

FSI SGR S.p.A.

Guidelines

ESG

Title Guidelines - ESG

Version

1.0

Status Approved

Date of Publication 01.12.2017

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1 Document factsheet

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UPDATES AND REVISIONS

Revision n°	Main changes implemented	Date
-	-	-

1 Premise

The Alternative Investment Funds ("AIFs") managed by FSI SGR S.p.A. (henceforth the "Company" or "Asset Management Company") aim to offer their investors sustainable and responsible investment strategies.

FSI considers an investment as sustainable and responsible when the investment strategy is medium-to long-term oriented and integrates, in the assessment of companies and institutions, environmental, social and governance factors (e.g. ESG) into financial analyses, with the final goal of creating value both for investors and society as a whole.

By signing the *United Nations Principles for Responsible Investments* (the "**Principles**"), FSI publicly commits to the following six principles:

PRINCIPLE 1 – To incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2 – To be an active owner and incorporate ESG issues into its ownership policies and practices.

PRINCIPLE 3 – To seek appropriate disclosure on ESG issues by the entities in which it invests.

PRINCIPLE 4 – To promote acceptance and implementation of the Principles within the investment industry.

PRINCIPLE 5 – To collaborate in order to enhance the effectiveness in implementing the Principles.

PRINCIPLE 6 – To report on its activities and progress towards implementing the Principles.

The purpose of these guidelines is to describe the objectives pursued and methodology adopted when assessing risks and opportunities related to ESG topics.

2 Objectives

In compliance with the Principles, the Company intends to include - as a corporation, employer and towards the AIFs managed - environmental, health, safety, social and corporate governance factors within its decision making processes.

These guidelines apply to all the investments made by the AIFs managed by the Asset Management Company, with the goal of integrating ESG topics within financial analyses in order to create value for all stakeholders.

Consequently, to support the growth of portfolio companies, the Company aims to improve long-term performance and minimize negative impacts also through: (i) compliance with industry regulations, (ii) adoption of rigorous policies and (iii) implementation of governance structures ensuring adequate controls on audit, risk and conflict of interest management.

3 Investment Strategy

Sustainable and responsible investment strategies can be characterized by various objectives and methodologies.

Accordingly, the Company explicitly excludes investments in specific industrial and consumer sectors on the basis of clearly defined principles and values pertaining to the most pressing environmental, social and governance themes shared with investors.

In terms of methodologies, FSI takes into consideration ESG themes both during the phase of assessment of new investment opportunities - especially when conducting due diligence - and in the portfolio management phase, while pursuing the goal of maximizing returns of investments.

Furthermore, the Company commits to providing its investors with prompt information on ESG topics and maintaining high standards of transparency in conducting ESG activities.

4 Roles and responsibilities

The Investment Team is responsible for the inclusion of ESG themes within the analysis of new investments. During the investment phase, the ESG due diligence is mandatory and is assigned, with the exception of specific cases and in accordance with the Risk Management, to independent consultants with proven expertise.

The Portfolio Management Team works with the Investment Team to identify specific ESG-related activities to be conducted in the portfolio companies and is also responsible for the implementation of ESG report referring to portfolio companies.

The Risk Management and the Compliance and Anti-Money Laundering collaborate with the Investment Team and the Portfolio Management Team to implement these guidelines. The Risk Management, supported by the Compliance and Anti-Money Laundering, is furthermore responsible for their update.

5 The FSI approach in the integration of ESG themes within private equity investments

5.1 Ex-ante phase (analysis of the investment opportunity)

In order to ensure the integration of ESG themes within the investment process and to mitigate reputational risks, ESG due diligence outcomes are included in the risk analysis of each investment and, if deemed necessary, they can lead to the request of implementation of a corrective action plan by portfolio companies.

5.2 Post-investment phase – management and monitoring

Following the investment closing, if the Company identifies some relevant/critical ESG themes within the portfolio company, the latter will be either included in the Priority Plan, or the progress made on ESG themes will be periodically monitored. If relevant/critical ESG themes were to arise after the implementation of the Priority Plan, the Asset Management Company will require the portfolio companies to implement corrective action plans. In any case, the Company will support, to the extent possible, the implementation of those plans.

The Company will furthermore encourage the managers of portfolio companies to identify the main ESG themes and properly communicate them internally to the appropriate corporate bodies, including the Board of Directors. The Company will also support, to the extent possible and if necessary, portfolio companies to implement external and internal reporting on their ESG approach and on their performance on ESG themes. FSI will promote and communicate its commitment to responsible investments to portfolio companies.

5.3 Reporting

The Company will annually inform the investors of the AIFs it manages on the implementation of these guidelines.

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6 *The measurement and management of ESG risks and opportunities*

The Company could consider, for example, the applicability of publicly available voluntary performance standards as a basic framework in order to meet the goals outlined in these guidelines and evaluate and manage its investment portfolio.

The Company could also develop proprietary and standardized due diligence check-lists to both support its analyses and valuations and identify specific improvement goals for each investment.