



CDP 2016

CDP Equity SpA

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

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.

The legal framework of CDP Equity S.p.A. ("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 May 3, 2011;
- CDPE *Articles of Association*, available on CDPE website
<http://www.cdpequity.it/static/upload/sta/statuto-cdp-equity.pdf>.

The above regulation provides for the corporate purpose and the investment criteria of CDPE. Ministerial Decree of 3 May 2001 defines the companies of "significant national interest" which can be invested by CDPE.

CDPE's major shareholder is Cassa di Risparmio di Roma S.p.A. ("CDR"), which is controlled by the Italian Ministry for the Economy and Finance. Bank of Italy (the Republic of Italy's central bank) is a qualified minority shareholder. CDP group holds an 80% share participation while Bank of Italy holds a 20%.

The above legal relationships are publicly disclosed on the CDPE website

<http://www.cdpequity.it/en/about-us/shareholders.html>

Principle 2

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

CDPE policy purpose is clearly defined and publicly disclosed on its Articles of Association (art. 3 and 4) as well as in the legislation described above, and on the CDPE website.

<http://www.cdpequity.it/en/how-we-operate/index.html>

Principle 3

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.

This GAAP is not applicable.

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

Principle 4

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.

CDPE funding, withdrawal and spending operations policy is set out by its Articles of Association and related financial information are available on its Annual Balance sheet.

http://www.cdpequity.it/static/upload/fsi/fsi_bilancio-2014.pdf

Main investment policies and relevant internal procedures are publicly disclosed on the CDPE website.

<http://www.cdpequity.it/en/how-we-operate/index.html>

<http://www.cdpequity.it/en/about-us/corporate-documents.html>

Funds invested by CDPE come indirectly from postal savings.

Principle 5

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.

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

CDPE provides periodically CDP with certain information such as:

- 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 on a case by case basis certain other corporate documents such as the internal organisational structure, internal control structure's description, organisational model (pursuant to Legislative Decree 231/2001), documentation required to fulfil obligation towards any controlling Authority.

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

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.

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

CDPE's corporate governance framework is also set out in its Articles of Association which define a clear and effective division of roles and responsibilities.

Further, CDPE has drawn up a series of procedures representing its corporate regulatory system, in line with the best market practice for companies operating in the investments sector.

Different functions of each governing body are publicly disclosed on the CDPE website.

<http://www.cdpequity.it/en/about-us/corporate-bodies/corporate-bodies.html>

Principle 7

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.

CDPE's objectives are set by its Articles of Association(art. 3 and 4).

Governance bodies appointment is regulated by the Italian Civil Code and CDPE By-laws.

Moreover, requirements for the appointment of members of the board of directors of companies that are under the direct and/or indirect control of the Italian Ministry of Economy and Finance ("MEF"), are set in Ministry's guidelines.

Principle 8

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.

Different functions and full composition of each governing body are publicly disclosed on CDPE website

<http://www.cdpequity.it/en/about-us/corporate-bodies/corporate-bodies.html>

Principle 9

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

CDPE's investment decisions are taken and strategy is defined by the Board of Directors, which oversees approving investment decisions and is comprised of three members.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

CDPE accountability framework is set out in its *Articles of Association*. In particular:

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

Principle 11

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.

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

Principle 12

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.

As per Italian Legislative Decree No. 39/10 of the Consolidated Finance Act, the audit of the annual financial statements, the interim statements and the controls is entrusted to an independent audit firm – which for CDPE is currently PricewaterhouseCoopers.

Principle 13

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.

The Fund has adopted the CDP's Code of Ethics and the related documents are publicly disclosed on the CDPE website.

http://www.cdpequity.it/static/upload/cod/code_ethics_21-january-20152.pdf

Principle 14

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.

CDPE selects its suppliers of goods and services (including its consultants) according to principles of accountability, impartiality and cost efficiency

<http://www.cdpequity.it/en/how-we-operate/supplying-services-to-cdp-equity.html>.

Principle 15

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.

Currently, CDPE has no direct operations or activities in foreign countries.

Principle 16

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.

See GAPP 9.

Principle 17

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.

Key financial data and audited financial accounts are publicly disclosed and available on the CDPE website.

<http://www.cdpequity.it/en/about-us/fsi-the-numbers/index.html>

Pillar 3: Investment

Principle 18

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.

CDPE's mission, investment policy and selection process of investments are clearly defined and publicly disclosed in its Articles of Association and detailed on CDPE's website.

<http://www.cdpequity.it/en/how-we-operate/index.html>

<http://www.cdpequity.it/en/how-we-operate/investment-perimeter-and-criteria.html>).

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 corporates.

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

CDPE operates transparently in selecting and approving investments.

Principle 19

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.

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

CDPE portfolio of investment is detailed on its website with a description and objective of each single investment.

<http://www.cdpequity.it/en/portfolio/index.html>

Principle 20

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

CDPE has no access to privileged Government information.

See also responses to GAPP 9.

Principle 21

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.

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:

1. ensuring an adequate level of representation and active governance;
2. ensuring a constant information flow;
3. identifying options for the development and liquidation of the investment at market conditions.

The general approach is publicly disclosed and available on the CDPE website.

<http://www.cdpequity.it/en/how-we-operate/governance-within-the-investee-companies.html>

Principle 22

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 23

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.

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

Principle 24

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

This is the second self-assessment of the implementation of GAPP.