

# ESG POLICY

## INCORPORATING ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE FACTORS INTO THE ACTIVITIES OF THE ASSET MANAGEMENT COMPANY

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## 1. INTRODUCTION

This Policy sets out the commitment of F2i SGR S.p.A. (“**F2i**”) to the incorporation of Environmental, Social and Governance (“**ESG**”) criteria into F2i’s strategies and processes.

In recognising the importance and value of ESG issues, through this policy F2i intends to initiate the process of incorporating ESG criteria into its investment strategies and processes, in addition to identifying monitoring and engagement strategies for the portfolio companies. All of this is designed to ensure that the overall investment activities are carried out in the exclusive interest of the investors of the funds and with the aim of increasing the value of the investments over time through a policy founded on principles of social and environmental responsibility.

## 2. REFERENCES

Principles for Responsible Investment adopted by the UN in 2006

Italian Stewardship Principles issued in 2013 by the Corporate Governance Committee of Assogestioni

Directive 2014/95/EU of the Council and of the European Parliament of 22 October 2014 on the disclosure of non-financial information

Legislative Decree no. 254/2016 of 30 December 2016, implementing Directive 2014/95/EU

Stewardship Code adopted by the European Fund and Asset Management (EFAMA) on 31 May 2018

F2i’s Internal Code

F2i’s Organisation, Management and Control Model pursuant to Legislative Decree 231/2001

Conflicts of Interest Management Procedure

## 3. ROLES AND RESPONSIBILITIES

**ESG Committee:** meets at least every six months to discuss the progress of the incorporation of ESG criteria into investment processes; defines the strategy and proposes updates to the Action Plan based on the progress made;

**Chief Executive Officer:** identifies the functions of control and management of ESG issues within the Asset Management Company and the function responsible for dealings with the UN PRI; chairs the ESG Committee;

**Head of the Investees Legal and Corporate Regulatory Area:** proposes changes to the relevant procedures in order to include environmental, social and good governance assessment factors in the related processes; produces an in-house training programme on ESG and sustainability issues; supports the other

functions in establishing a monitoring plan for the investee companies and for the preparation of the Transparency Report;

**Chief Investment Officer (“CIO”)**: in coordination with the Head of Strategy & Business Development, takes into account ESG factors when assessing investment opportunities and considering the launch of new products; ensures that the investment team also carries out environmental, social and governance checks, in the analysis of each investment;

**Chief Financial Officer (“CFO”)**: in coordination with the Head of Strategy & Business Development, implements the monitoring and engagement strategies for the portfolio companies and provides support, where applicable, for the related reporting;

**Head of Strategy & Business Development**: in coordination with the CIO, takes into account ESG factors in assessing investment opportunities and considering the launch of new products; in collaboration with the CFO, implements the monitoring and engagement strategies of the portfolio companies and oversees their reporting; liaison for the UN PRI and the external stakeholders in the PRI network; responsible for preparing the Transparency Report, in coordination with the Investees Legal and Corporate Regulatory Area;

**Head of the Risk Management Function**: includes ESG factors in the categories used as the basis for the analysis and assessment of the risk profile of the target company;

**Investment Team**: when analysing each investment, also conducts environmental, social and governance checks and includes ESG information in the Preliminary Note envisaged by the Investment Procedure.

#### 4. F2I’S PRINCIPLES AND VALUES

The fact that F2i manages long-term investment funds means that value creation is an intrinsic part of the business. This value creation is expressed through the recognition of certain core principles, which have long been part of F2i’s values:

- **integrity**, which is a fundamental feature of the operations and organisational structure of the Asset Management Company and of the Funds managed and which is expressed, in particular, through: (i) constant monitoring of the risks of conflict of interest; (ii) the adoption of specific measures designed to prevent corruption; and (iii) the requirements of suitability for office for the Chairman, the Chief Executive Officer and the other board members, in addition to the Statutory Auditors, appointed to the corporate bodies of the portfolio companies;
- **equal opportunities**, understood as both the absence of discrimination in the internal organisational structure (treatment of employees) and the development of gender equality and diversity within the boards of directors of the portfolio companies;

- **empowerment of human resources**, considered essential for responsible company management, by ensuring their training and safety in the workplace;
- **focus on renewable energy**, through direct and indirect investments in operations related to the production of solar, wind and biomass energy, to promote the development of the sector and the associated positive environmental impacts;
- **exclusion of unethical investments**: F2i does not make direct investments in companies involved in (i) the production or trade of tobacco, arms and munitions; (ii) gambling services or the production or trade of the related products; (iii) pornography, prostitution or similar activities; (iv) the production of illicit substances; (v) the production or trade of products or services that promote the cessation of human life; (vi) the production and extraction of hard coal; or (viii) the production or trade of products or services that are (a) unlawful in the jurisdiction where the company is established; or (b) contrary to international conventions, agreements or prohibitions to the extent they apply to those companies;
- **support to the non-profit sector**, through philanthropic projects, consistent with the values of social responsibility.

