permanent contract	%	97%	98%	95%
Governance				
Employees who have received anti-corruption training	%	22%	8%	1%
Identified cases of corruption	N°	0	0	0
Board of Directors members between 30 and 50 years old	%	33%	36%	0%
Female members of the BoD	%	8%	7%	14%
Female directors	%	32%	26%	24%
Unplanned interruptions to business activities	N°	0	0	0
Business continuity investments	€/000	16,800.0	21,141.0	21,913.0

Methodological note

Reporting areas

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

The topics covered in this document were deemed to be material following a materiality analysis carried out in order to implement the responsible management of FSI's internal operations and its investment activities. The importance of the sustainability topics was therefore considered in terms of FSI corporate sustainability and of sustainable portfolio management. FSI management, the portfolio companies and FSI's main stakeholders, such as investors, were directly involved in this analysis. The importance of the topics, assessed during preparation of the previous Impact Report, was also confirmed when preparing this year's report.

Approach used to quantify FSI's ESG impact

When defining its sustainability approach, FSI used a materiality analysis to identify the sustainability topics that were significant for FSI and the portfolio. It defined performance indicators for these topics in order to create shared value for its stakeholders and to mitigate the negative effects on society and the environment.

This report also aims to measure the Sustainability Outcomes arising from FSI's investment activities. In terms of positive outcomes, FSI's ESG strategy stems from a desire to contribute to the Sustainable Development Goals (SDGs) of the UN Agenda 2030. In this regard, FSI assesses a number of its portfolio's KPIs associated with the SDGs, thus measuring how much the company contributes to the achievement of the individual goals. For the second year in a row, FSI is measuring the contribution made by its investments to the Italian economy, using an input-output model which represents how the company – through its investment strategy and business model – creates shared value for itself and its stakeholders in terms of meeting needs and contributing to Italy's socioeconomic development.

In economic terms the report highlights the shared value created thanks to current investments, quantifying FSI's potential impact on the national economy (GDP) and employment. The methodology used to measure the impact generated on Italy's socioeconomic system involves adding up the "direct" impact (contributions closely linked to the activity of FSI's investee companies and generated by operating activities within the country), "indirect" impact (contributions from activating the supply chains of the portfolio companies and generated by purchases from local suppliers) and "induced" impact (contributions due to the distribution of income to workers used along the supply chain and generated by local household consumption).

The model can therefore estimate the economic and social effects of a company's activity in a certain geographic area in terms of:

- Gross domestic product: added value calculated as the difference between the value of production and the intermediate costs of production;
- Employment: total jobs in the economic system thanks to the company's activity in the geographic area.

"Input-Output" multipliers calculated on the basis of tables and data provided by ISTAT and the Italian Ministry of Finance were used to estimate the consequences of the economic activity deriving from FSI's Italian investee companies, quantified by measuring the indirect and induced impact. These multipliers indicate the effect on GDP and employment deriving from changes in spending on goods and services produced by a specific sector. The effects generated are the result of the intersectoral relationships of an economic system, meaning that changes in conditions in one economic sector affect related sectors and the general economic and social system. The aforesaid multipliers were applied to the data collected internally from the portfolio companies.

The impact was measured on the basis of FSI's "ownership" of the share capital of portfolio companies based in Italy, for which the impacts were added together in proportion to FSI's investment in each portfolio company. The ownership criterion was defined in accordance with the current instructions on sustainable finance prepared by EU institutions (e.g. the technical standards provided for by Regulation (EU) 2019/2088).

With reference to the negative outcomes, in anticipation of the regulatory requirements provided for by Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, FSI monitors indicators related to negative effects on sustainability factors (referred to as PAI) provided for in Table 1 of the Regulatory Technical Standards (RTS) associated with the Regulation. Note that the current RTS in force are still in draft form; therefore, FSI reserves the right to update the monitoring if the final version of the document makes any changes to the indicators.

For what concerns the calculation of portfolio companies' carbon footprint, the figure for Scope 2 GHG emissions was calculated using a market-based methodology. The emission factors indicated in the "Guidelines on applying Global Reporting Initiative (GRI) indicators for banks" issued by the Italian Banking Association (ABI), based on the recent 2019 and 2020 publications (e.g. "European Residual Mixes", Association of Issuing Bodies - AIB) were used.

Lastly, in relation to the management of internal sustainability and the individual portfolio companies, ESG performance was monitored via a number of environmental, social and governance performance indicators deemed to be material in light of the nature of the investments and activities, defined by international standards (i.e. Sustainability Accounting Standard Board (SASB) Standards, Global Reporting Initiative (GRI) Standards, World Economic Forum (WEF) and European legislation (Reg. (EU) 2019/2088)).

