

FSI SGR S.p.A.

**ESG
Guidelines**

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Index

Document factsheet.....	3
Preamble	4
Objectives	4
Scope.....	5
Roles and responsibilities	5
ESG Strategy.....	6
Engagement and continuous dialogue	8
ANNEX 1 – ESG Guidelines for due diligences.....	9

1. Document factsheet

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Company internal regulation abrogated	-
Related company regulation	<input type="checkbox"/> Risk Regulation
References to external regulations	<input type="checkbox"/> Reg. (EU) No. 2019/2088
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UPDATES AND REVISIONS		
Revision No.	Main changes	Date
0	<input type="checkbox"/> New document	01/12/2017
1	<input type="checkbox"/> Changes to the company's structure	14/06/2019
2	<input type="checkbox"/> Set-up of the ESG Committee	15/11/2019
3	<input type="checkbox"/> Update following reorganization of activities within Portfolio Management	29/09/2020
4	<input type="checkbox"/> Update following the implementation of the ESG Strategy	29/01/2021
5	<input type="checkbox"/> Introduction of PAI monitoring	30/07/2021
6	<input type="checkbox"/> Update of negative screening process	25/02/2022

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2. Preamble

FSI SGR S.p.A. (henceforth “FSI”, the “Management Company”, or the “Company”), is an independent wealth management company founded with the aim of creating value by promoting the sustainable growth of the main Italian market leaders. FSI plays a primary role within the Italian financial market, contributing to Italy’s economic development and the welfare of the family enterprises and companies it invests in, as well as its shareholders, partners and employees.

FSI is aware that such responsibility entails the identification and adoption of a few key principles meant to preserve the correct functioning, reliability and reputation of the Management Company.

Being a responsible investor is at the core of FSI’s investment strategy, corporate culture and values. In order to promote the creation of shared value, it is crucial that FSI’s interests are aligned with those of its stakeholders and the community in which it operates. Such principle is part of FSI’s history since the very beginning, inasmuch as it defines the sustainable growth of a private equity actor

In line with this view, the Company has publicly committed to embracing the *United Nations Principles for Responsible Investments* (the “**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.

As one of the most important private equity agents in Italy, FSI is fully aware of its positive impact on the society’s sustainable growth. This is why the Company has implemented specific management policies that take into account, among other elements, an assessment of the social and environmental impact that its decisions and actions might have on the community.

In fact, it is essential to consider environmental, social and governance factors (i.e. ‘ESG’) when thinking of developing a long-term sustainable business model. Furthermore, ESG topics influence the performance of both the SGR and its portfolio companies.

In order to ensure that such topics are not overlooked, FSI has adopted the current ‘ESG Guidelines’ that describe the Company’s take on sustainability and how this value is factored into any investment decision. The ultimate goal is to prevent and mitigate potential ESG risks.

This document thus represents FSI’s formal commitment to always factor ESG risks and implications in its day-to-day operations and investment decisions. The company endeavors to apply the principles of sustainable finance in order to align the investors’ interests with those of society as a whole.

3. Objectives

To promote the growth of its portfolio companies, , the Company aims to improve long-term performance whilst minimising negative impacts through: (i) compliance with industry regulations; (ii) development of rigorous policies; (iii) implementation of governance structures ensuring that audit and risk management

processes and potential conflicts of interest are adequately monitored; (iv) maximization of ROIs and improvement of the productive system; (v) integration of environmental, health & safety, social and corporate governance topics within the decisional processes.

Therefore, by drafting these ESG Guidelines, FSI endeavors to: (i) respect the ratified Principles through a structured process; (ii) define the principles driving the Company in the integration of ESG factors into its operations; (iii) generate positive outcomes for society through the integration of ESG principles into its activities and those of the portfolio companies; (iv) reduce its impact on society as a whole through activities pertaining to ESG topics that may be relevant for the SGR and the portfolio companies; (v) enhance the relationship with all stakeholders involved with the Company through engagement initiatives and shared improvement plans.

4. Scope

This ESG Guidelines refer to FSI's internal activities, as well as the investment/divestment operations of the Alternative Investment Funds (henceforth "the Funds" or "AIFs") managed by FSI.

The Management Company commits to disseminating these ESG Guidelines through its website, in order to ensure that they are observed and applied correctly by all employees and relevant third parts. In addition, FSI organises training sessions for its employees on the sustainability topics provided for in this document.

5. Roles and responsibilities

The definition of the ESG Strategy is entrusted to the Company's managers (supported by the ESG Ambassador), whilst its implementation is the responsibility of the ESG Committee (henceforth, the "Committee").

The Committee is formed by the President of the Board of Directors, one Independent Director, the CIO, the CFO, the HR and Operations Manager, the Compliance Officer, the International Partner and one of FSI's Industrial Partners.

