



Synergo Capital SGR S.p.A.

Responsible Investment Policy
February 2020

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Introduction

Synergo Capital SGR S.p.A. (hereafter “Synergo”) is an independent asset manager founded in 2004 managing closed-end investment funds through multi-disciplinary investment teams, by two main investment platforms: Private Equity and Venture Capital. Synergo operates through its Milan office.

Synergo is specialized in investments in Italian SMEs established and managed by entrepreneurs who wish to access financial and strategic support with the aim of increasing value by taking advantage of opportunities on international markets. In particular, in 2020, Synergo has established its first Italian private equity fund, focusing on the foreign direct investment of Italian SMEs looking to expand in international markets with a focus at the US, and its first Italian venture capital fund, dedicated to innovative start-ups.

With the adoption of a responsible investment policy (“Responsible Investment Policy” or “Policy”) and through the integration of Environmental, Social and Governance (“ESG”) criteria in every phase of the investment process, Synergo aims at promoting ESG practices and enhancing disclosures of the portfolio companies in order to improve transparency towards investors.

This Policy aims at integrating Synergo’s investment process with the principles and actions of responsible investments.

Reference Values

Synergo believes that through the integration of ESG criteria in its investment process, it will promote sustainable economic and social development and, in addition, positively contribute to the financial results of each portfolio company, reducing its risks and creating value for the investors of the funds.

Asset management companies committed to integrating ESG criteria and promoting active ownership into their investment processes can generate sustainable profits over time and consequently create value for all stakeholders.

In 2020, Synergo subscribed the Principles for Responsible Investment (“PRI” or “Principles”), a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into the investment process.

The six Principles for Responsible Investment launched in April 2006 at the New York Stock Exchange are listed hereafter:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Synergo's commitment to the integration of ESG criteria within the investment process and the promotion of sustainability within the portfolio companies is also reflected at the asset management level, through the promotion of a responsible approach to business.

Synergo is committed to:

- Reducing its offices' environmental impact through digitalization, use of recycled paper and reduction of single use plastic;
- Promoting social development in relation to fair and equal employee management, the creation of an inclusive and safe working environment and good suppliers' relationship;
- Enhancing good governance practices, ensure continuous transparency and compliance to laws and regulations.