Reporting period and scope

The information in this report is based on data collected internally and relates to the sustainability performance recorded in the 2020 tax year and, where applicable, the first half of 2021. The portfolio companies considered within the scope of consolidation of this report are: Cedacri S.p.A., the Lumson Group, the Kedrion S.p.A. Group, Missoni S.p.A. and the Adler Pelzer Group. The ESG performance monitored for the purposes of this report relates to Cedacri S.p.A., the Lumson Group, the Kedrion Group and Missoni S.p.A.

The scope of reporting in terms of calculating impact considers all FSI investee companies and their economic activity in Italy. In particular, data for the Adler Pelzer Group were estimated using external public sources and relate to 2019 and the company's global operations, not just its operations in Italy.

2020: a crucial year for ESG compliance

2020 was a particularly important year for FSI. Despite the pandemic, the company strengthened its corporate structure and adjusted its regulatory system to the challenges of sustainability.

The project to implement the new Responsible Investment Strategy defined in 2020 was completed and the ESG Guidelines were updated.

In particular:



the ESG Strategy was defined in more detail, with the introduction of material ESG topics specific to the company's Corporate Social Responsibility and important for the portfolio companies



roles and responsibilities associated with implementing and monitoring the ESG Strategy were redefined (including the introduction of the ESG Ambassador)



FSI's approach to integrating ESG topics in investments was specified



provisions were introduced for sustainability transparency obligations



specific provisions were added to the engagement methods for effective communication with stakeholders

The introduction of the ESG Ambassador was particularly important as it strengthens FSI's organisational structure and is fundamental for making its sustainability actions even stronger.

The main activities and objectives of the ESG Ambassador will include:

A project which was launched in 2020



proposing the best sustainability strategy to the ESG Committee and supporting its implementation, including in light of ESG-related regulations



checking the correct execution and coordinating ESG assessments in the pre-investment, monitoring and post-investment stages



promoting and monitoring engagement activities with the portfolio companies



supporting and coordinating external ESG research and study initiatives



creating external reports



developing and proactively maintaining relations with UNPRI

- and completed in Q2 2021 - to implement the provisions of Regulation (EU) 2019/2088 on 'sustainability-related disclosures in the financial services sector'.

This project involved preparation of a complete information kit for investors and stakeholders and the introduction into the corporate regulations of provisions to strengthen the monitoring process of portfolio companies, among other things, with particular emphasis on implementing ESG plans and preparing sustainability information flows.

Information on sustainability in the financial services sector

The SFDR²¹ and Taxonomy²² introduce market disclosure obligations for financial operators mainly in relation to the adoption of responsible investment policies and models for assessing the sustainability impact of their portfolios.

As mentioned previously, after the adoption of the SFDR and the EU Taxonomy Regulation, an important step was taken to continue increasing integration of sustainability topics in investment strategies.

Regulations	2019/2088 "Sustainable Finance Disclosure Regulation"	2020/852 "Green Taxonomy"
Recipients	Financial market operators offering financial products in the EU	
Main subject	Transparency of how ESG criteria are integrated into investment decisions, sustainability characteristics/objectives of investments and their impact on sustainability factors	Classification of eco-friendly investments and transparency on the use of the taxonomy in investment decisions and on the portion of investments in "green" assets aligned with the taxonomy

With particular reference to the regulatory provisions of the SFDR, this is an important initial step towards promoting a European market for sustainable products while strengthening a system that is constantly faced with the challenges of climate, environmental and social change. The Regulation has a significant impact on investor communication, which translates to specific requirements for offer documents, commercial publications, periodic reports and the websites of all entities to which the sustainability disclosure requirements apply.

FSI has implemented an action plan to ensure compliance with the disclosure requirements and appropriately adjust its processes.

In line with the action plan and based on the topics identified as material for the FSI portfolio, the company has identified its main ESG risks and is working to ensure that these risks are included in FSI's risk framework. FSI provides appropriate disclosure on its website on the policies it uses to integrate sustainability risks into its investment decision-making processes.

21. Sustainable Finance Disclosure Regulation: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

22. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

In light of regulatory provisions and the materiality analysis of its investment portfolio, FSI also identifies the potential negative effects of its investments in relation to sustainability factors. It also identifies certain KPIs to monitor performance and defines the frequency of monitoring. ESG due diligence considers the potential negative effects of investment decisions, and strategies are identified to determine priorities and the associated measures. FSI also provides adequate disclosure on its website in relation to its due diligence policies in terms of these effects, taking into account the size, nature and extent of its business and the type of financial products available.

FSI also believes that an effective process to integrate sustainability risks depends on the inclusion of sustainability objectives in remuneration schemes, among other things.

