

Rome, Beijing

Market consultation

Deadline: 10 December, 2017

Introduction

This market consultation is brought forward in order to identify the potential opportunities for Cassa depositi e prestiti S.p.A. ("**CDP**") and China Development Bank Capital ("**CDBC**") to subscribe units/shares of a closed-end alternative investment fund (or other investment vehicle with similar features) specialising in private equity investments, with the aim of supporting the international expansion of Small and Medium-sized Enterprises ("**SMEs**") established in Italy and/or China or with significant presence in one of this two countries.

The objectives of this document are:

- to ensure maximum exposure of the initiative in order to guarantee the broadest access to available market information;
- to obtain the most suitable participation by all the relevant stakeholders;
- to know the qualitative and technical features of potentially interesting investment products for CDP and CDBC;
- to receive comments and suggestions from the interested parties for a higher in-depth market knowledge.

It should be noted that with this communication, CDP and CDBC do not assume any obligation to pursue the proposal evaluation process, nor any obligation or commitment to invest in any of the proposed instruments.

Brief description of the initiative

CDP and CDBC intend to evaluate the possible subscription, as Sponsor Investors, of units/shares in a private equity closed-end alternative investment fund (or other investment vehicle with similar features) , investing mainly in SMEs, with a multi-sectoral *focus*, provided that those companies: (i) are alternatively located in Italy or China or, (ii) secondarily, in Europe, with a substantial operating volumes in Italy and/or China.

This investment is part of the shared strategy of CDP and CDBC supporting the international expansion of high growth potential Italian and Chinese companies, not only by supporting the cross-border expansion of their business and trade activities, but also by contributing to the creation and consolidation of important international partnerships, considering the high institutional profile of the two Sponsor Investors.

The financial instrument must present an attractive risk-return profile and a *governance* structure that is in line with market practices; in particular, the expected features of this instrument based on the investment requirements of CDP and CDBC would be the following:

- **Fund objective:** investment in SMEs in Italy, China and possibly in Europe in order to support their international expansion and, in particular, in Italy, China and Europe;
- **Fund size:** no more than € 150 mln, of which maximum € 100 mln contributed by the Sponsor Investors, the rest will be raised by Fund Manager;
- **Manager:** professional manager with relevant license, authorised to set-up and manage alternative closed-end investment funds, with significant investment experience in cross-border investment, especially in private equity investments in favour of SMEs in Italy and China, available to invest its own resources in the fund to ensure the adequate alignment of interests with the investors and based in one of the EU Member States, preferably in Luxembourg;
- **Investment strategy:** investments made on the basis of business principles aimed at maximising value creation for investors and target companies, through the acquisition of minority shares in SMEs located primarily in Italy and China (indicatively, at least for 80% of the total size of the Fund) and secondarily in other European countries if a clear *link* with the Italian and/or Chinese economy can be demonstrated. Multisectoral investment *focus* including, but not limited to, the following *target* sectors: (i) *retail*, (ii) high-end manufacturing, (iii) machinery, (iv) biotechnologies, (v) medical and health, (vi) services, (vii) technology and telecommunications, (viii) renewable energy, (ix) environmental industry;
- **Investment period:** 4 years since the *first closing*, with the possibility to extend;
- **Fund duration:** 10 years, including the investment period, from the *first closing*, with the possibility to extend and in any case in line with the market practices for similar investment instruments;
- **Fund investment instruments:** representative risk capital instruments (*equity*) and other hybrid instruments, including, but not limited to: quasi-equity, mezzanine investments (among which subordinated debt) and convertible loans;
- **Portfolio diversification:** average *ticket* and investment limits in line with (i) reference sectors and (ii) *best market practices*;
- **Expected net IRR target:** in line with comparable initiatives in Italy, China and Europe;
- **Expected waterfall:** identification of a preferential return for investors, *catch-up* and *carried interest* mechanisms in line with the *best market practices*;
- **Management fee:** in line with market practices and commensurate with the actual size of the investment fund/vehicle.

Requested informative documentation

Within the scope of this initiative, informative documentation is requested (up to a maximum of 25 pages, including any attachments) in relation to:

1. Description of the features of the instrument(s) which are suited to meeting the investment requirements of CDP and CDBC referred to in this market consultation.
2. Introduction of the manager, including but not limited to company history, shareholding structure, organization structure, management team's profiles, funds under management, historical performance of the funds under management.

3. Analysis of the entrepreneurial sector of Italy and China, with specific reference to SMEs, identifying the most attractive geographic areas and investment sectors in terms of: (i) the size of the projects eligible for financing; (ii) possible impacts on the growth of Italian and Chinese SMEs and (iii) profitability potential for investors, taking the features of the Fund and the limited size of target companies into account.
4. Description of the *skills* and expertise of the key members of the active/to be activated *team* for the management of such instruments and relative *track record* in private equity investments in Italy, China and, if relevant, Europe, with a *focus* on expansion capital in favour of SMEs.
5. Description of the services the manager could carry out for the Fund, such as - *inter alia* - *portfolio management*, *risk management*, *evaluation* and *marketing* services and its relative ability to mobilise and attract capital from third-party investors.

