



Santiago Principles Self-Assessment

CDP Equity SpA

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Pillar 1

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1 Description:

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

Principle 1 Implementation:

The legal framework of CDP Equity SpA ("CDPE") is mainly represented by:

- Art. 5 paragraph 8-bis of Law Decree September 30, 2003, n. 269 (introduced by Art. 7 paragraph 1 of Law Decree March 31, 2011, n. 34);
- Ministerial Decree July 2, 2014;
- CDPE Articles of Association, available on CDPE website (<https://en.cdpequity.it/about-us/cdp-equity.kl> ^[4] - *document in Italian*).

The above regulation provides for the corporate purpose and the investment criteria of

CDPE. In particular, the Ministerial Decrees dated 3 May 2011 and 2 July 2014 define the companies of “significant national interest” in which CDPE can invest.

CDPE major shareholder is Cassa depositi e prestiti SpA (“CDP”), which is controlled by the Italian Ministry for the Economy and Finance. CDPE is wholly owned by CDP Group.

The above legal relationships are publicly disclosed on

CDPE website (<https://en.cdpequity.it/about-us/shareholders.kl> ^[5]).

Principle 2 Description:

The policy purpose of the SWF should be clearly defined and publicly disclosed.

Principle 2 Implementation:

CDPE policy purpose is clearly defined and publicly disclosed in its Articles of Association (art. 3 and art. 4), as well as in the legislation described above and on CDPE website. (<https://en.cdpequity.it/what-we-do/> ^[6])

Principle 3 Description:

3. Where the SWF’s activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

Principle 3 Implementation:

This GAAP is not applicable.

CDPE is a long-term investor that pursues returns on its investment at market parameters.

Principle 4 Description:

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF’s general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

Principle 4 Implementation:

CDPE funding, withdrawal and spending operations policy is defined by its Articles of Association ^[7] and the related financial information are available in its ^[8] Annual Balance Sheet (<https://www.cdpequity.it/ImagePub.aspx?id=1905048> ^[9] - *document in Italian.*)

The main investment policies and the relevant internal procedures are publicly disclosed

on CDPE website (respectively <https://en.cdpequity.it/what-we-do/investment-criteria.kl> ^[10] and <https://en.cdpequity.it/about-us/cdp-equity.kl> ^[4]).

Funds invested by CDPE indirectly derive from postal savings.

Principle 5 Description:

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

Principle 5 Implementation:

CDPE is subject to the management and coordination of its major shareholder CDP, according to the applicable Italian regulation, and to the regulation on co-ordination activities of controlled companies issued by CDP.

CDPE periodically provides CDP with the following information:

- business plans and budgets;
- yearly financial statements, interim financial statements and a reporting package required by CDP;
- reports and plans of activities;
- main periodical data of main business elements considered bearing a significant risk.

Furthermore, CDPE provides CDP with other corporate documents, on a case-by-case basis, such as the internal organizational structure, the internal control structure, the organizational model (under the Legislative Decree 231/2001) and the necessary documentation to meet the requirements from any supervising Authority.

Pillar 2 Institutional Framework and Governance Structure

Principle 6 Description:

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

Principle 6 Implementation:

CDPE is a joint-stock company, which corporate rules are regulated by the Italian Civil Code.

CDPE corporate governance framework is also defined by its Articles of Association, that set a clear and effective separation of roles and responsibilities.

Furthermore, CDPE has structured a series of procedures representing its corporate regulatory system, in line with the best market practice for companies operating in the investment sector.

The different functions of each governing body are publicly disclosed on CDPE website (<https://en.cdpequity.it/about-us/corporate-bodies/corporate-bodies.kl> ^[11]).

Principle 7 Description:

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

Principle 7 Implementation:

CDPE objectives are defined by its Articles of Association (art. 3 and art. 4).

The appointment of members of its governing bodies is regulated by the Italian Civil Code and by CDPE by-laws.

Moreover, the rules for the appointment of Board Members of companies directly and/or indirectly controlled by MEF are included in the guidelines issued by the Italian Ministry of Economy and Finance ("MEF").

Principle 8 Description:

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

Principle 8 Implementation:

The function and the list of members of each governing body are clearly disclosed on CDPE website (<https://en.cdpequity.it/about-us/corporate-bodies/corporate-bodies.kl> ^[11]).

Principle 9 Description:

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

Principle 9 Implementation:

CDPE investment strategy and decisions are defined by the Board of Directors, which is in charge of the approval of the investment and is formed by 3 members.

Principle 10 Description:

10. The accountability framework for the SWF's operations should be clearly defined in the

relevant legislation, charter, other constitutive documents, or management agreement.