The ESG Committee normally convenes every six months. Besides assisting the Board of Directors and CEO in devising and monitoring the ESG Strategy, it also supervises external communication about ESG topics. Particular emphasis is placed on the annual "ESG Impact Report" – which presents the sustainability performance of both FSI and its portfolio companies – as well as on the progress made with the implementation of the *Principles for Responsible Investment*.

The ESG Ambassador, supported by other units involved in the management of internal processes and investment operations, is responsible for: (i) presenting the ESG Strategy to the Committee and supporting its implementation in line with the relevant ESG legislation; (ii) assess and coordinate the ESG evaluation processes in the ex-ante, monitoring and post-investment phases; (iii) promoting and monitoring engagement with the portfolio companies; (iv) support and coordinate external research initiatives on ESG topics; (v) implementing external reporting; (vi) participating, upon invitation, in the periodical meetings of the ESG Committee; (vii) developing and cultivating the relationship with UNPRI; (viii) updating the ESG contents on FSI's website.

The ESG Strategy and Guidelines are presented to the Board of Directors for approval and subject to annual review.

6. ESG Strategy

FSI has defined a strategy to integrate environmental, social and governance criteria within all its operational areas, including the management of its internal processes and investment portfolio.

In order to identify the most relevant ESG topics to take into account when managing both internal processes and the investment portfolio, FSI implements a rigorous Materiality Assessment in which the managers, portfolio companies and main stakeholders are all directly involved. Such process allows to update the ESG Strategy on the basis of both the business' evolution and external and internal dialogue.

In addition, the Company's ESG Strategy stems from a desire to actively contribute to the Sustainable Development Goals ('SDGs') set out in the UN's 2030 Agenda, with particular focus on the following objectives:

- SDG 3: Ensure healthy lives and promote well-being for all at all ages;
- SDG 5: Achieve gender equality and empower all women and girls;
- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all;
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
- SDG 10: Reduce inequality within and among countries;
- SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable;
- SDG 12: Ensure sustainable consumption and production patterns;
- SDG 13: Take urgent action to combat climate change and its impacts;
- SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Transparency on sustainability

FSI endeavors to provide its investors with all the information they require, at any point in time, regularly assessing the ESG performance of its portfolio companies and their alignment with the main ESG Strategy. Contextually, FSI also commits to annually assessing (through qualitative and quantitative analysis) and reporting to its stakeholders, the evolution and outcomes of the ESG Strategy.

In this respect, the Company complies with the current legislation concerning transparency on sustainability within financial services by making all required information publicly available on its website, pre-contractual documentation and periodical reports.

FSI's approach to the integration of ESG topics within its activities

FSI is fully aware that its internal and investments operations bear an environmental, economic and social impact. For this reason, once the most relevant ESG matters have been singled out through the Materiality Assessment, the Company commits to taking these topics into account and measuring their performance in light of their contribution to the abovementioned SDGs:

- reducing environmental impact by improving energy efficiency;
- encouraging the respect of diversity and creating an inclusive work environment;
- promoting the growth and continuous development of the Company's human capital;
- encouraging the development of the territory by organizing philanthropic initiatives in partnership with local charities and NGOs;

- adopting the highest health & safety standards for the Company's employees, in compliance with current law provisions;
- embracing the values of transparency, business ethics and integrity, also abiding by the independence requirements within governing bodies;
- following best practice in terms of governance and data security.

FSI may also carry out research projects and analyses in partnership with consultants and/or scientific and university institutions, in order to further investigate and monitor the evolution of the ESG topics and consequently update the ESG Strategy of both the SGR and the portfolio companies.

Ex-ante phase (analysis of the investment opportunity)

In order to guarantee the integration of ESG topics within the investment process and mitigate reputational risks, FSI implements negative screening and ESG integration procedures.

In terms of negative screening procedures, the Company explicitly excludes certain industrial and consumer sectors on the basis of key principles and values shared with its investors and indicated in the rules of the Funds under management. In particular, FSI refrains from investing in:

- companies or other entities whose commercial or production activity is considered illegal as per the law provisions and regulations applicable to both FSI and the societies themselves (including, but not limited to, human cloning for reproductive purposes)
- companies or other entities that base their business on (and/or obtain at least 30% of their profits from) the production and sale of tobacco;
- companies or other entities whose commercial activities include: (i) production and sale of illegal drugs, or financial support to such activities; (ii) production and commerce of weapons and ammunitions of any sort, including mass destruction weapons (nuclear, biological, chemical, radiological), or financial support to their production and sale; (iii) pornography and/or prostitution (including the research, development and application of IT programs specifically aimed at pornography and/or prostitution), and financial support to such activities; (iv) coal mining.

In such circumstances, the Company will not be deemed in breach of these regulations should it be found that a portfolio company derives an insignificant part of its revenues from any of the abovementioned activities, once the due diligence process has terminated and none of such activities has been detected.