CDP and CDBC will evaluate, on a comparative basis, the investment opportunities proposed and received based on the following criteria:

- effectiveness and concreteness of the proposed financial instrument(s) compared to the expectations of CDP and CDBC;
- knowledge and ability to understand the reference market, identification of the relevant pipeline to be activated or identification strategy of the same, consistency of the proposed scheme with the investment objectives of CDP and CDBC;
- track record of the investment team in the management of similar financial instruments, especially in Italy, China or other EU countries;
- experience of cross-border investment: preference will be given to managers having at least one fund under management with an investment period at least 75% completed ;
- conditions of investment team and size of asset under management: preference will be given to (i) investment teams having an history of at least 5 years and consisting of at least 10 members, (ii) managing or having managed assets more than 350 million EUR;
- organisational structure of the Manager, with particular reference to the ability to guarantee the investment *team's* suitable presence in both Italy and China;
- Strategy for attracting third-party resources to similar financial instruments and relative *track record*.

In this context, CDP and CDBC reserve - at a second stage - the right to request to one or more operators selected according to the above criteria proposals for improvements compared to those received, with particular reference to the following parameters:

- expected *management fee* level for the instrument's management (including any incentive mechanisms for the management *team* based on the achievement of specific operational KPIs);
- resources which the Manager can invest in the instrument;
- expected *governance* structure with particular reference to the: (i) the corporate bodies of the manager and of the proposed instrument(s), (ii) composition and functions of the same bodies;
- any manifestations of interest and/or investment commitments received from third-party investors in relation to the proposed instrument(s), subject to any confidentiality obligations assumed by the manager.

All the information you provide with this document will be used solely for the purposes of this initiative's development and with full confidentiality. Except as laid down below with regard to the processing of personal data, CDP and CDBC shall not disclose the information in this document to third parties.

In relation to this initiative, we ask you your contribution - after you have read the information on the processing of personal data contained in the Annex - by providing the above requested information (English version, please also provide Chinese or Italian version if available) and sending them with the subject "*Market Consultation - Sino-Italian Co-investment Fund*" to the following address:

servizio.acquisti@pec.cdp.it

cdbc_fund@cdb-capital.com

no later than 24:00 on the date 10 December, 2017 - last term.

Any clarification requests can be sent to the same address, no later than 24:00 on the date 1 December, 2017.

Sending the document to our address implies your consent to the processing of the data provided herein.

Company data

<i>Company</i>	
<i>Address</i>	
<i>Full name of the contact person</i>	
<i>Role in the company</i>	
<i>Telephone</i>	
<i>Fax</i>	

Email/certified email	
Compilation date	

ANNEX

Personal data processing policy

Pursuant to Article 13 of Italian Legislative Decree no. 196/2003 "Personal Data Protection Code", we inform you that the collection and processing of personal data (hereinafter also only "**Data**") provided by you is carried out in order to allow CDP S.p.A. to conduct activities related to its institutional purposes.

The processing of the Data for the above mentioned purposes, characterised by the utmost confidentiality and security in compliance with the above-mentioned legislation, regulations and Community legislation, will take place in both automated and non-automated manners.

The transfer of Data to our Company is optional; any refusal to provide the Data implies the inability to acquire the information and Data required with regard your company.

For the purposes indicated above, the Data may also be communicated to both employees of our Company and to the following persons or entities who, for this purpose, may carry out processing operations on our behalf: companies, consultants, independent contractors appointed by the Company. A detailed list of subjects to which the Data may be disclosed, will be provided upon the request of the concerned party.

The sending of the "Requested Informative Documentation" to CDP S.p.A. implies consent to the processing of the Data provided.

The Data Controller is CDP S.p.A., with its headquarters in Rome, 4 Via Goito. Requests for the exercise of the rights recognised by Article 7 of Italian Legislative Decree no. 196 of 30 June 2003 and fully reported below, can also be submitted to the following email address: servizio.acquisti@pec.cdp.it.

Article 7 of Italian Legislative Decree no. 196 of 30 June 2003 (Right to access personal data and other rights)

1. A data subject has the right to obtain confirmation of the existence of personal data concerning himself, even if not yet registered, and their intelligible communication.
2. The interested party has the right to obtain the following information:
 - (a) the origin of personal data;
 - b) the processing purposes and methods;
 - c) the logic applied when the processing is performed with electronic instruments;
 - d) the details identifying the Data Controller, Data Supervisors and the representative designated pursuant to Article 5, paragraph 2;
 - e) the subjects or categories of subjects to whom the personal data may be communicated, or who may learn about it as appointed representatives in the territory of the State, as managers or other persons in charge.
3. The interested party has the right to obtain:

- a) the updating, amendment, or, where he has an interest in it, the integration of the data;
 - b) the cancellation, transformation into an anonymous form or blocking of data processed unlawfully, including data that does not need to be retained for the purposes for which it was collected or subsequently processed;
 - c) evidence that the operations in letters a) and b) have been disclosed, including their content, to those to whom the data has been communicated or disseminated, except in the case where such fulfilment becomes impossible or requires the use of means which are disproportionate compared to the protected right.
4. The interested party has the right to object, entirely or in part:
- a) on legitimate grounds to the processing of his personal data - even if the data is relevant for the purpose of its collection;
 - b) to the processing of his personal data for the purpose of sending advertising material or direct sales, or for conducting market research or commercial communications.