

(Translation of the Italian original which remains the definitive version)

IMPACT REPORT 2020



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LETTER TO THE STAKEHOLDERS

“The EU can and must lead the way in achieving the goals set by the Paris Agreement, by engaging in an in-depth transformation of its own economy and society to achieve climate neutrality.”

- A new strategic agenda 2019-2024, adopted in June 2019

The European Council used the platform of the new strategic agenda to urge Europeans to step up their action to combat climate change and to appeal to the European Commission to continue the climate neutral projects. To achieve climate neutrality, the Commission presented the European Green Deal at the end of 2019, which is a new growth strategy designed to transform the EU into a modern, efficient economy in terms of its resources and competitiveness.

To be climate-neutral by 2050, Europe must transform its society and economy in a way that is cost-effective, fair and socially just.

Fondo Italiano per l’Efficienza Energetica SGR S.p.A. (the “fund manager” or the “company”) and its funds, Fondo Italiano per l’Efficienza Energetica (“FIEE I”) and Italian Energy Efficiency Fund II (“IFFE II”, and together the “funds”) play a crucial role in this European scenario.

Since their inception, both funds have a management regulation to ensure utmost transparency about their investments. These regulations guarantee the proper management of the funds’ portfolios, from their long-standing exclusion of controversial sectors to the inclusion of the more recent and innovative sustainable finance sector.

This approach is the result of a decision taken by the company to become a signatory of UN PRI (United Nations Principles for Responsible Investment) in 2019, incorporating an assessment of the sustainability risks defined by Regulation (EU) 2019/2088 into its investment process, in order to identify and manage the sustainability risks that could have an impact on the company and the funds.

The company pursues transparency and accountability in line with its mission and has an environmental and social management policy. It issues sustainability reports, subjected to a limited assurance engagement, for the funds on their sustainable and responsible policy for investing the capital raised from their subscribers. The company also intends to work towards achievement of the Sustainable Development Goals (“SDGs”) set out in the 2030 Agenda and, in particular, Goals 7, 9, 11 and 13 which directly relate to the funds’ core business.

In addition and with a view to global cooperation for achievement of the SDGs and to pursue a virtuous and shared path, the company decided to publish its inaugural Impact Report in 2021.

Its scope is to present the environmental and social results achieved using the investments made by the funds in 2020, an overview of the company's activities and how they comply with the principles and policies adopted and with the SDGs.

Andrea Marano
CEO

Raffaele Maria Mellone
CEO

THE EVOLUTION OF SUSTAINABLE FINANCE



“Sustainable finance’ generally refers to the process of taking due account of environmental and social considerations in investment decision-making, leading to increased investments in longer-term and sustainable activities.”¹

When we talk about sustainable finance, we mean the combination of sustainable growth and financing activities, a combination designed to create long-term value through investment decisions able to generate positive impacts. The first “guide” for investors was the **KLD 400 Social Index**, published in 1990 to help investors consciously choose companies that share their values but that also had high ratings for risk management and environmental, social and governance (ESG) opportunities. According to the Global Sustainable Investment Alliance, the sustainable finance market was worth over USD30 billion² in 2018, an increase of around USD8 billion on 2016, demonstrating how sustainable finance is becoming a new investment paradigm. The main responsible investment strategies in use today are set out in the graph below, which shows a substantial 27% rise in ESG integration from 2015 to 2017.



Figure 1 - European SRI Study, Eurosif (2018)

¹European Commission, “*Action plan on financing sustainable growth*”, Communication, 8 March 2018.

² GSI Alliance, Global Sustainable Investment Review, 2018.

THE EUROPEAN GREEN DEAL

Since 2019, Europe has claimed global leadership in sustainable finance with its Green Deal, an action plan to promote the efficient use of resources and the circular economy by financing projects for ecological transition.

The overarching aim is for the Europe to be **climate neutral** by 2050. This requires investments of between €175 billion and €290 billion to achieve the following goals set in the Paris Agreement and included in the **European Union’s taxonomy on environmentally sustainable activities**:

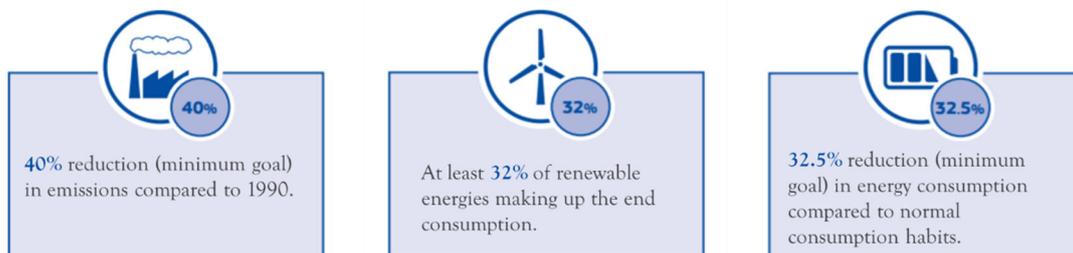


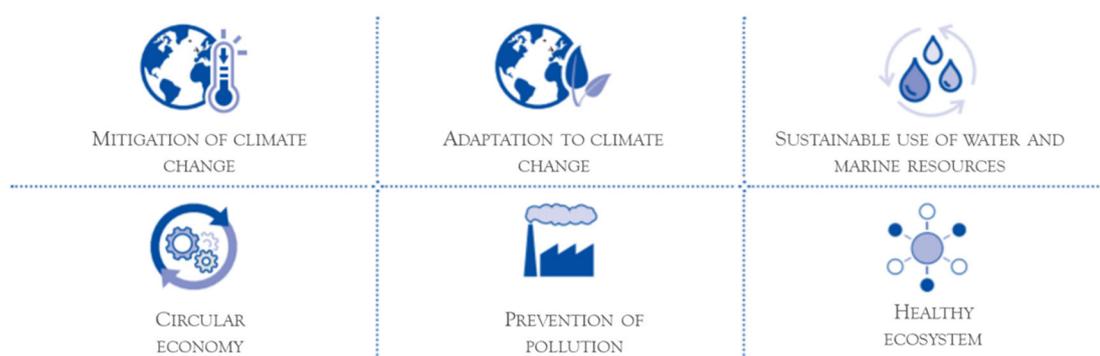
Figure 2 - European Commission fact sheet, “Financing sustainable growth”, 8 January 2020

The taxonomy identifies the main sectors that can contribute to mitigating climate change, as shown in the next graph:

	Agriculture, forestry, fishing
	Manufacturing sector
	Energy (electricity, gas, steam and air-conditioning)
	Management of water resources, sewage networks, waste and remediation activities
	Transport and stocking
	Information communication technologies (ICT)
	Construction and real estate

THE POLICY AREAS COVERED BY THE GREEN DEAL :

- 1 In order to facilitate investing in sustainable projects by individuals and small investors, the European Commission has issued a guide, comprising **six environmental goals**. In order for a project to be considered **green**, it must contribute to at least one of these goals:



- 2 **Disclosures** about the **sustainability** of the products or services: financial market operators must include the impact of the investors' financial decisions on sustainability in their disclosures.
- 3 **Benchmark** on **climate performances** and **ESG** statements: creation of two new benchmarks to direct investors towards sustainable decisions and the obligation for all European financial intermediaries to include sustainability-related information in their disclosures as per **Regulation (EU) 2019/2088**.

HOW THE COMPANY HAS INCORPORATED ESG OBJECTIVES INTO ITS INVESTMENTS

In accordance with **Regulation (EU) 2019/2088** (the "SFDR") of the European Parliament and of the Council of 27 November 2019, the company has published a disclosure as per **articles 3, 4 and 5** on sustainability in the financial markets.



Article 3 – Transparency of sustainability risk policies

The company is one of the major Italian managers in the energy efficiency sector and, as such, focuses on sustainability and the impact of its investments. It is a signatory of the United Nations' Principles for Responsible Investment and has revisited its assessment of

sustainability risks as defined in Regulation (EU) 2019/2088 as part of its investment process to identify and manage those sustainability risks that could potentially impact the company or its funds.

Specifically, the regulations of the funds managed by the company exclude the possibility of investing in sectors that are more exposed to sustainability risks because of their characteristics.

The identification, analysis and management of sustainability risks are an integral part of the company's investment process. It has dedicated procedures in place for the identification of sustainability risks, which could be significant considering the characteristics of the potential investment, the target and its business sector or geographical location, during the assessment and selection of investment opportunities. The preliminary phase of the process consists of a due diligence performed by external experts to assess the risks and opportunities of the potential investment, including sustainability risks. The experts' findings are presented in due diligence reports addressed to the management team, which analyses them together with the risk management unit and the environmental & social officer. The board of directors bases its investment decisions on these reports, the risk report prepared by the risk management unit that describes any sustainability risks related to the investment opportunity and other assessments.

During the investment holding period, the company regularly monitors its sustainability factors using information provided directly by the investees about specific sustainability KPIs.