Therefore, FSI has adopted an incentive system which links remuneration to sustainability objectives, in the belief that this will have a positive influence on the achievement of its strategic goals.

FSI includes information in its remuneration policies on how such policies are consistent with the integration of sustainability risks and publishes this information on its websites.



L-R: Marco Valcamonica and Giacomo Tofani

Appendix

FSI's ESG performance

Table 1 - Composition of the 2020 Board of Directors (n°)

Board of Directors	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Members aged 31 - 50	3	-	3	3	-	3	2	-	2
Members aged > 51 years old	2	-	2	2	-	2	2	1	3
Total	5	-	5	5	-	5	4	1	5

Table 2 - Total number of employees by age and gender (n°)

Employees	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	5	-	5	5	-	5	5	2	7
Under 30 years old	-	-	-	-	-	-	-	-	-
Between 30 and 50 years old	2	-	3	4	-	4	4	1	5
Over 50 years old	3	-	2	1	-	1	1	1	2
Middle managers	15	3	18	15	4	19	13	4	17
Under 30 years old	4	-	4	3	-	3	2	-	2
Between 30 and 50 years old	11	1	12	12	2	14	11	2	13
Over 50 years old	-	2	2	-	2	2	-	2	2
Office workers	-	4	4	-	6	6	-	6	6
Under 30 years old	-	1	1	-	1	1	-	1	1
Between 30 and 50 years old	-	2	2	-	4	4	-	4	4
Over 50 years old	-	1	1	-	1	1	-	1	1
Total	20	7	27	20	10	30	18	12	30
Under 30 years old	4	1	5	3	1	4	2	1	3
Between 30 and 50 years old	13	3	16	16	6	22	15	7	22
Over 50 years old	3	3	6	1	3	4	1	4	5

Table 3 - Total number of employees by contract type and gender (n°)

Employees	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Temporary contract	-	1	1	-	1	1	-	1	1
Permanent contract	19	7	26	20	9	29	18	11	29
Total	19	8	27	20	10	30	18	12	30

Table 4 - Ratio between total remuneration of women to men (%)

Employees	2020		2019		2018	
	Executives	n.d. ²³	Executives	n.d. ²³	Executives	n.d. ²³
Middle managers	67%		67%		86%	
Office workers	n.d. ²⁴		n.d. ²⁴		n.d. ²⁴	

Table 5 - Training hours by gender and position (n°)

Employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Executives	385	n.d. ²³	385	207	n.d. ²³	207
Average training hours provided	77	n.d. ²³	77	41	n.d. ²³	41
Middle managers	1,162	561	1,723	402	80	482
Average training hours provided	77	187	96	27	20	25
Office workers	n.d. ²⁴	562	562	n.d. ²⁴	120	120
Average training hours provided	n.d. ²⁴	141	141	n.d. ²⁴	20	20
Total	1,643	1,155	2,798	609	200	809
Average training hours provided	82	165	104	30	20	27

23. There is no data because there are no female executives.

24. There is no data because there are no male office workers.

Table 6 - Total community investments in euros (€)

Community investments	2020	2019
Donations	999,540	31,597
Sponsorships	77,100	90,068
Total	1,076,640	121,665

Table 7 - Annual energy consumption by source (GJ)

Energy consumption	2020	2019
Direct consumption	521.2	397.0
Diesel fuel	436.5	313.1
Petrol	84.8	83.9
Indirect consumption	338.8	340.8
Electricity from non-renewable sources	198.3	203.3
Thermal energy from non-renewable sources	140.6	137.5
Total	860.1	737.8

Table 8 - Greenhouse gas emissions by scope (tCO₂e)

Emissions	2020	2019
Total Scope 1 emissions	36.7	27.9
Diesel fuel	31.0	22.2
Petrol	5.7	5.7
Total Scope 2 emissions	24.8	25.9
Electricity from non-renewable sources	16.4	17.9
Thermal energy from non-renewable sources	8.4	8.0
Total emissions	61.5	53.8

Table 9 - Water consumption (m³)

Water consumption	2020	2019
Water consumption	187	251
Wastewater	187	251

Table 10 - Principal Adverse Impacts²⁵

Greenhouse gas emissions	Scope 1 GHG emissions	3,310.5 tCO ₂ e
	Scope 2 GHG emissions	6,463.3 tCO ₂ e
	Scope 3 GHG emissions (from Jan. 2023)	N/A
	Total GHG emissions	9,773.8 tCO ₂ e
Carbon footprint²⁶	Carbon footprint	27.7 tCO ₂ e/m€
	GHG intensity of the portfolio companies ²⁷	49.3 tCO ₂ e/m€
	Exposure to companies operating in the fossil fuel sector	0%
	Share of non-renewable energy consumption and production	939%
Biodiversity	Energy consumption intensity per high impact climate sector	ICT: 0.1 GWh/m€ Biopharma: 0.3 GWh/m€ Packaging: 0.2 GWh/m€ Fashion: 0.1 GWh/m€
	Activities negatively affecting environmentally sensitive areas	0%
	Emissions to water ²⁷	0.0 ²⁸ t
	Hazardous waste ratio ²⁷	0.0 t
Social and employee issues	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0%
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	57%