Scope

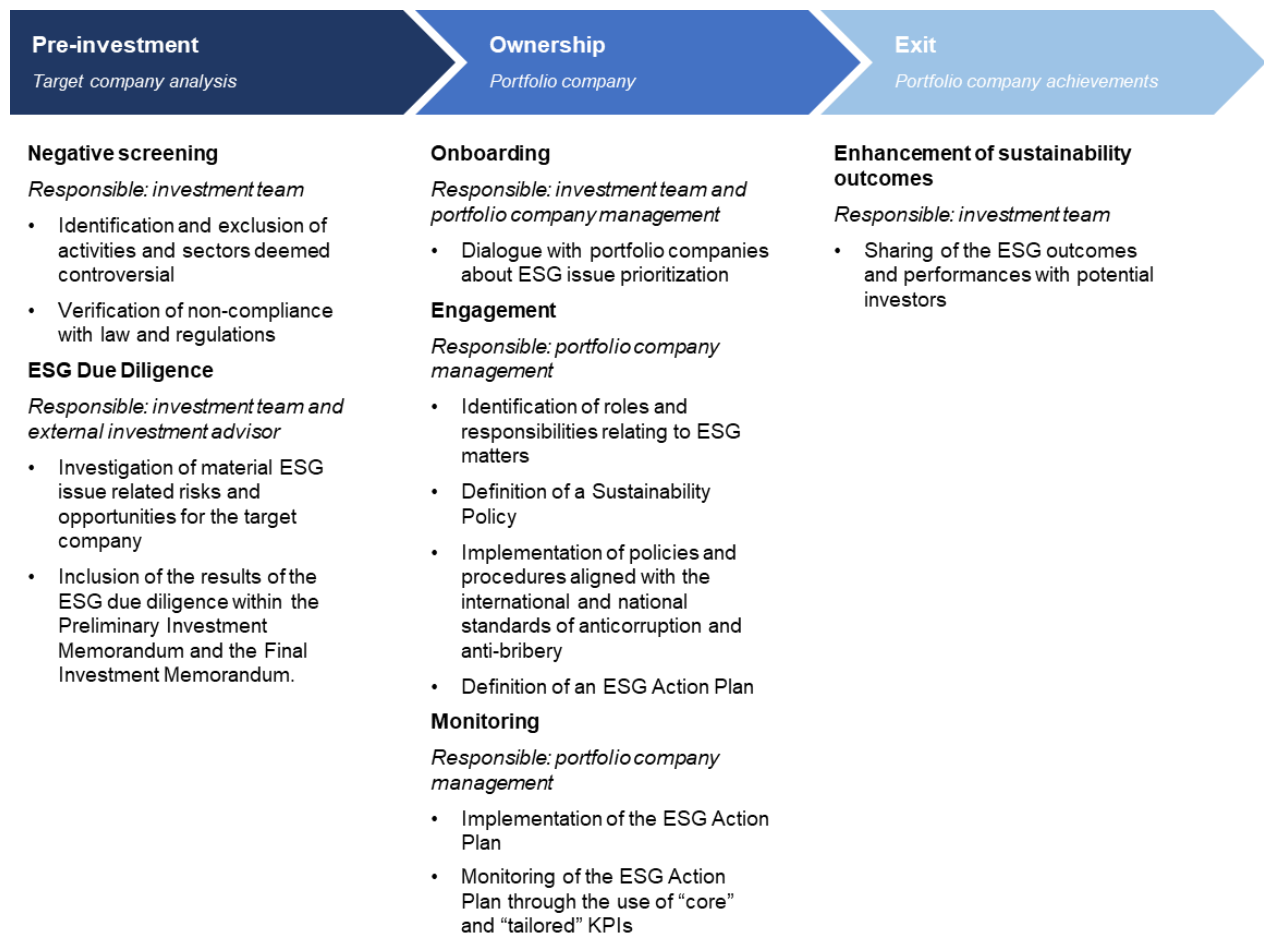
The Policy outlines Synergo's responsible investment approach throughout the investment lifecycle, from the pre-investment phase to the exit phase.

The Policy will be applied by Synergo to all investments made by its present and future managed funds ("Funds"), through the monitoring of ESG progress within the portfolio and the engagement with the companies' management, in support of ESG initiatives and active management of ESG issues.

Synergo is committed to disclose its Responsible Investment Policy to raise awareness and positively influence the company's management towards an improved sustainability performance, also in case of investments where the Funds hold a minority stake.

Synergo responsible investment approach

Set forth below is the representation of Synergo's responsible investment process:



Pre-investment

The commitment to integrate ESG factors starts at the pre-investment phase: Synergo takes into consideration the sector (negative screening approach) and major risks and opportunities (due diligence approach) of the target company.

Negative screening

ESG issues are incorporated in Synergo investment selection through the adoption of negative screening criteria.

Synergo will exclude investments in companies that engage in activities or sectors that are deemed controversial. Current excluded sectors and activities are as follows:

Sectors/activities	Description
Tobacco	Production, sale and distribution of products, which contains tobacco (cigarettes, cigars or pipe tobacco). The sector includes companies whose primary activity is the trading of tobacco and/or the distribution of the unprocessed product to manufacturers. Excluded are cases where tobacco is part of the operation of hotel, amusement park, leisure business or other hospitality business.
Pornography and prostitution services	Solicitation, advertising and sale of any kind of sexual services as well as the production of sexual representations, which could affront to human dignity. Particular attention is paid to the pornography industry, by excluding any kind of company, which involve this kind of activity.
Gambling	Managing and/or operating non-regulated games of chance awarding prizes representing a sum of money, including lotteries, betting and other forms.
Firearms, handguns and assault weapons	Excludes any product or component that is potentially suitable for use in the manufacture of firearms, handguns and assault weapons.
Illegal drugs	Companies involved in the value chain of illegal drug market; drugs considered “illegal” as for the jurisdiction in which the drug is produced or sold.

Other sectors including, but not limited to, hard liquors are classed as sensitive and will be further screened during the decision-making process. Synergo, on behalf of its managed Funds, shall use its best efforts to avoid investments in companies that record non compliances in respect to:

- human rights;
- current and applicable international standards on labor practices through the supply chain;
- current and applicable anti-corruption standards;
- current and applicable environmental, health and safety legislation.