Article 4 – Transparency of adverse sustainability impacts at entity level

At present, the company does not consider the adverse effects of investment decisions, nor has it defined policies for the identification and prioritisation of the principal adverse sustainability impacts and indicators given the current difficulty in defining objective indicators and parameters to be used to perform an accurate assessment of the potential adverse environmental or social impacts of its investments or personnel, human rights and active and passive corruption issues.

The company does not consider the principal adverse impacts of its investment decisions on sustainability factors at present. However, once the regulatory technical standards (RTS), which establish detailed requirements about the content, methods and presentation of disclosures about the sustainability indicators identified in the SFDR, have been endorsed and are effective and pending interpretation issues have been clarified, the company will review its position on the disclosure of the principal adverse sustainability impacts. Should it decide to provide these disclosures, it will update its website accordingly.



Article 5 – Transparency of remuneration policies in relation to the integration of sustainability risks

The company is required to adopt sound and prudent remuneration and incentive policies that reflect and promote sound and effective risk management and do not encourage risk-taking that is not compliant with the risk profiles and regulations of its funds. As a result, the company's remuneration policies do not encourage the taking of sustainability risks.

Specifically, the company's assessment of performances to decide on the granting of variable remuneration does not include any adverse impacts arising ex ante or ex post from sustainability risk-taking.

Moreover, the company has suspended fund collection activities pending the completion of the opt in application procedure for voluntary inclusion in the ordinary asset management system and the commercialisation procedure to be performed as per article 43 of the Consolidated Finance Act. Accordingly, IEEF II cannot currently be classified as a product in accordance with articles 8 or 9 of the SFDR and qualifies as a product in line with article 6 of the SFDR.

At present, the company does not manage other products that fall under the scope of articles 8 and 9 of the SFDR as the subscription period for the other fund, FIEE I, closed some time ago.

The company is committed to becoming a best-in-class operator in the sustainable finance sector as per its mission and values. As a result, it has undertaken to comply with the Italian and European sector regulations and to pre-empt their requirements when possible.

ESG – A NEW SUSTAINABILITY MODEL

As part of its fund management activities, the company undertakes to generate positive impacts on the environment and society in order to contribute to the sustainable growth of the country, the EU and the planet. Its actions are inspired by the four pillars built up since its inception and implemented over the years.



PILLAR I

SUSTAINABLE DEVELOPMENT GOALS



At the United Nations Sustainable Development Summit on 25 September 2015, more than 150 world leaders agreed to contribute to global development, promote wellbeing and protect the environment.

The community within the United Nations approved the global agenda and 17 Sustainable Development Goals (SDGs), broken down into 169 targets which aim to end poverty, promote social and economic development and combat inequality. Furthermore, the SDGs reflect vitally important aspects for sustainable development to combat climate change and construct peaceful societies by 2030.

The SDGs are universally valid and all countries are asked to contribute, based on their means, to redirecting the world towards sustainability, without the distinction between developed, emerging and developing countries.

The company supports the SDGs and aligns the funds' targets, regulations and policies with said goals, also with a view to incorporating the ESG topics into its economic and financial activities. The goals are as follow:

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to energy at affordable prices, in a reliable, sustainable and modern way for all



Through our actions

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Building resilient infrastructures and promoting innovation and fair, responsible and sustainable industrialisation



Thanks to our day to day commitment

11 SUSTAINABLE CITIES AND COMMUNITIES



Make cities and human settlements inclusive, safe, resilient and sustainable



With investors acting for the benefit of the community

13 CLIMATE ACTION



Adopt urgent actions to combat climate change and its consequences



For the environment

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT



In 2005, the then Secretary-General of the United Nations, Kofi Annan, launched the process that led to the creation of the UN PRI, a voluntary initiative that aims to set guidelines for sustainably and responsibly investing the funds of its signatories. Starting from 2006, the first year of their launch, the number of investor signatories has increased steadily over the years, from less than 200 in 2006 to more than 3,000 in 2020.

The project, in partnership with Global Compact and UNEP FI (United Nations Environment Programme Finance Initiative) and through the support of a 70-person group of experts, defined the following six principles:

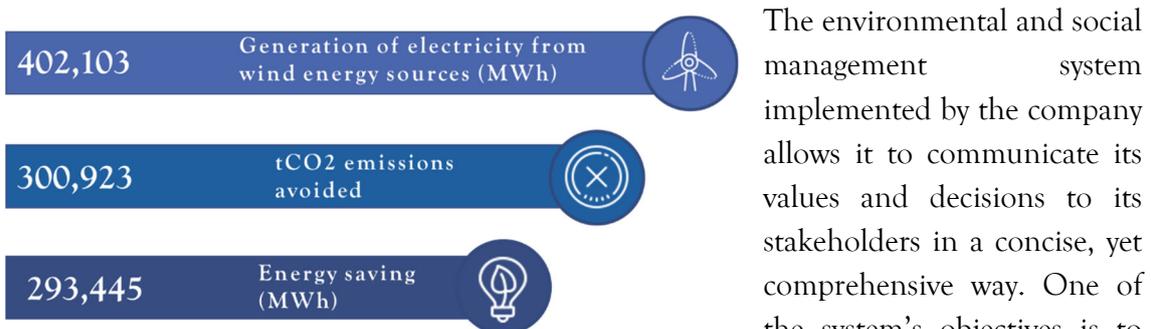
1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest

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

As part of the process to incorporate ESG issues into its investment decisions, commenced with the implementation of the environmental and social management system, the company officially became a signatory of the PRI in December 2019. Signing up to the PRI represents a natural evolution for the company, which has always prioritised ethical management and responsible fund raising and investment.

PILLAR II

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

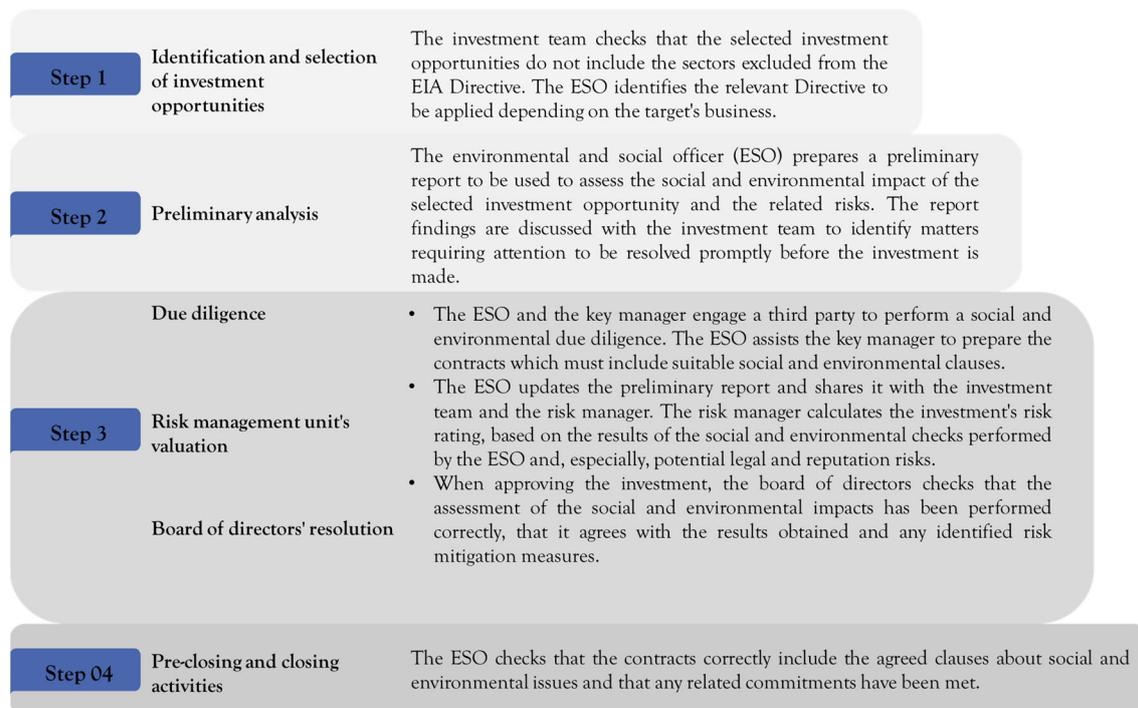


The environmental and social management system implemented by the company allows it to communicate its values and decisions to its stakeholders in a concise, yet comprehensive way. One of the system's objectives is to

promulgate to the funds' investees an approach that is mindful of those ESG issues, relevant for improving sustainability and financial performance and the management of ESG risks. The main ESG risks identified by the company are as follows:

- **Reputation risk**, identified as the risk that stakeholders have a poor perception of the funds' investees, as a result of a failure to apply and comply with environmental and social regulations.
- **Legal risk** identified as the risk of losing or reducing the value of the assets under management caused by non-compliance with environmental and social regulations.
- **Environmental and social risk**, where environmental risk means the potential risk for the environment caused by the negative consequences of, for example, plant dismantlement and waste management activities, while social risk refers to the potential risk for people due to the improper management of occupational health and safety issues.