## 5. MEMBERSHIP OF THE UN PRI

On the basis of the above values, F2i intends to carry out engagement activities in accordance with the Principles for Responsible Investment (“PRI”). Accordingly, it proposes to complete its membership of the UN PRI, by the end of 2018. This initiative created within the United Nations is aimed at promoting the incorporation of ESG factors into traditional asset management and actively contributing to the development of a more sustainable global financial system<sup>1</sup>. In becoming a member of the UN PRI, F2i is committing to observing and promoting the following 6 (six) fundamental principles:

1. incorporating ESG issues into investment analysis and decision-making processes;
2. being active owners and incorporating ESG issues into ownership policies and practices;
3. seeking appropriate disclosure on ESG issues by target companies;
4. promoting knowledge and application of the PRI in investments;
5. working together to enhance effectiveness in implementing the PRI;
6. reporting on activities and progress towards implementing the PRI.

In signing up to these PRI, F2i publicly undertakes to adopt and implement them, in line with our responsibilities towards our investors, by designing measures that can lead to concrete actions. F2i also

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<sup>1</sup> At the end of 2017, the UN PRI had 1,754 signatories (67% of which were investment managers) representing more than US\$60 trillion in assets under management.

commits to evaluating their effectiveness and improving their content, in the knowledge that compliance with the PRI helps to better align investment activities with the broader interests of society.

Maintaining membership of the UN PRI entails the obligation of preparing an annual Transparency Report, which assesses the progress made in the enhancement of ESG issues.

## 6. INCORPORATION OF ESG FACTORS IN INVESTMENT PROCESSES

Some of the relevant ESG factors already put in place by F2i have been highlighted in section 5. Here below are all the different methods, already implemented or to be included in the future on the basis of the ESG Annual Action Plan, for the incorporation of sustainability factors in our investments:

1. **explicit exclusion of sectors, companies or countries from the sustainable universe:** F2i's policy currently envisages the exclusion of the sectors listed in section 5 and, under the rules of the funds managed, of the countries outside the Eurozone, which by definition excludes the possibility of investing in countries included in black lists due to the violation of fundamental rights or the financing of terrorist activities. The exclusion of companies is currently limited to those operating in the unethical sectors listed in section 5, a scope that may be extended when the Policy is updated;
2. **focus on specific sustainability issues:** portfolio selection according to environmental, social and governance criteria, focusing on one or more ESG issues, which F2i has already done in relation to investments in the renewable energy sector, for example;
3. **ESG as risk screening:** focus on ESG criteria as an aid to reducing risk;
4. **positive screening:** selection of investments based (also) on compliance with international rules, labels and standards;
5. **impact investing:** investments made with the aim of achieving a positive environmental and/or social impact, in addition to a financial return.

ESG factors are duly taken into account in the selection of investment opportunities and are subject to due diligence checks with respect to the target companies concerned.

## 7. MONITORING OF PORTFOLIO COMPANIES AND REPORTING

F2i establishes a monitoring plan for the portfolio companies, in order to implement control over those companies during the period of investment and retention within the funds managed by F2i.

To this end, F2i establishes a dialogue with its investee companies, the ultimate aim of which is to guide them towards conduct that is as consistent as possible with ESG issues. This is therefore a long-term process that uses engagement to promote the improvement of those companies in environmental, social and governance related matters.

In addition to round table discussion groups, this control can take place through specific ESG requests or sample-based audits agreed with the investee company concerned and conducted by specialist consultants.

Alongside the monitoring, which enhances F2i's active role also after the prior analysis of investment opportunities, we intend to produce a report, within a reasonable period from the start of the engagement activities, containing the essential ESG enhancement information for each of the portfolio companies, some of which already publish reports with financial information pursuant to Legislative Decree no. 254/2016 on the disclosure of non-financial information or on a voluntary basis.

The reporting will be carried out with the aid of consultants with specific expertise in the field of sustainable and responsible investments, particularly in relation to the relevant indicators.

#### **8. IN-HOUSE TRAINING**

F2i designs an in-house training programme on ESG issues, where necessary with the aid of an external consultant, aimed primarily at highlighting the link between competitive advantage, profitability and good practices in environmental, social and governance matters. Attention will therefore be focused on the principles and actions that F2i intends to implement, with particular regard to the ESG investment criteria and related methodology.

The in-house training programme is provided to all the personnel potentially concerned and involved in the incorporation of ESG factors into investment strategies and processes.

#### **9. POLICY REVIEW AND AMENDMENTS**

On proposal from the ESG Committee, based on the progress made and developments in the applicable regulatory framework and best practices, the Chief Executive Officer shall submit proposals to the Board of Directors for amendments and/or additions to this Policy.

This Policy may be amended by the Chief Executive Officer, who will inform the Board of Directors of this at the next available meeting, if the amendments are directly linked to organisational changes that have occurred in the meantime in the Asset Management Company's structure.

This Policy will be reviewed at least annually in any event.