

## ESG and Responsible Investment Policy

31 March 2023

REVISION	APPROVAL DATE	DESCRIPTION OF THE MODIFICATION	AMENDED PARAGRAPHS
<i>0</i>	<i>05.12.2019</i>	<i>First adoption</i>	<i>-</i>
<i>1</i>	<i>31.03.2023</i>	<i>General update</i>	<i>All</i>

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## 1 Introduction

Consilium SGR S.p.A. (hereafter “**Consilium**” or “**SGR**”) is an independent asset management company fully dedicated to private equity.

Consilium aims to generate superior long-term capital appreciation through equity investments in buy-out and development capital opportunities in Italian small and medium-sized companies (“**SMEs**”). It has a consolidated track record in generating returns with a positive impact on the SMEs it has invested in.

The present “ESG and Responsible Investment Policy” aims to formalize Consilium’s commitment to sustainability, both at SGR and at portfolio level.

Consilium is a signatory of the Principles for Responsible Investments (“**PRI**”)<sup>1</sup> since March 2020, sponsored by the United Nations. Through its approach toward sustainability, Consilium aims also to contribute to the United Nations Sustainable Development Goals (SDGs)<sup>2</sup>.

As of the latest update of this policy, Consilium is managing three investment funds:

- The Consilium Private Equity Fund, launched in 2006;
- The Consilium Private Equity Fund III, launched in 2014;
- The Consilium Private Equity Fund IV, launched in 2020.

Consilium has a unique culture with distinctive core capabilities which guide its decision-making process and support the companies it invests in:

- ability to act quickly: fast decision-making process thanks to its lean organization and independent structure wholly owned by its Partners;
- sophisticated skills: it can structure and execute complex transactions leveraging the mix of professional skills of its seasoned team;
- proprietary deal flow: its extensive network of contacts provides access to exclusive investment opportunities;
- partnership with the management: it promotes the involvement of the management of its portfolio companies through incentive systems tied to the performance of the deal.

## 2 Objective and scope of the Policy

This Policy constitutes Consilium's formal commitment to apply the principles of sustainability both to the SGR, through the promotion of an ethical work environment, transparent corporate governance and environmentally responsible behaviors, and to the portfolio, by integrating Environmental, Social, and Governance (“**ESG**”) factors into the investment life cycle (investment, holding period and divestment). In particular, the development of a long-term sustainable strategy for the companies Consilium invests in (hereafter referred to as “portfolio companies”) requires the integration of ESG aspects into all phases of its investment life-cycle.

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<sup>1</sup> The Principles for Responsible Investment (PRI) is an international network of investors supported by the United Nations that works to promote sustainable investments through the incorporation of environmental, social and governance aspects into investment decision-making. The six Principles for Responsible Investment offer a menu of possible actions for incorporating ESG issues into investment practice. (<https://www.unpri.org/>).

<sup>2</sup> The Sustainable Development Goals (SDGs), also known as the Global Goals, are the 17 sustainability goals adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity (<https://sdgs.un.org/goals>).

Consilium aims to be a responsible investor and to contribute to the general well-being and sustainable development through active ownership of its portfolio companies.

Consilium adopts the best practices in terms of engagement, monitoring and reporting to align its activities with the interests of its investors and specifically:

- it believes that integrating ESG criteria into its policies, practices and investment decision-making can have a positive impact on long-term risk-adjusted financial returns;
- it promotes transparency in private equity;
- it aims to report to investors on its responsible investment activities and practices.

This policy applies, at the SGR level, to all Consilium's employees, who are expected to incorporate sustainability aspects in their activities, and, at the portfolio level, to all the assets in which Consilium invests.<sup>3</sup>

Consilium applies the policy consistent with the fiduciary mandate and the responsibilities given by its investors.

In addition, being an AIFM regulated under the AIFM Directive, Consilium undertakes to comply with all the obligations pertaining to its role as asset manager and related to the sustainability financial disclosures, as provided under Regulation EU 2019/2088 and Delegated Regulation 2022/1288, and in this sense undertakes, *inter alia*, to publish (and update) the relevant information on its website as provided by the legislation in force.