The company has also appointed an environmental and social officer (“ESO”). Monitoring the fund’s investees as part of environmental and social management aims to create a virtuous model to evaluate environmental, social and reputational issues within the shareholding structure and the investees of the fund. The ESO initially evaluates investments and then monitors the investees to ensure their environmental and social management systems are in line with the missions of the funds. Specifically, the company has the following steps to define its investment decisions:



Where necessary, the investment process also considers socio-environmental variables to check the enforcement of the provisions of the EIA (Environmental Impact Assessment) Directive (Directive 2011/92/EU), the Habitats Directive (Directive 92/43/EEC), the Birds Directive (Directive 2009/147/EC) and/or any other directive subsequently issued, which is applicable to investment activities. In this context, the company has taken steps to include sustainability variables, including by implementing the above-described management system. Sustainability has become a crucial factor to operate in markets within an increasingly attentive and regulated legislative framework. Sustainability is an added value for the correct management of investments and of the risks typical of the business model. The adoption of a sustainable management approach contributes to a significant mitigation in the main financial and non-financial risks.

The company believes that acting and investing sustainably implies adopting a multi-faceted vision hinging on social and environmental risks in order not only to make a profit but more importantly to create value and prosperity for local communities.

Another fundamental part of the company’s investment process is its ongoing monitoring of the funds’ investees after the investment has been made. It does this by collecting information provided by them on specific sustainability KPIs.

 <p>Occupational health and safety: All investees comply with the Consolidated Safety Act (Legislative decree no. 81/08) City Green Light and PLT have also implemented a specific management system (BS OHSAS 18001) and the related procedures while Comat is completing its transition from OHSAS 18001 to ISO 45001 and Selettra has already introduced the ISO 45001 model.</p>	 <p>Incidents of non-compliance with national and European legislation: During the reporting period, no investee recorded incidents of non-compliance with national and European legislation.</p>	 <p>Incidents of non-compliance with environmental and occupational health and safety legislation: During the reporting period, no investee recorded incidents of non-compliance with environmental and occupational safety laws.</p>	 <p>Environmental management (water resources, waste, etc.): All investees comply with the Consolidated Environmental Act (Legislative decree no. 152/2006). In addition, City Green Light, Comat, PLT and Selettra have introduced a specific management system (ISO 14001) and the related procedures.</p>
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Figure 3 Results achieved by the investees of the FIEE I and IEEF II funds at 31 December 2020

PILLAR III

CREATION OF PORTFOLIOS

The company takes its investment decisions in line with its internal guidelines, which have strict eligibility requirements about both the nature and sector of the projects. The funds managed by the company invest solely in qualified projects, focused on decarbonisation and the energy transition, and qualified sectors, as set out below:

1. Energy efficiency, and especially projects related to street lighting, smart cities, residential energy services, cogeneration and trigeneration plants; heat and/or electricity generation from low-carbon energy sources, energy vectors; energy efficiency technologies and products.
2. Renewable energy plants, products and technologies.

The company also has very stringent guidelines about sectors that it cannot invest in as they do not align with its mission. These guidelines are summarised in documents attached to the two funds' regulations and are binding thereon:

Annex 1: Fundamental requirements. Calls for tenders, environmental and social aspects

- Obligation to comply with legislation: potential investees must comply with their national regulations and, if within the EU, with the applicable EU regulations

(including those about calls for tenders and environmental and social aspects). This fundamental compliance requirement is assessed through due diligences and guaranteed by the contractual obligations assumed by each investee;

- Fundamental requirements - calls for tenders: the company checks that the EU regulations about calls for tenders are complied with for each investment made in the EU. It ensures that the award procedure for investments made as a concession holder complies with the transparency, disclosure, fairness, equal opportunities and equal risk sharing requirements. The company guarantees compliance with the current procedures for private sector calls for tender for all other investments;
- Fundamental requirements - environmental and social standards: the company has an additional requirement about compliance with national and EU regulations covering environment and social issues. Each investee must undertake to comply with this requirement at all times and to notify any violations.

Annex 2: Eligible investments

Eligible investments are direct or indirect acquisitions of instruments issued by the investees, which:

- comply with the annexes to the funds' regulations;
- comply with that set out in the "Eligible investments in greenfield infrastructure" or "Eligible investments in brownfield infrastructure" sections of the annexes to the funds' regulations.

The annex to the IEEF II fund's regulation sets out the criteria for eligible investments.

Annex 3: Excluded sectors

Given its mission, the company cannot invest in sectors that have an adverse environmental or social impact. A non-exhaustive list of these sectors includes:

- production or activities that involve forced labour or child labour;
- production and/or commercialisation of tobacco;
- production and/or commercialisation of weapons, ordnance and ammunition of any kind;
- new palm oil plantations.

These three sectors are supplemented by another two, which are binding solely for the IEEF II fund:

Annex 4: Forbidden activities

- Electricity generation projects with GHG emissions exceeding the performance standard of 250 gCO₂ equivalent per kWh-e set by the European Investment Bank for emissions (Emission Performance Standards, EPS);

- Untested technologies, TRL (technology readiness level) 8 status and lower, as per the definition of the European Commission in the Horizon 2020 programme.

Annex 5: Technical and financial criteria

With respect to both its main investment sectors (renewable energy and energy efficiency), the company has defined technical and financial criteria that the investees have to comply with in order for the investment to be approved. These requirements mostly relate to atmospheric emissions, compliance with international rules, respect for water and land resources and certifications.

PILLAR IV

THE TWO FUNDS' SUSTAINABILITY REPORTS

The FIEE I fund's first sustainability report, prepared to present the financial, social and environmental performance of its investments, was based on the figures for the first half of 2019. Its second report was published on 31 December 2019. After it set up the IEEF II fund in 2020, the company decided to prepare two separate sustainability reports for that year. Both reports comply with the 2016 standards of the Global Reporting Initiative (GRI) and were prepared using the core option.

The company prepares sustainability reports for its funds to present its commitment to sustainable growth. Given the two funds' nature, it is obviously important not only to present their financial results but also their impact on the environment, society and the local communities. A sustainability report is a useful tool to illustrate the results achieved while also informing stakeholders of the company's commitment to environmental issues. It is an opportunity to showcase the company's reputation as an ethical and sustainable entity, which is the natural consequence of steadily meeting its objectives. Its commitment is documented by a conclusion issued by an external expert. Since 31 December 2019, EY S.p.A. has performed a limited assurance engagement of the sustainability reports issued by the company for both funds in accordance with the International Standard on Assurance Engagements ISAE 3000 revised.

FONDO ITALIANO PER L'EFFICIENZA ENERGETICA SGR S. P. A.

Fondo Italiano per l'Efficienza Energetica SGR S.p.A. is an asset management company. Its activities consist of the provision of investment services as per article 33.1 of the

Consolidated Finance Act and as a sub-threshold asset management company in accordance with article 35-undicies of the Consolidated Finance Act.

On 15 July 2016, it set up FIEE I, a reserved alternative investment fund with a duration of 12 years starting from 8 September 2016. On 4 May 2020, the fund’s advisory board resolved on the early close of the investment period as provided for in its management regulation.

In 2020, the fund manager set up Italian Energy Efficiency Fund II. It raised €127.5 million at its first close on 15 August 2020, exceeding the minimum threshold of €100 million. The placement was open to Italian institutional investors. On 15 January 2021, a second close collected another €22.2 million for total capital raised of €149.7 million.

The object of both funds is to invest in projects that contribute to energy transition and decarbonisation.

HR MANAGEMENT

Breakdown of workforce

31 December 2019

Total employees: 7 Total hours worked: 13,703

👤 3 👤 4 ⌚👤 5,873 ⌚👤 7,830

EMPLOYEES BY TYPE OF CONTRACT

■ Women ■ Men



EMPLOYEES BY GEOGRAPHICAL SEGMENT

■ Open-ended contract



EMPLOYEES BY TYPE OF EMPLOYMENT

■ Women ■ Men



31 December 2019

Total outside workers: 6 Total hours worked: 5,220

👤 1 👤 5 ⌚👤 326 ⌚👤 4,894

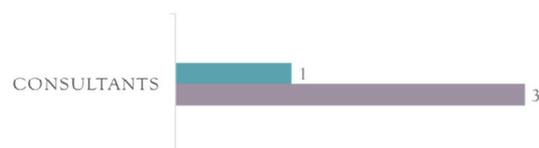
KEY MANAGERS

■ Men



CONSULTANTS

■ Women ■ Men



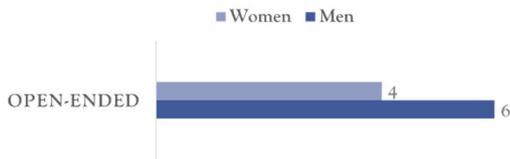
Breakdown of workforce

31 December 2020

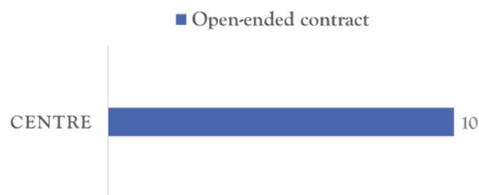
Total employees: 10 Total hours worked: 15,098