Principle 10 Implementation:

CDPE accountability framework is defined by its Articles of Association, in particular:

- the Board of Statutory Auditors supervises the compliance with the Law and the Articles of Association and the observance of the principles of correct administration;
- the Supervisory Board – as an autonomous and independent body – oversees the functioning and observance of the organization model adopted by CDPE, pursuant to the Legislative Decree 231/2001 for crime prevention
- the Independent Auditing Firm supervises the accuracy of the accounting documents.

Principle 11 Description:

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

Principle 11 Implementation:

The Annual Balance sheet is audited by an independent auditing firm on an annual basis, according to the IAS/IFRS standards.

Principle 12 Description:

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

Principle 12 Implementation:

As per the Italian Legislative Decree No. 39/10 of the Consolidated Finance Act, the audit of the annual financial statements, the interim statements and the controls are managed by an independent audit firm (currently PricewaterhouseCoopers).

Principle 13 Description:

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

Principle 13 Implementation:

The Fund has adopted CDP's Code of Ethics, which is publicly disclosed on CDPE's website (https://en.cdpequity.it/kdocs/1927463/Code_of_ethics_2017.pdf ^[12])

Principle 14 Description:

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

Principle 14 Implementation:

CDPE selects its suppliers of goods and services (including its consultants) according to principles of accountability, impartiality and cost efficiency (<https://en.cdpequity.it/what-we-do/supplying-services-to-cdp-equity.kl> ^[13])

Principle 15 Description:

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

Principle 15 Implementation:

Currently, CDPE has no direct operation or activity in foreign countries.

Principle 16 Description:

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

Principle 16 Implementation:

Please refer to GAPP 9.

Principle 17 Description:

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

Principle 17 Implementation:

Key financial data and audited financial accounts are publicly disclosed and available on CDPE's website (<https://en.cdpequity.it/about-us/annual-report.kl> ^[14])

Pillar 3**Investment and Risk Management Framework****Principle 18 Description:**

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process

by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

Principle 18 Implementation:

CDPE's mission, investment policy and the selection process for the investments are clearly defined and publicly disclosed in its Articles of Association and also detailed on CDPE's website (<https://en.cdpequity.it/what-we-do/investment-perimeter.kl> ^[15]; <https://en.cdpequity.it/what-we-do/investment-criteria.kl> ^[10]).

Within the framework of its investment initiatives, CDPE seeks to distinguish itself as a long-term active minority investor with governance rights focused on growth capital in financially sound companies.

CDPE acts as a conservative investor, operating with conservative leverage of its target companies, focusing on the growth of organic business and not on financial engineering.

CDPE operates transparently in selecting and approving investments.

Principle 19 Description:

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

Principle 19 Implementation:

CDPE analysis aims at selecting the best investment opportunities, in line with its corporate mission, acting as a private operator that aims to achieve market returns consistent with its medium/long-term objectives, with its role of non-operating investor and with a patient outlook.

In particular, CDPE's bylaws provide that the company "carries out an entrepreneurial activity through risk capital, in compliance with the "Market Economy Investor Principle" pursuant to European Law

CDPE's portfolio of investment is detailed on its website with the description and the objective of every single investment (<https://en.cdpequity.it/portfolio/group-structure.kl> ^[16]).

Principle 20 Description:

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

Principle 20 Implementation:

CDPE has no access to privileged Government Information.

Please also refer to GAPP 9.

Principle 21 Description:

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

Principle 21 Implementation:

Acting as a minority investor, CDPE seeks to play an active role in the portfolio companies, through appropriate governance rights, generally consisting of board representation and qualified majorities.

CDPE participates in the corporate governance of its portfolio companies following the principle of the non –operating investor with a patient medium/long-term view in line with the best market practices.

Given its timescale, CDPE defines agreements with the other shareholders of the investee companies, with the aim of (i) guarantee an adequate level of representation and active governance; (ii) guarantee a constant information flow; (iii) identifying options for the development and liquidation of the investment at market conditions.

Principle 22 Description:

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 22 Implementation:

CDPE risk management is carried out by CDPE's Risk department, that acts independently from CDPE's investment team, with the supervision/support of CDP Risk Management and with a direct hierarchical link to CDPE's Board of Directors.

CDPE's "Risk Management Principles" define the operating principles and associate guidelines for identifying, measuring, monitoring and controlling the various types of risks to which CDPE could be exposed in carrying out its activities.

CDPE's general approach to risk management is publicly disclosed.

Principle 23 Description:

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Principle 23 Implementation:

CDPE is subject to the management and coordination activities of CDP and, in particular, interim and year-end reporting packages of all the portfolio companies' results and performances are discussed with its major shareholder CDP.

Principle 24 Description:

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

Principle 24 Implementation:

This is the third self-assessment regarding the implementation of the GAPP.

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