### 3 ESG Commitment

Consilium's commitment to sustainability at SGR level covers every aspect of the operations, from acting responsibly towards its employees and committing to reduce environmental impacts, to adopting policies, procedures and models that ensure good governance and compliance with anti-corruption laws and regulations.

- ***Commitment to the Environment***

Consilium SGR acknowledges that its operating activities as an asset management company have reduced direct impact on the environment, while it has a more significant indirect impact through the activities of its portfolio companies. For this reason, it aims at continuous improvement to minimize its environmental impacts by encouraging portfolio companies to adopt environmental policies and define goals to improve their environmental performance.

Nonetheless, in order to promote greater environmental responsibility, Consilium SGR is committed at SGR level to:

- Act in compliance with environmental laws and regulation;
- Reduce greenhouse gas emissions by:
  - o Committing to use certified renewable energy;
  - o Using more energy efficient computers or other electronic devices;
  - o Endorsing remote meetings where possible;
  - o Encouraging, with specific initiatives, its employees to use public transportation (e.g. train) as opposed to private cars;

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<sup>3</sup> Investments completed before the approval of the policy (end of 2019) were not subject to the activities related to the investment phase. The monitoring activity, however, is performed following the same criteria of new investments.

- Allowing the adoption of remote working for its employees when necessary;
- Promoting the use of materials for stationery that are sustainable for the environment;
- Disposing of waste according to current regulations, ensuring separate waste collection in offices and the appropriate management of hazardous waste (e.g., toners);
- Reducing, with the ultimate goal of eliminating, the use of plastic in the office by providing staff with company water bottles, introducing water purifiers and using compostable materials for dispensing beverages.

▪ **Commitment to People**

Consilium SGR aims to create a stimulating and harmonious working environment and ensure fair working conditions, also at portfolio level.

For this reason, Consilium SGR is committed to:

- Promoting equality by countering any kind of discrimination based on age, ethnic origin, nationality, political opinions, religious beliefs, sexual orientation, gender identity, physical and mental disabilities, maternity and paternity, part-time/fixed-term employment and socioeconomic status;
- Ensuring equal treatment for all employees during all phases, i.e., recruitment, onboarding, remuneration, performance evaluation, training, career development, job mobility, and termination of employment;
- Promoting a positive working environment where the contribution of each employee is encouraged and where meritocracy is recognized and rewarded;
- Considering requests for non-standard work arrangements from any employee, where possible (e.g., maternity, paternity and parental leave);
- Improving employee's well-being and welfare;
- Monitoring the health and safety risks related to work activities, aiming to eliminate or minimize such risks.

▪ **Commitment to Ethics and Governance**

Consilium has clear guidelines for the effective respect of good corporate governance standards. It has adopted a **Code of Conduct** since 2006 and is compliant with the Italian Banking Act, the Italian Money Laundering Act, the Italian Investment Act and the Italian Securities Trading Act. The SGR also encourages its portfolio companies to adopt adequate ethical and governance policies.

Consilium ensures compliance with the principles of good governance, transparency and fairness by:

- Complying with all applicable laws and promoting international best practice standards;
- Working against all forms of corruption;
- Acting with honesty, integrity, fairness and respect in all its activities;
- Ensuring the proper implementation of its Code of Conduct;
- Defining clear responsibilities, procedures and controls;
- Promoting transparency and accountability in all business activities;
- Adhering to the Responsible Investing Principles.