👤 4 👤 6 ⌚ 👤 6,413 ⌚ 👤 8,685

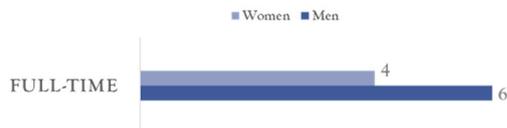
EMPLOYEES BY TYPE OF CONTRACT



EMPLOYEES BY GEOGRAPHICAL AREA



EMPLOYEES BY TYPE OF EMPLOYMENT



31 December 2020

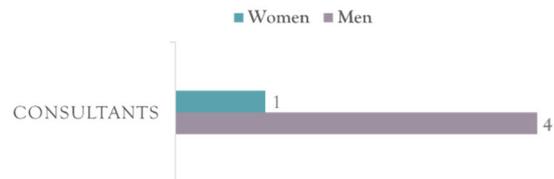
Total outside workers: 7 Total hours worked: 5,568

👤 1 👤 6 ⌚ 👤 328 ⌚ 👤 5,240

KEY MANAGERS



CONSULTANTS

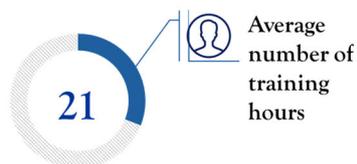


TRAINING HOURS

Average number of training hours

31 December 2019

Average number of training hours: 18



Managers

Total average number of training hours: 58

👤 Average number of training hours: 0

👤 Average number of training hours: 58

Junior managers

Total average number of training hours: 13

👤 Average number of training hours: 23

👤 Average number of training hours: 9

White collars

Total average number of training hours: 10

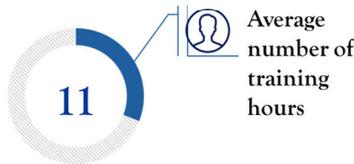
👤 Average number of training hours: 10

👤 Average number of training hours: 0

Average number of training hours

31 December 2020

Average number of training hours: 13



Managers

Total average number of training hours: 12

Average number of training hours: 0

Average number of training hours: 12

Junior managers

Total average number of training hours: 11

Average number of training hours: 13

Average number of training hours: 9

White collars

Total average number of training hours: 22

Average number of training hours: 22

Average number of training hours: 0

OCCUPATIONAL HEALTH AND SAFETY

FIEE SGR S.p.A. is committed to preventing risks in the workplace for all workers, both internal and external. To this end, it has created a safe and healthy work environment, adopting the safety measures required by the relevant standards (Consolidated act on occupational health and safety - Legislative decree no. 81/08). The company is not certified and does not apply a specific management system (OH SAS 18001 or ISO 45001:2018). Specifically, during the hazard identification and risk assessment, the company prepared the required information, i.e., the risk assessment document (DVR). Furthermore, the company is committed to continued engagement and communication through specific training for all levels. Lastly, it has appointed a company doctor in order to guarantee the application of the regulation.

CORPORATE GOVERNANCE MODEL

The company's corporate governance model is based on the traditional system and includes a board of directors and a board of statutory auditors, whose powers and duties are established by the law and the company's by-laws.

BOARD OF DIRECTORS

The company has an internal structure, based on which the board of directors plays a central role in determining the company policies (so-called "strategic supervision") and has extensive ordinary and extraordinary powers in the management of the company. Indeed, it is called to carry out all acts considered appropriate for the purposes of achieving the business object, in compliance with the law. The board of directors is currently composed of seven members, one of whom is independent and also acts as the anti-money laundering manager. All

members of the board of directors meet the necessary professionalism and integrity requirements laid down by the applicable sector legislation.

Board of directors



Fulvio Conti

Chairman



Andrea Marano

CEO



Raffaele Mellone

CEO



Andrea Longatti

Director



Gianfilippo Mancini

Director



Maurizio Cereda

Director



Giorgio Catalozzi

Independent
director

BOARD OF STATUTORY AUDITORS

The board of statutory auditors is currently composed of five members (three standing and two alternate statutory auditors) appointed by the shareholders. All its members, including the two alternate statutory auditors, meet the necessary professionalism, integrity and independence requirements laid down by applicable regulations.

Board of statutory auditors

Giuseppe Ascoli

Chairman

Silvia Lirici

Standing auditor

Guido Zavadini

Standing auditor

Michele Farina

Alternate auditor

Giorgia Carrarese

Alternate auditor

SUPERVISORY BODY

The supervisory body is composed of two external members, both of whom have the necessary legal and control expertise, thereby ensuring the best possible contribution to achieving the goals of the supervisory body and the existence and effectiveness of the autonomy, independence and continuity requirements pursuant to the law and prevailing legislation. The members of the supervisory body meet the integrity requirements and have no conflicts of interest. Furthermore, each member has a professional profile which guarantees impartial judgement, authority and probity.

231 MODEL

In order to ensure the proper and transparent performance of operations and its accountability, its reputation and its shareholders, on 25 May 2017, the company adopted the Organisational, management and control model pursuant to Legislative decree no. 231/2001, updated to current regulations, jurisprudence, best practices and guidelines issued by Assogestioni (Italy's asset management association), ABI (Italy's banking association) and Confindustria (General Confederation of Italian Industry).

CODE OF CONDUCT

The company has adopted a code of conduct (the "code"), approved by the board of directors on 25 May 2017. The code identifies the ethical and behavioural principles that all the addressees (company bodies, employees, suppliers etc.) are required to observe. This is designed to ensure that the company operates in compliance with applicable regulations and acts transparently, loyally, fairly, with integrity and professional rigour, also in order to disseminate a culture of legality through training and information. The company is also committed to making the code of conduct a best practice standard for business conduct with long-term stakeholders. The company vets its suppliers using strict objective technical-financial criteria and analyses their products/services, expertise and reliability.

THE FUNDS OF FIEE SGR S. P. A.

I – FONDO ITALIANO PER L' EFFICIENZA ENERGETICA

2016	2016	2017	2017	2018	2018	2018	2019	2020
July Fondo Italiano per l'Efficienza Energetica (FIEE) is set up. This is the first alternative closed-end investment fund promoted and managed by FIEE SGR.	September rst close of €86 million	May Plangreen 2e S.r.l. is set up as a result of the collabor- ation between FIEE and Plangreen	December Final close of €166 million, exceeding the original target of €150 million	February Acquisition of City Green Light S.r.l..	April Acquisition of Selettra S.p.A..	July Acquisition of Comat SE S.p.A..	June Acquisition of an interest in PLT energia S.r.l..	April Acquisition of an interest in Cremonesi S.r.l..

The fund was set up on 15 July 2016. Its placement resulted in a first close of €86 million on 8 September 2016 and a final close of €166 million on 22 December 2017, exceeding the

initial target of €150 million. The fund has a duration of 12 years from its first close, plus an extension option of up to three years (the so-called grace period). Based on this horizon, the fund aims to generate returns for investors of 10-12%, using proven technologies and a limited recourse to financial leverage.

FIEE I is a private equity fund focused on financing energy efficiency projects in partnership with energy service companies (ESCO), which play an industrial role and which are entrusted with the operating management of projects.

The final beneficiaries of the energy efficiency projects are both public and private entities. The fund also promotes the sustainability of investments which contribute to environmental and social development. It is independent and focuses on energy efficiency and renewable energy.

COMPOSITION OF THE FIEE I FUND

CITY GREEN LIGHT S. R. L.  (“CGL”)

Founded in 1919, Gemmo was passed down from generation to generation, expanding the business to include street lighting at the end of the nineties. In 2006, it decided to set up a division focusing on this constantly growing market. In February 2018, FIEE I and Gemmo S.p.A. executed the investment contract which provided for Gemmo S.p.A.’s contribution of the street lighting business unit to the vehicle City Green Light S.r.l., currently the leading private sector operator in Italy, in order to develop the company’s operating capacity with more than 400 thousand lighting points in Italian municipalities. City Green Light decided to comply with the SA8000 standard, to improve its social performance, and launch the implementation and certification of the related social responsibility management system, which reports on its social policy and defines objectives, strategies and guidelines. It has also adopted an Organisational, management and control model pursuant to Legislative decree no. 231/2001 and a code of ethics to comply with the ruling regulations.

COMAT SE S. P. A. (“Comat  SE”)

Comat S.p.A. was set up in 1952 to operate in the plant engineering sector and grew over the years thanks to the trust demonstrated by its numerous customers and its comprehensive know-how about the construction, operation and maintenance of civil and industrial thermo-fluidic plants. On 20 July 2018, FIEE I signed an investment agreement to capitalise Comat Servizi Energetici S.p.A. to which Comat S.p.A. contributed the heat management services business unit. Comat Servizi Energetici currently manages more than 2,500 apartment buildings. It provides energy diagnosis consultancy services to public bodies, museums, shopping centres, sports centres and healthcare companies and also assists its customers to obtain the 110% bonus for environmentally-friendly restructurings. In order to comply with Legislative decree no. 231/2001, Comat SE has an Organisational, management and control model and a code of ethics.