From an integration perspective, FSI identifies and evaluates the main negative effects that its investment decisions might have on environmental and social sustainability. Considering its size, the nature and scope of its activities and financial products on offer, FSI isolates and prioritizes the main negative effects on sustainability by implementing an ESG due diligence procedure which complements traditional due diligence checks primarily focused on financial and economic aspects (i.e. the current economic situation and balance sheet of the target companies, the business plan and budget analysis, information on management, ownership and governance structures).

The ESG due diligence process is entrusted to the Investment Team, supported by the ESG Ambassador and independent consultants with relevant expertise.

Besides carrying out a more generic assessment (see Annex 1), the ESG due diligence takes into account more specific and relevant themes, as evidenced by the Materiality Assessment:

- environmental aspects: power consumption and GHG emissions (Green House Gas), waste management, water consumption and impact on biodiversity;
- social aspects: training and development of the human capital, respect of human rights, health and

Title	Guidelines - ESG	Version	7.0
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safety of employees, consumers and the product itself;

- governance aspects: business ethics and integrity, responsible supply chain management, risk management and business resilience, respect of diversity and inclusion.

The outcomes of the ESG due diligence are integrated within the investment *memoranda* for the Investment Committee and the risk analysis carried out for each investment and might prompt FSI to request that the target company, if deemed necessary within the contractual documentation, develop a corrective action plan, or a new ESG Strategy.

Post-investment phase – management and monitoring

Once the investment is closed, FSI and the ESG Ambassador periodically assess the ESG performance of the portfolio companies. Should any criticalities emerge, FSI will discuss with the portfolio companies adequate solutions to be included in the corrective action plan (or in the ESG strategic plan) and periodically monitored. The Management Company will support, within the limits of its role and possibilities, the implementation of those plans.

Furthermore, the Company encourages managers at the portfolio companies to adopt proper ESG strategies and managements tools, as well as monitoring and reporting their performance both internally and externally. The Management Company undertakes to publicly report on annual basis the principal sustainability adverse impacts (so called “PAI”) of its investments. In order to monitor the PAI, the Company makes use of indicators included in the technical standards (i.e., “RTS”¹) attached to the EU Regulation No. 2019/2088.

In accordance with its materiality assessment, FSI integrated its PAI set by introducing, in addition to indicators set for by Tables 1, 2 and 3 of Annex 1 of RTS, 3 of the other no binding indicators (Supply Chain, Customer Safety and Business resilience).

Information flows regarding PAI are governed by internal policies of the Company.

The ESG Ambassador, with the support of the Investment Team, is responsible for reporting the PAI in the annual “FSI Impact Report”.

Investment Exit Phase

It is crucial for FSI to assess and demonstrate the effectiveness of the ESG Strategy of those companies that are about to exit its portfolio, in order for their overall value to be determined. In addition, the Company commits to encouraging the new managers to further progress on the virtuous path of sustainability.

7. Engagement and continuous dialogue

Engagement and active dialogue with the portfolio companies play a key role within FSI’s ESG Strategy, inasmuch as they allow to constantly monitor the risk profile of these companies, promote their sustainable growth and receive continuous feedback to shape the evolution of the strategy itself. FSI commits to establishing and cultivating a constant and transparent dialogue with its portfolio companies.

¹ Final Report on draft Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088 - 2 February 2021

ANNEX 1 – ESG Guidelines for due diligences

GENERAL
Has the company joined an ESG-related organisation (i.e., UN PRI Un Global Compact)?
Has the company implemented an ESG policy? Is the company actively engaged in implementing the ESG policy vis-à-vis other group companies?
Please describe any initiative carried out by the company over the last year to improve ESG standards (also at group companies level).
Does the company provide an ESG report to its stakeholders? (please indicate the relevant timeline)
Are there, employees responsible for the implementation of the ESG policy within the company?
Is training done on ESG topics? How often? Please provide the % of employees who has been trained in the last year.
ENVIRONMENTAL
How does the company monitor and report to its stakeholders on the main environmental KPI (i.e., carbon emissions, water consumption, energy consumption, waste disposal, etc.)?
SOCIAL
Has the company implemented a <u>diversity&inclusion</u> policy as well as an equal opportunities policy?
Has the company implemented a process to measure the level of satisfaction of its employees?
Has the company implemented policies and measures to protect workplace safety? Does the company monitor and report workplace accidents?
GOVERNANCE
Please describe the principles according to which the composition of the Board of Directors of the company and the group companies is determined.
How often does the company's Board of Directors discuss any ESG topics and define ESG objectives?
Has the company implemented a corporate regulatory system in line with ESG principles? In particular, has the company adopted: (i) Code of Ethics, (ii) Anti-corruption policies, (iii) Risk Management policy and (iv) 231 Model.