## 4 Investment process and ESG integration

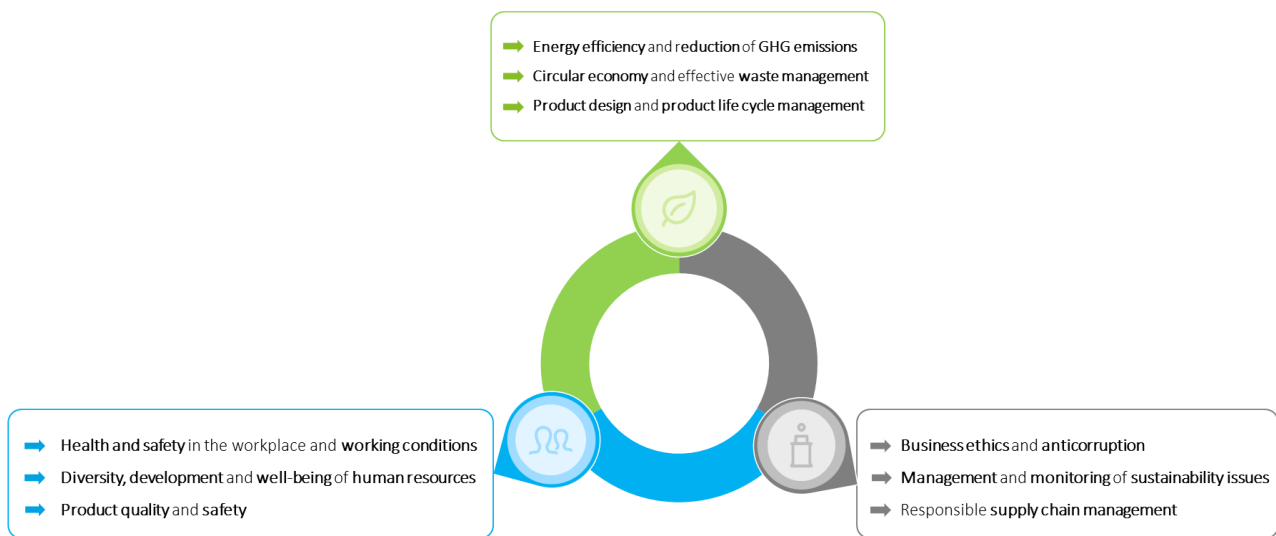
Consilium SGR believes that responsible investing can mitigate risks and enhance the risk-return profile of investments, meeting investors' expectations and, at the same time, creating a positive impact on people and the planet.

Consilium respects and adheres to the six Principles for Responsible Investment ("PRI") and produces a Transparency Report on an annual basis, which is publicly available.

Consilium invests in private companies mainly in Italy but its targets may also have operations and subsidiaries abroad. It has an experienced management team with financial experience, which follows clear ethical and economic guidelines along each phase of the investment life-cycle.

Consilium integrates the ESG factors in its investment process for those companies it has ownership control of, and it can influence the integration of the ESG factors.

Consilium has identified a set of ESG topics, which are specifically investigated and monitored in the ESG due diligence and ESG monitoring phase, through which the target companies are assessed and the ESG performance of portfolio companies is monitored. Examples of such ESG topics are:



The phases of a private equity investment lifecycle are the following:

**a) Investment**

The integration of ESG factors in the pre-investment phase is based on the implementation of an ESG due diligence on the target companies.

▪ **ESG Due diligence**

Consilium conducts an ESG due diligence before completing each investment, taking into consideration the ESG risks and opportunities of the target company, how ESG risks can be addressed and mitigated and the ESG improvements that can be implemented during the Funds' holding period.

While conducting the due diligence, Consilium SGR analyzes and investigates the target company in depth, requesting evidence of all certifications, policies and procedures in place at the time of the evaluation.

The ESG due diligence analysis mainly focuses on:

- The context where the target operates;
- ESG best practices in relation to the target sector;
- Alignment with the most up-to-date internationally recognized standards;
- The relevant risks for the sector and the target;
- Any mitigation actions taken by the target.

Prior to the signing of each new investment, the findings of the ESG due diligence are shared with the Board of Directors of Consilium SGR and incorporated into the final investment memorandum. The results of the ESG due diligence reflect the ESG risks and opportunities related to the target company that have to be considered jointly with its financial valuation.