CREMONESI S. R. L. (“Cremonesi”)

Cremonesi has operated in the residential energy efficiency sector since the early nineties. Its operations are mainly concentrated in the north-east of Italy and will benefit from the “110% Superbonus” tax incentive recently introduced by the “Relaunch” decree law of 19 May 2020. As required by Legislative decree no. 231/2001, the company has a code of ethics and an Organisational and control model.

PLANGREEN 2E S. R. L.  (“P2E”)

In May 2017, FIEE I and Plangreen S.r.l. entered into an investment agreement covering the set-up of Plangreen 2e S.r.l., a vehicle to which Plangreen S.r.l. contributed 32 energy efficiency contracts and the fund transferred venture capital up to €15 million. The investments will be made on an ESCo basis, by entering into energy performance contracts with the end customer. P2Ee’s mission is to promote energy efficiency with the consequent reduction in emissions. Its other key objectives are to foster sustainability, innovation and savings. As required by the current regulations, P2e has an Organisational, management and control model pursuant to Legislative decree no. 231/2001 and a code of ethics.

PLT ENERGIA S. R. L. (“PLT”)

PLT energia was set up in 2006 (under the name of W-Energy S.r.l.) It was listed on the AIM segment of the Italian stock exchange in 2006. PLT is one of Italy’s top operators in the power generation from wind energy sources, with installed capacity of over 200 MW. On 28 June 2019, the fund and PLT energia executed the investment contract whereby the fund became one of its quotaholders in order to strengthen its market position and double its installed capacity in the next five years. The company’s quality, environment and occupational safety management systems are SA8000 compliant. In order to comply with the ruling regulations, PLT has an organisational, management and control model as per Legislative decree no. 231/2001 and a code of ethics. It became a signatory of the United Nations’ Global Compact in 2016 and has the legality rating pursuant to Legislative decree no. 57/2014, granted by the Italian Competition Authority.

SELETTRA S. P. A. (“Selettra” )

Selettra was set up in 1990 by Tommaso and Vito Telesca, two brothers who began constructing civil and industrial electrical systems and selling electronic and electric materials on a retail basis. They now operate 40 thousand light points in the municipalities of the Basilicata region. In April 2018, FIEE I invested in Selettra S.p.A. by purchasing shares and subscribing capital increases to give the investee the resources to carry out street lighting energy efficiency projects. This is the first time a fund made investments in this sector in companies located in southern Italy, which traditionally have received limited support from financial players. Thanks to this investment, Selettra can pursue the ambitious goal of doubling its order book to reach 100 thousand light

points in Italian municipalities, mainly in southern Italy. In order to comply with Italian regulations, Selettra introduced an organisational, management and control model pursuant to Legislative decree no. 231/2001 on 21 January 2019.

CERTIFICATIONS OF THE FIEE I FUND' S INVESTEES

As stipulated in the internal procedures, by creating and maintaining an environmental and social management system, the company is committed to ensuring that FIEE I complies with national and EU environmental and social regulations, including through the implementation of management systems for energy, quality, the environment, and health and safety. In light of the above, the investees have the following certifications:

Plangreen 2e S.r.l. ³								
City Green Light S.r.l.								
Selettra S.p.A.								
Comat SE S.p.A. ⁴								
PLT energia S.r.l. ⁵								
Cremonesi S.r.l.								

³ Given the specific nature of Plangreen 2e S.r.l. (a vehicle set up by Plangreen and FIEE I), no certifications for quality management, environmental, energy and occupational health and safety systems are necessary to perform its business activities.

⁴ Comat SE S.p.A. has commenced the process to obtain ISO 50001:2018 and ISO 45001 certifications.

⁵ Due to its nature, no ESCo certification is required. Furthermore, the company is still not UNI EN ISO 50001:2011-certified.

II – ITALIAN ENERGY EFFICIENCY FUND II

<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
July	August	September	October	October	January	March
The Italian Energy Efficiency Fund II (IEEF II) fund is set up. This is the second alternative closed-end investment fund promoted and managed by FIEE SGR.	First close of €127.5 million, exceeding the original target of €100 million.	Acquisition of Cold Chain Capital Holdings Europe S.p.A.	Acquisition of Free Genera S.r.l.	Acquisition of Metrotermica S.p.A.	Second close of €149.7 million.	Acquisition of an interest in PLT Energia S.r.l.

The fund manager launched its second fund, “Italian Energy Efficiency Fund II”, in 2020. The fund’s goal was to raise €175 million, with a hard cap of €200 million. The placement of the IEEF II fund with Italian qualified investors resulted in a first close of €127.5 million on 15 August 2020, exceeding the minimum threshold of €100 million. The second close took place on 15 January 2021 for a total of €149.7 million.

The aim of IEEF II is to invest in projects that contribute to the energy transition and decarbonisation process, either in partnership with ESCo or directly in the share capital of the target companies.

The establishment of IEEF II represents a further acceleration of growth in the energy transition sector, allocating financial resources to projects selected based on their merit and contributing to the growth of the companies that operate within the sector.

COMPOSITION OF THE IEEF II FUND⁶

COLD CHAIN CAPITAL HOLDINGS EUROPE S. P. A. (“CCHE”) 

Cold Chain Capital is a private equity house that invests in companies active in the heating, ventilation, air conditioning and refrigeration (“HVACR”) sector. It owns Roen Est S.p.A. and Enex S.r.l.

Since its incorporation in 1983, **Roen Est S.p.A.** has been a market leader in Europe in the manufacture of made-to-measure batteries and ventilation units, with roughly two thirds of its sales going to exports. Today, it is a leading Italian producer in the field of heat exchangers and ventilation units for the HVACR industrial and commercial segments in Europe. Roen Est recognised turnover of €35 million in 2019.

Set up in 2004, **Enex S.r.l.** designs and develops exclusively high-efficiency refrigerator systems that use natural refrigeration fluids, particularly carbon dioxide (CO₂). Enex was the first company in the world with this goal and it revolutionised the refrigeration sector. The company

⁶ In March 2021, IEEF II also invested in PLT. Information about PLT is available in the section entitled “I - Fondo Italiano per l’Efficienza Energetica”.

is thus considered a technological leader and is benchmark in the commercial and industrial refrigeration market.

In accordance with current regulations, CCCHE and its subsidiaries have organisational, management and control models pursuant to Legislative decree no. 231/2001 and codes of ethics.

FREE GENERA INGEGNERIA S. P. A. (“Free Genera”)

The company began in 2000 as GE Progetti and changed its name to GE Progetti&3i S.p.A. after the merger of GE Progetti and 3i impianti industriali in 2005. Free Genera is a multi-disciplinary engineering company with significant EPC experience and know-how in the renewable energy sector. Its flexible configuration means Free Genera can offer turnkey solutions that fully meet customer needs, making available its experience in plant engineering design and developing personalised products within the agreed timeframes.

In accordance with current regulations, Free Genera has an organisational, management and control model pursuant to Legislative decree no. 231/2001 and a code of ethics.

METROTERMICA S. P. A. (“Metrotermica”) **metrotermica**

Metrotermica, a small local company active in the plant engineering and boiler maintenance sector, was set up in 1977. In 1985, it became a leading heating systems maintenance and design company, growing both in terms of turnover and personnel. In 2000, the company grew further and hired leading experts to make it a leader in its sector. Today Metrotermica is a services company specialised in energy, technological and environmental services in the heating, cooling, electrical and water sectors. As part of its vast array of services, Metrotermica carries out redevelopment, compliance with legislation and renovation works. In accordance with current regulations, Metrotermica has an organisational, management and control model pursuant to Legislative decree no. 231/2001 and a code of ethics.