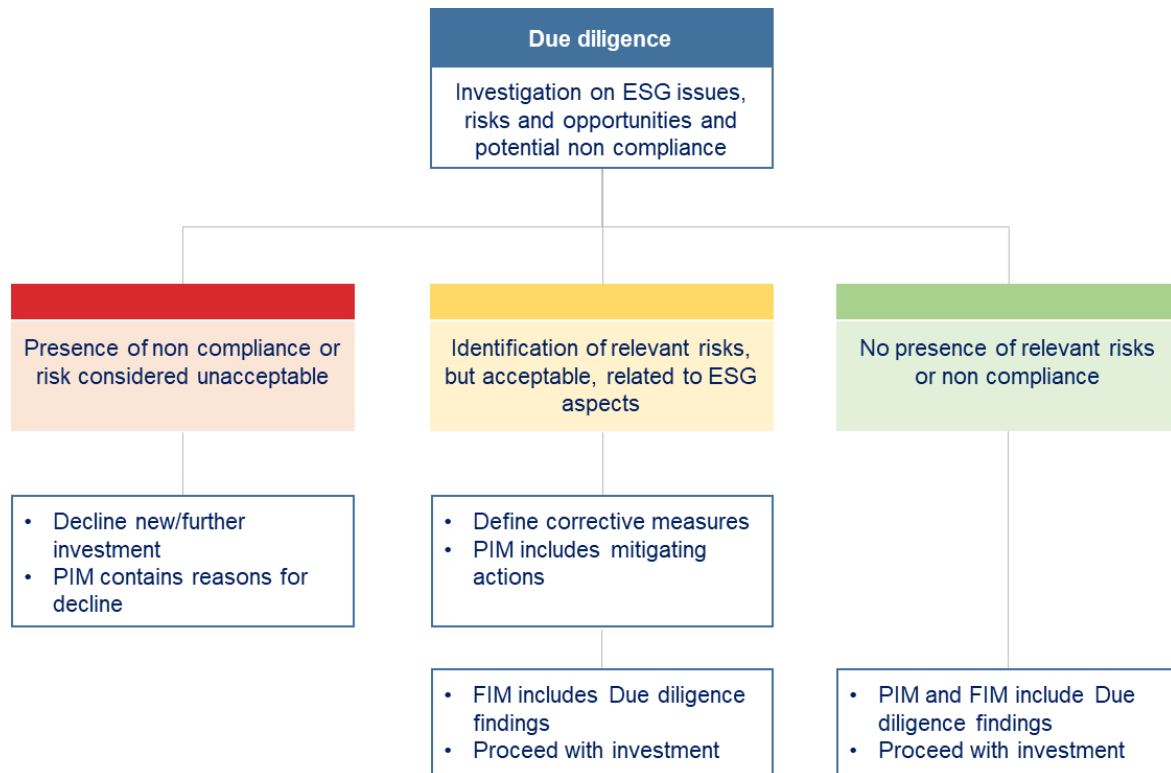
ESG due diligence

After the negative screening phase, Synergo will carry out a due diligence process in order to investigate any material ESG issue (“Due diligence”), related risks and opportunities, considering also current and future sustainability trends, impacts and regulations.

The analysis will be carried out through interviews with the management of the target company in order to identify any possible mitigating factors adopted by the target company related to the ESG material issues and the observance of the most updated internationally recognized standards or best practices on social and environmental issues (ONU, OCSE, UE). The analysis takes also into account the main characteristics of the target company (e.g. size, industry, countries in which the target company operates).

This process aims at identifying any issue related to ESG matters within the target companies and, when deemed necessary, to mitigate any potential negative effects by planning adequate and corrective measures.

The results of the ESG due diligence are included within the preliminary investment memorandum (“Preliminary Investment Memorandum” or “PIM”) and the Final Investment Memorandum (“Final Investment Memorandum” or “FIM”) which highlight the risks and mitigation measures as well as potential opportunities for remedying any non-compliance.



For more information, please refer to Annex 1.

Ownership

Onboarding

After the acquisition, Synergo will engage with the portfolio companies to prioritize ESG issues arising from the ESG due diligence process and plan how to manage them. The major issues identified will lead the discussion on the overall portfolio companies' sustainability strategy and goals.