25. Using the indicators provided by the Regulatory Technical Standards (RTS) foreseen by Reg. (EU) 2019/2088, FSI can the trend in the ESG performance of FSI's portfolio against a set of indicators that monitor the negative effects of investment decisions on sustainability factors. Note that the RTS document is still in draft form, meaning that indicators might still change. The scope of the data underlying the indicators includes Cedacri, Kedrion, Lumson and Missoni.

The ESG performance are referred the companies Cedacri, Lumson, Kedrion and Missoni.

26. 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).

27. 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).

28. For this indicator, the scope of the data is limited to Cedacri, Kedrion and Lumson.

Social and employee issues	Unadjusted gender pay gap	Average unadjusted gender pay gap of portfolio companies	19%
	Board gender diversity	Average ratio of female to male board members in portfolio companies	8%
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in portfolio companies involved in the manufacture or sale of controversial weapons	0%

Table 11 - Content index - **FSI ESG Performance**

Standard	Disclosure	Page
ENVIRONMENTAL PERFORMANCE		
Energy consumption and GHG emissions		
GRI 103-1, 2, 3 SASB 110a.2	Management approach	32, 33, 52
GRI 305-1 GRI 305-2 SASB 110a.1	Energy consumed within the organisation Direct GHG emissions (Scope 1) Indirect GHG emissions (Scope 2)	52, 120-124
Water consumption management		
GRI 103-1, 2, 3 SASB 110a.2	Management approach	32, 33, 52
SASB 140a.1	Water withdrawal	52, 120-124
SOCIAL PERFORMANCE		
Employee health and safety		
GRI 103-1, 2, 3 SASB 320a.2	Management approach	32, 33, 40
SASB 320a.1	Work-related injuries	40, 120-124
Training and development		
GRI 103-1, 2, 3	Management approach	32, 33, 41-47
SASB 330a.1	Employee engagement	41-47, 120-124
SASB 330a.2	Employee turnover rate	41-47, 120-124
GRI 404-1	Average hours of training per year per employee	41-47, 120-124
GRI 405-2	Ratio of remuneration of women to men	41-47, 120-124
GRI 404-3	Percentage of employees receiving regular performance and professional development reviews	41-47, 120-124
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SASB 330a.1	Investments in the community: donations and sponsorships Corporate volunteering activities and further projects	48-51, 120-124

Standard	Disclosure	Page
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SASB 510a.2	Description of whistleblowing policies and procedures	38, 39
GRI 205-2	Anti-corruption training	38, 39, 120-124
GRI 205-3	Confirmed cases of corruption	38, 39, 120-124
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GRI 102-18	Composition of the highest governing body	35

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SASB 140a.1	Water withdrawal	74-113
GRI 303-4	Wastewater	74-113
Waste and hazardous materials management		
GRI 103-1, 2, 3	Management approach	32, 33, 74-113
SASB 150a.1	Waste produced and amount of waste by disposal method	74-113
301-1	Materials used by weight or volume	74-113
301-2	Recycled input materials used	6, 74-113
-	Strategies to promote circular economy dynamics	6, 74-113
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GRI 103-1, 2, 3 SASB 160a.1	Management approach	32, 33, 40

Standard	Disclosure	Page
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside	74-113
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SASB 320a.1	Work-related injuries	6, 74-113
Training and development		
GRI 103-1, 2, 3	Management approach	32, 33, 74-113
SASB 330a.1	Employee engagement	74-113
SASB 330a.2	Employee turnover rate	74-113
GRI 404-1	Average hours of training per year per employee	74-113
GRI 405-2	Ratio of remuneration of women to men	74-113
GRI 404-3	Percentage of employees receiving regular performance and professional development reviews	74-113
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SASB 510a.2	Description of whistleblowing policies and procedures	74-113
GRI 205-2	Anti-corruption training	74-113
GRI 205-3	Confirmed cases of corruption	74-113
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-	Investment in business continuity	6, 74-113
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GRI 405-1 a	Diversity of governance bodies	74-113
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GRI 414-1	New suppliers that were screened using social criteria	74-113
GRI 308-1	New suppliers that were screened using environmental criteria	74-113



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