CERTIFICATIONS OF THE IEEF II FUND’ S INVESTEES

Like for the FIEE I fund, in order to ensure compliance with the environmental and social management standard, the company is committed to ensuring that the fund complies with national and EU environmental and social regulations, including through the implementation of management systems for energy, quality, the environment, and health and safety. In light of the above, the investees have the following certifications:

Metrotermica S.p.A



Free genera S.p.A



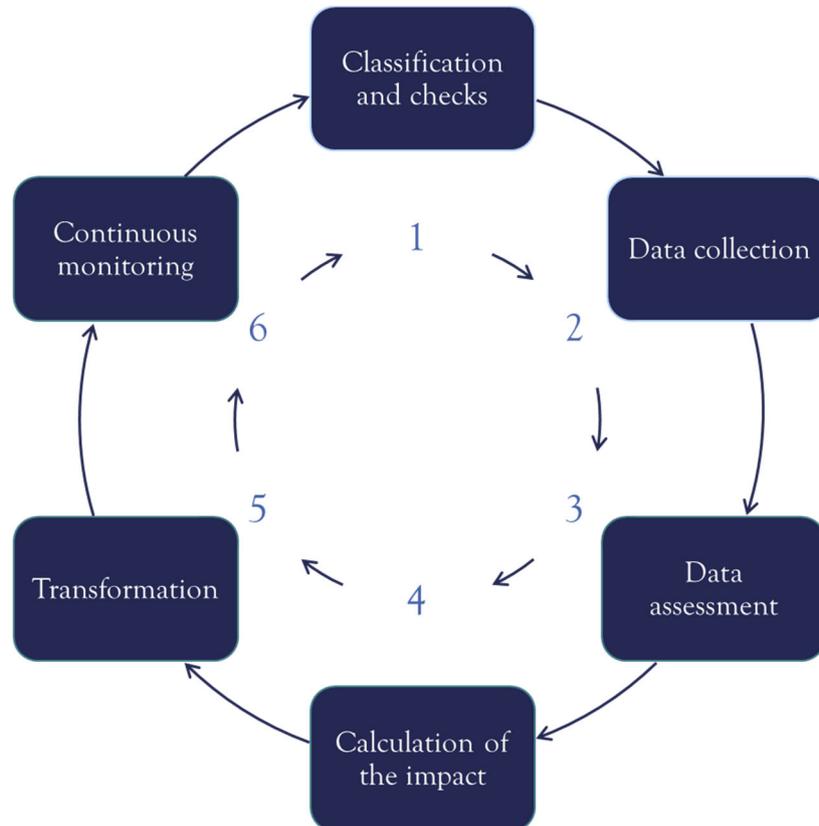
Cold Chain Capital Holdings Europe S.p.A⁷



⁷ As detailed in the section on this investee, Cold Chain Capital Holdings owns two companies: Roen Est S.p.A. and Enex S.r.l.. Enex is UNI EN ISO 9001: 2015 certified. As well as UNI EN ISO 9001: 2015, Roen Est has the other certifications shown above.

IMPACT MEASUREMENT

The company measures its impacts by analysing and monitoring its data on an ongoing basis to ensure their reliability over time.



- 1. Classification and checks:** data about the investees are broken down by environmental issue. They are checked using specific indicators that quantify the results obtained after the funds make their investments.
- 2. Data collection:** data acquisition is an ongoing process throughout the year and takes place every quarter. At the end of each quarter, each investee's ESO sends the company's ESO the agreed KPIs to assess and quantify the social and environmental impact of its activities.
- 3. Data assessment:** The company's ESO carries out their checks using the documentation provided by the investees' ESOs. The results of their checks, the social and environmental impact of the investees' activities as well as any recommendations to mitigate the identified risks are reported once a year to the company's board of directors to discuss and assess the possible actions to be taken. At year end, some of the data is included in the two funds' sustainability reports. EY S.p.A. issues a limited assurance report on the reports and the related data.

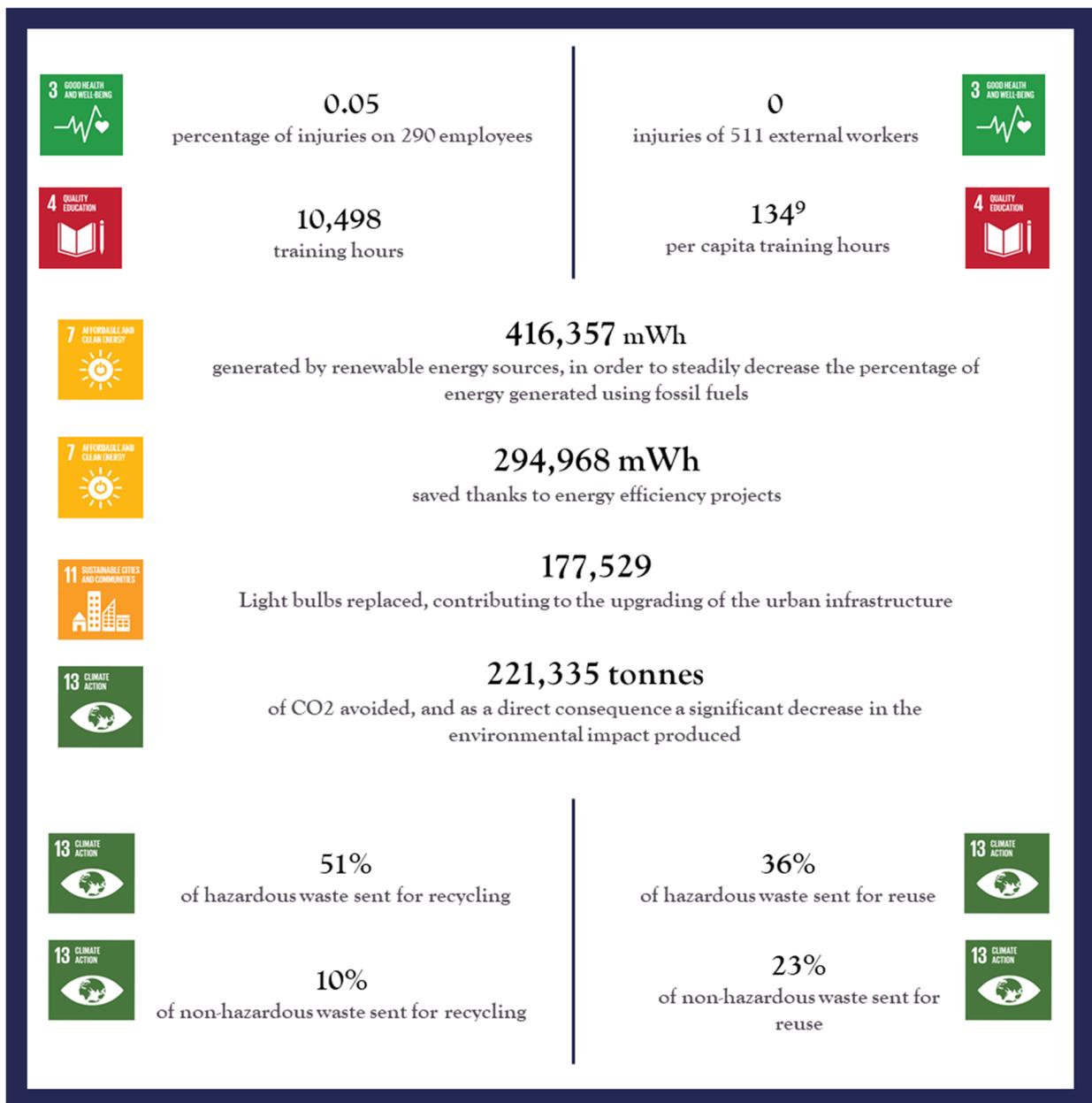
- 4. Calculation of the impact:** calculation of the energy savings is based on the energy savings obtained as a result of the energy efficiency projects introduced by the investees. The CO₂ emissions avoided are calculated using a conversion factor⁸. This factor identifies the tonnes of CO₂ emissions avoided thanks to the implementation of the energy efficiency projects and the generation of energy from renewable sources by the investees. The company refers to the guidelines issued by the Global Reporting Initiative (GRI) to calculate the social KPIs.
- 5. Transformation:** after the combination process, the data are linked to the related SDGs and reprocessed to be easier to understand.
- 6. Continuous monitoring:** the generated impact is monitored continuously with a quarterly analysis of the investees' outputs and their results.

⁸ The following coefficients were used to calculate the emissions avoided: **Key socio-economic and energy indicators for 2017**, Terna (City Green Light S.r.l., Cremonesi S.r.l., Free Genera Ingegneria S.p.A., Plangreen 2e S.r.l., PLT energia S.r.l., Selettra S.p.A.); **CO₂ and emission factors for the generation of heat by fuel type - natural gas for 2016**, ISPRA (Comat SE S.p.A., Cremonesi S.r.l., Metroterminca S.p.A.); **Standard parameters - fuel/materials - natural gas 2018**, ISPRA (Metrotermica S.p.A.); **EU F-Gas Regulation** (Cold Chain Capital Holdings Europe S.p.A.)