Engagement

At the engagement stage, Synergo requires the portfolio companies to:

- identify roles and responsibilities relating to ESG matters within the portfolio company, with the aim to create commitment and engagement;
- implement a sustainability policy ("Sustainability Policy") aimed at defining the main company principles and commitments towards sustainability;
- implement policies and procedures in compliance with the international and national standards of anticorruption and anti-bribery (e.g. the Italian Law 231 model for Italian companies), if not already in place.

In order to improve the companies' impact with respect to ESG matters, Synergo's investment managers will support the portfolio companies to implement a continuously evolving action plan and to promote always a best in class approach. Companies will define improvement objectives to be achieved and a related reasonable timeframe in which they should be reached ("ESG Action Plan").

In investments where the Fund holds a minority stake, Synergo commits to support the company's management team towards an improvement of their sustainability disclosures.

Monitoring

The ESG Action Plan will consist in the deployment of objectives and targets to be monitored through the use of "core" key performance indicators ("KPIs") - applicable to all portfolio companies and related to ESG topics such as governance, energy and emissions, diversity and inclusion, health and safety - and "tailored" KPIs - based on the sector and on the material topics identified during the ESG due diligence phase. KPIs will be defined based on international recognized framework for non-financial reporting, such as the GRI Standards¹.

The ESG Action Plan, inspired, among the others, on the UN's Sustainable Development Goals², will allow the company to work towards global goals such as economic growth, job creation, industry innovation, reduction of greenhouse emissions, good health and wellbeing and gender equality.

Synergo will support the implementation and the adoption of the ESG Action Plan actively engaging with the portfolio companies' management. As part of this process, Synergo will promote and encourage the development of training initiatives on ESG topics also providing adequate tools across the company to increase awareness and knowledge.

¹ Global Reporting Initiative Sustainability Reporting Standards defined by the Global Reporting Initiative (GRI).

² The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.

Portfolio companies will report periodically their performance on “core” and “tailored” KPIs to Synergo’s investment managers.

Synergo will be committed to monitor results on the status and progress of the KPIs and the ESG Action Plan from portfolio companies and will present them to Synergo’s Board of Directors at least once per year.

The resulting ESG information will be annually presented in a fund report that will be published on Synergo’s website and made available to investors and stakeholders. That fund report will take into consideration current international and national regulation frameworks, including Regulations (EU) 2019/2088 and 2020/852, on sustainability-related disclosures in the financial services sector.

Synergo will also complete, on an annual basis, the PRI’s Transparency Report, to be published on the PRI website.

Exit

Synergo carries out a gap analysis by comparing the ESG situation of the portfolio companies before and after the investment period to demonstrate that key ESG and sustainability milestones have been met or are near completion. The outcomes will be also shared with potential buyers in order to stimulate a continuous path toward sustainability, also after the fund’s exit.

Roles and responsibilities

Synergo’s investment team is primarily responsible for ensuring that ESG matters are integrated into the investment process as described in this Policy.

The Policy has been approved on February 2021 by the Board of Directors of Synergo and will be reviewed at least every two years, or whenever it is required, and revised as appropriate.

Annex 1

Below is a breakdown of the pre-investment framework:

Activity	Responsibilities	Description
Negative screening	Investment team	Evaluate the target company sector and activities excluding the ones deemed controversial.
Verification of non-compliances	Investment team	Screen of possible non-compliances to laws and regulations in relation to human rights, labor practices through the supply chain, anti-corruption standards, environment and health and safety.
Identification of relevant ESG issues	Investment team External investment advisor	Define major ESG issues through context analysis (e.g. mega trends and global risks in relation to ESG matters and major risks and trends within the target company sector) and main characteristics of the target company (e.g. size, industry and countries in which the target company operates).
Map of as-is situation	Investment team External investment advisor	Identification of mitigating factors adopted by the target company related to the main ESG issues identified. The analysis is carried out through documentation analysis and interviews with target management.
Identification of major risk and opportunities	Investment team External investment advisor	Evaluation of the areas that can lead to a risk or to an opportunity based on the as-is situation.
Scoring definition	Investment team	Definition of a scoring associated to the major risk and opportunities identified.