**b) Holding period:**

▪ ***ESG Action Plan***

Once the acquisition is completed, based on the results of the ESG due diligence report prepared in the previous phase, an ESG Action Plan is developed for each portfolio company. The ESG Action Plan aims to identify short and medium-term ESG objectives for each company in order to mitigate its ESG risks and improve its ESG profile.

Consilium requires all portfolio companies, if operating in Italy, to implement the Organizational Model pursuant to Legislative Decree 231/01.

▪ ***Engagement***

Active engagement with portfolio companies' management is particularly relevant for both the definition phase of the ESG Action Plan and the implementation phase in order to make each company responsible and accountable on ESG topics. Moreover, in the ESG monitoring phase, Consilium establishes a direct communication channel with portfolio companies in order to collect the ESG data necessary to perform the ESG annual monitoring.

Consilium SGR also requires each portfolio company to identify an internal ESG representative, responsible for the adoption and monitoring of ESG issues to make sure that they are properly considered and managed by the portfolio company.

▪ ***ESG Monitoring and Reporting***

Consilium SGR is committed to collecting periodic ESG information from portfolio companies in order to monitor the status and progress of their ESG Action Plans and their performance on a set of ESG performance indicators ("ESG KPIs"), linked to the material ESG topics identified for each portfolio company and defined based on international non-financial reporting standards (i.e. GRI Standards<sup>4</sup>).

These ESG KPIs are divided into cross portfolio KPIs, a set of indicators broken down by sustainability themes collected at the fund level, and company-specific KPIs, a set of indicators identified for each portfolio company according to the sector in which it operates.

Annually, Consilium SGR prepares an ESG Report for each fund, with the aim of reporting the progress in the implementation of the ESG Action Plan of each portfolio company and the performance on ESG KPIs both at the fund and company level.

The annual ESG Report for each Consilium fund is presented to and discussed by the Board of Directors of Consilium SGR during the approval of each fund's annual report and is then made available to investors in a reserved area of the website.

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<sup>4</sup> GRI (Global Reporting Initiative) is an independent, international organization that helps businesses and other organizations to take responsibility for their impacts, by providing them with a global common language to communicate those impacts. It provides the world's most widely used standards for sustainability reporting: the GRI Standards. (<https://www.globalreporting.org/about-gri/>)

Furthermore, on an annual basis, Consilium compiles the PRI's Transparency Report, made publicly available on the PRI website.

c) **Divestment:**

The Divestment Memorandum approved by the Board of Directors will include an update of the ESG performance of the portfolio company. All the data related to the ESG monitoring activity will be provided to the buyer in the due diligence phase, if requested.

## 5 ESG Roles and Responsibilities

Consilium is committed to promoting the culture of sustainability also by providing training and workshops for employees regarding standards and new trends in the field of sustainability (e.g., the Global Reporting Initiative (GRI)).

Consilium SGR has defined the following ESG roles and responsibilities for the different corporate bodies:

- **Board of Directors:** responsible for the approval and periodic updating of the ESG and Responsible Investment Policy, for the correct integration of ESG criteria in the various phases of the investment life-cycle and the approval of the annual ESG Report. The Board of Directors appoints one of its members as the "ESG Supervisor", that oversees the relevant ESG matters and the implementation of the ESG and Responsible Investment Policy.
- **Investment Team:** responsible for direct engagement with the portfolio companies in order to define and implement the ESG Action Plan and for cooperating with the management of the portfolio companies to collect the ESG data necessary to perform the annual monitoring of the ESG KPIs.
- **"ESG Function":** responsible for the implementation of the "ESG and Responsible Investment Policy", for the promotion of the PRI and for supporting the Investment Team in the engagement with portfolio companies on sustainability topics.

## 6 Policy Review

The ESG and Responsible Investment Policy will be reviewed on annual basis, to fully comply with the highest sustainable and responsible standards.

The Policy was first approved on 05/12/2019 by the Board of Directors of Consilium SGR.

### ***Contact***

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