FIEE I AND IEEF II IN NUMBERS: IMPACTS

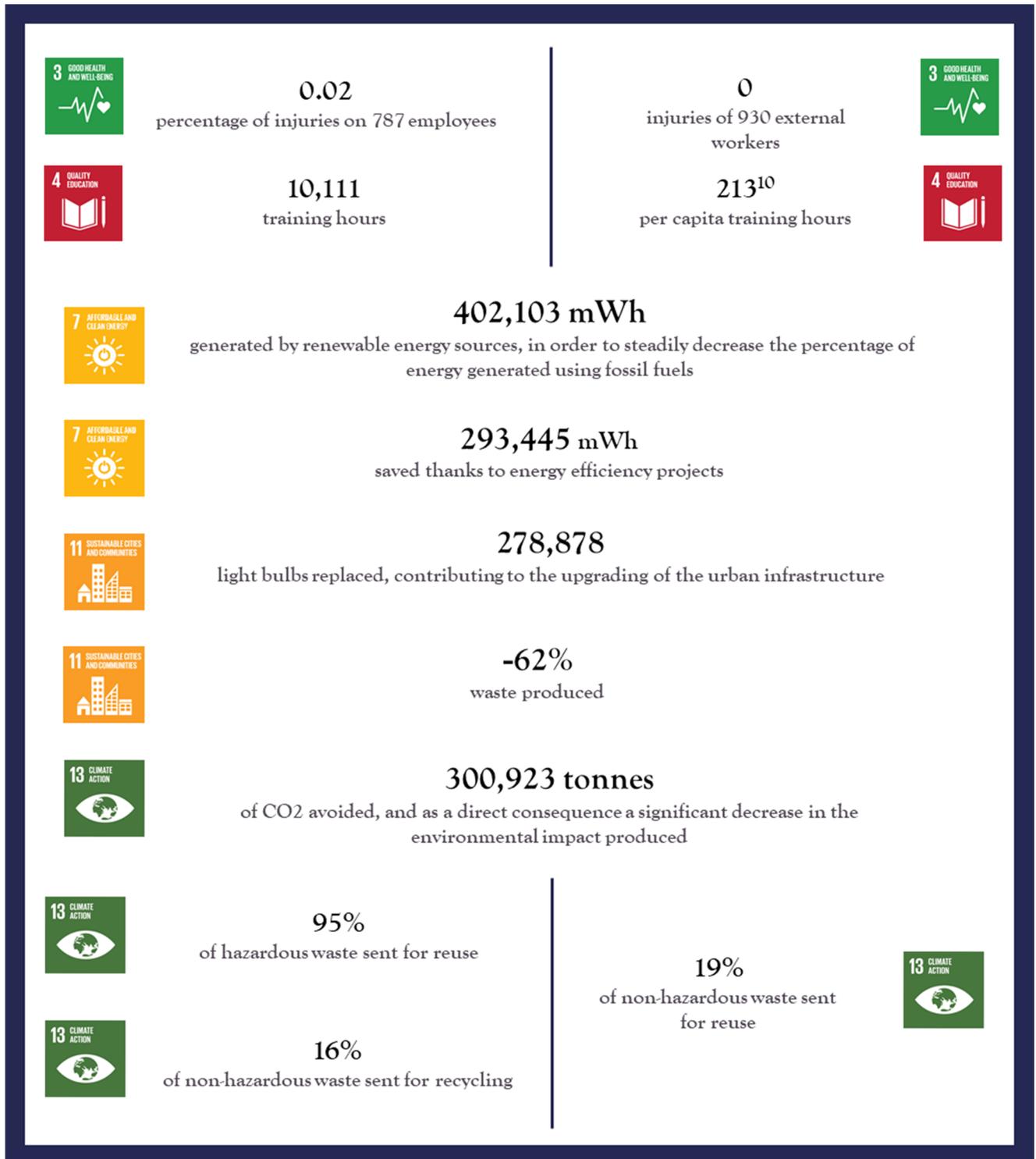
The company has calculated the positive impacts for the various areas of sustainable growth, each related to a specific SDG of the UN's 2030 Agenda, using the investments made by the funds as the factor.

2019



⁹ Sum of the per capita training hours of each investee.

2020



¹⁰ Sum of the per capita training hours of each investee.

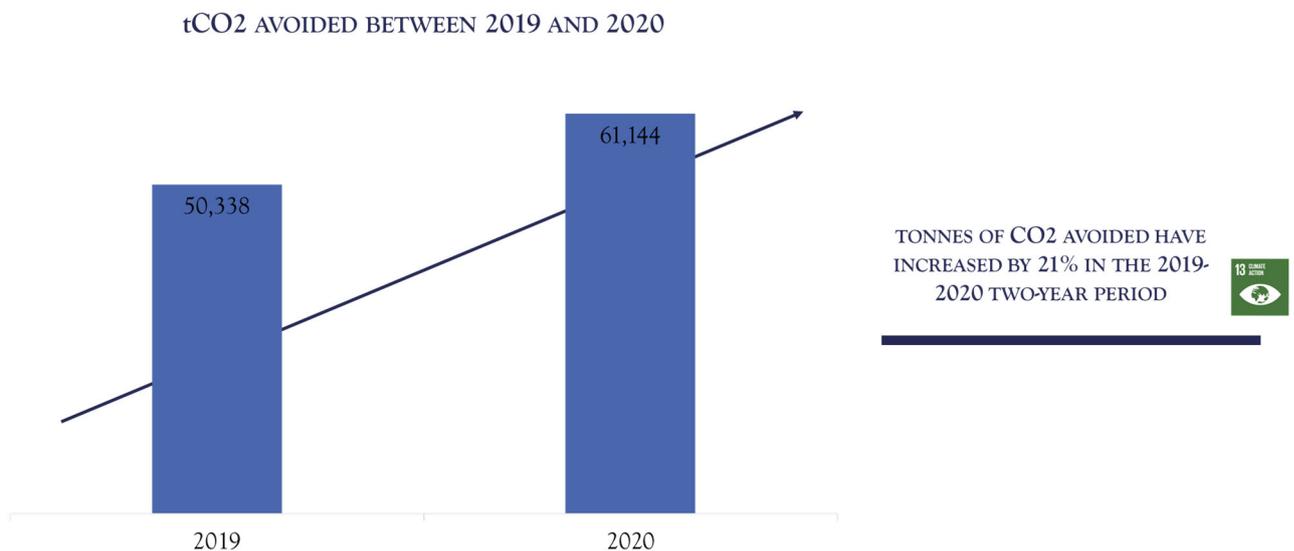
IMPACTS

ENERGY EFFICIENCY

Energy efficiency is the ratio in a given system (heating, refrigeration, lighting) of the output to the input of the energy used. By improving a system's energy efficiency, it consumes less energy with the same output, bettering its environmental and financial performances. The company's activities in this area fall under the EU 2007 action plan, when the EU leaders first set themselves the objective of reducing energy consumption by 20% by 2020, which was then increased to 32.5% by 2030. According to Enea's¹¹ ninth report on energy efficiency, 6,524 ktoe¹² have been saved in Italy alone in the 2014-2020 period thanks to the energy efficiency projects implemented.

CASE STUDY - CITY GREEN LIGHT

FIEE I bought into CGL in 2018 and currently has a stake of 57%¹³ in this investee. Thanks to its intervention, CGL has significantly increased the volume of its activities and has improved its performance. The number of light bulbs replaced from 2018 to 2020 has increased by 77%, with immediate benefits in terms of energy saving and a 21% reduction in CO₂ emissions.



¹¹ Annual report on energy efficiency, Enea (Italian national agency for new technologies, energy and sustainable economic development), 2020.

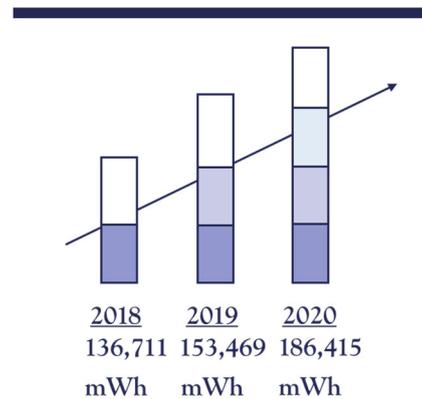
¹² Thousands of tonnes of oil equivalent.

¹³ Including the investment held by the vehicle IPIN2e S.p.A. (24.49%), wholly-owned by FIEE I

THE NUMBER OF LIGHT BULBS REPLACED HAS INCREASED BY 14% ON AVERAGE EVERY QUARTER



186,415 MWh SAVED IN 2020



RENEWABLE ENERGY

The EU's 2030 Agenda's priorities include the need to transform the energy generation sector and to promote energy efficiency. Europe has set objectives for their renewable energy sectors for each member state to be achieved by 2020 which are then adjusted for the next ten years. Italy has done extremely well, exceeding the set objective of 17% of end gross consumption of renewable energy by 1.2%¹⁴. It is the only EU country to have achieved this result. FIEE I acknowledges and shares the urgency in rethinking how energy is generated, which is why one of its main investment sectors is that of renewable energy.

CASE STUDY - PLT ENERGIA

PLT energia was set up in 2006 to operate in the sector of power generation from wind energy sources and the two funds, FIEE I and IEEF II, acquired investments in it in 2019 and March 2021, respectively. PLT has installed capacity of 248 MW, equal to around 2% of the installed capacity of the wind farms in Italy¹⁵. In 2020, it generated 402 GWh of clean energy, equal to 2% of the total wind energy generated in Italy¹⁶.

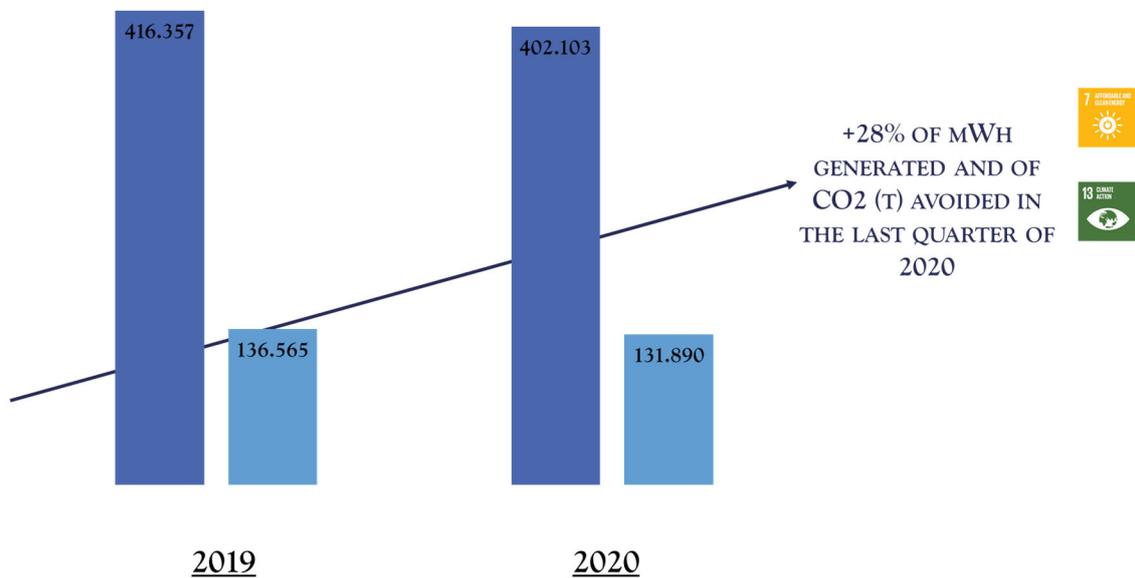
¹⁴ GSE (the Italian national grid manager) report, Renewable energy sources in Italy and Europe, 2020.

¹⁵ Terna, Energy generation in 2019, table 8

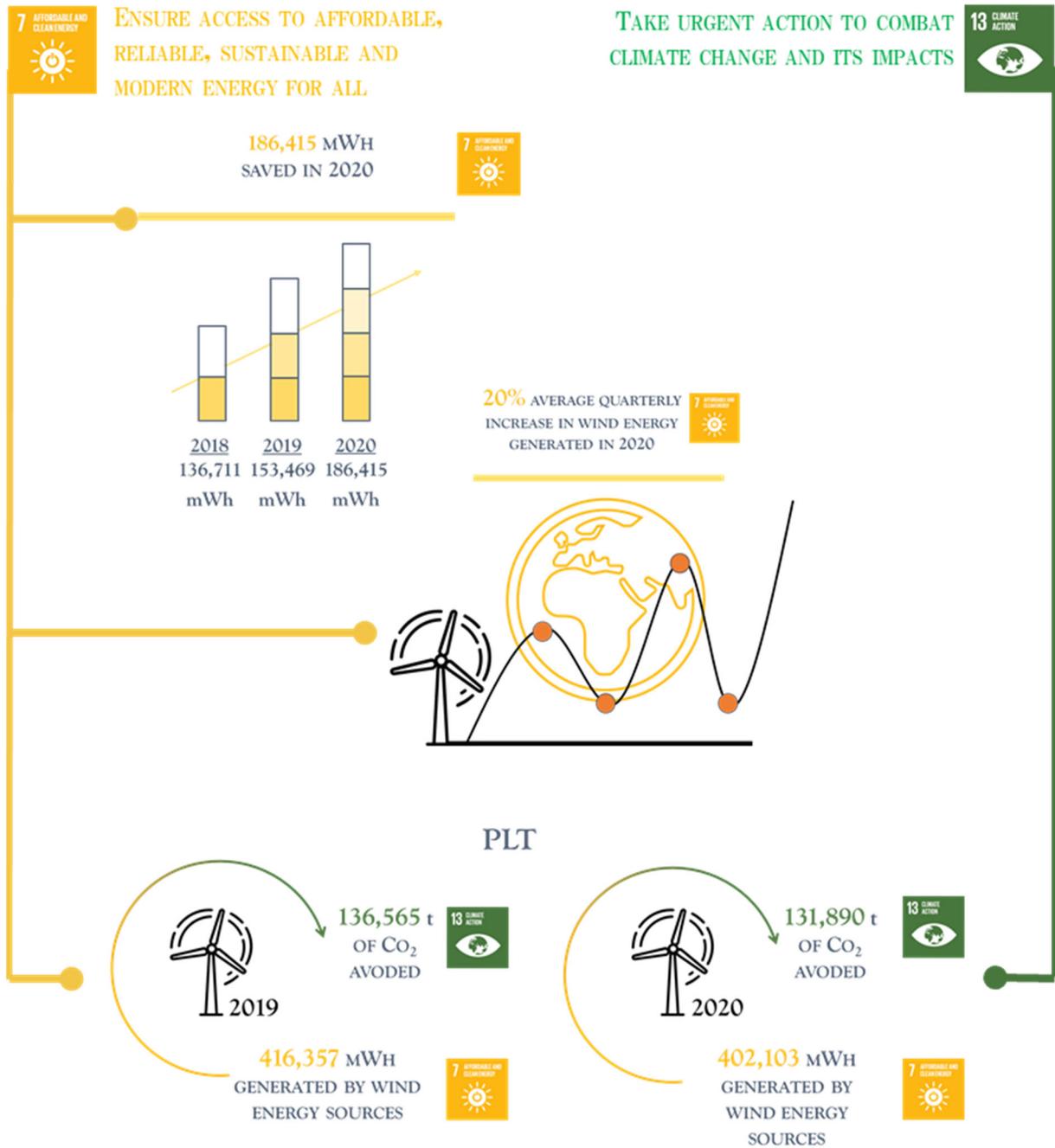
¹⁶ Terna, Energy generation in 2019, table 34



Thanks to the funds' investments, PLT energia has been able to build new wind farms and its objective is to triple its installed capacity within the next three years.



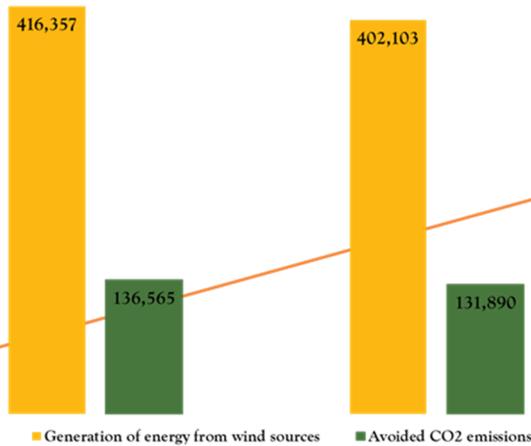
GENERATED IMPACTS BY SDG





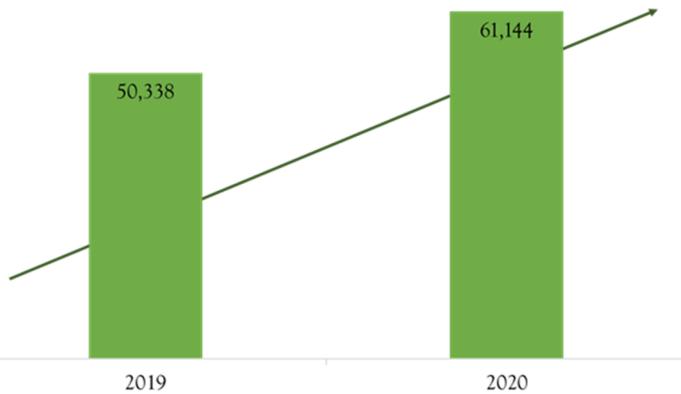
ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS



+28% PRODUCED AND CO₂ (T) AVOIDED IN THE LAST QUARTER OF 2020

TCO₂ AVOIDED BETWEEN 20019 AND 2020



TONNES OF CO₂ AVOIDED HAVE INCREASED BY 21% IN THE 2019-2020 TWO YEAR PERIOD



MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

THE NUMBER OF LIGHT BULBS REPLACED HAS INCREASED BY 14% ON AVERAGE EVERY QUARTER



CONCLUSIONS

FIEE has prepared this report to show how the positive impact it generates is important and has grown over the years and how these positive impacts are also increasing in line with the company's growth.

Since 2016, the company's aim has been to create value and prosperity, which is why its investment decisions have to comply with tough internal procedures. Acting in a sustainable manner has become increasingly important due to the increase of the generated impacts and the positive external impacts. Despite the Covid-19 pandemic, FIEE has managed to maintain its best-in-class performance.

This impact report represents the company's commitment to itself to continuously improve its output over the years, while also presenting its contribution and that of the funds' investees to sustainable development.

The company intends to continue to pursue sustainability by making the funds' investees aware of the importance of disclosing environmental and social aspects, which can also be done in sustainability reports, to achieve an ESG rating.

Once the definitive versions of the RTS (regulatory technical standards) have been issued on the provisions of Directive (EU) 2019/2088, the company will review its position on the disclosure of the principal adverse sustainability impacts and will update it accordingly.