

**Green Arrow Asset Selection SICAV SIF**

**RESPONSIBLE INVESTMENT POLICY**

**MARCH 2021**



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## 1. INTRODUCTION

The objective of this Responsible Investment Policy (“the Policy”, “RIP”) is to communicate and disclose the General Partner commitment to responsible and sustainable investing, as well as Company’s ESG strategy and objectives.

GREEN ARROW ASSET SELECTION S.C.A SICAV-SIF (the “Fund”) is a company with variable capital – specialised investment fund (*société d’investissement à capital variable – fonds d’investissement spécialisé*) organized under the laws of the Grand Duchy of Luxembourg as a partnership limited by shares (*société en commandite par actions*). It qualifies as an alternative investment fund (“AIF”) under the amended law of 12 July 2013 on alternative investment fund managers (the “AIFM Law”) and is subject to the provisions of Chapter II of the law of 13 February 2007 on specialised investment funds (the “SIF Law”), as amended.

The Fund was incorporated on 3 December 2008 with an unlimited duration and is registered within the Luxembourg trade and companies register under number B 143.607.

As a partnership limited by shares, the Fund has two categories of shareholders:

- The sole unlimited shareholders or General Partners (*associé gérant commandité*) holding at least one management share which is allocated to a specific sub-fund, provided that the General Partner may hold one or several management shares in several sub-funds, who is liable with any limits for any obligations that cannot be made out of the assets of the Fund; and
- The limited shareholders (*actionnaires commandités*) holding the ordinary shares, whose liability is limited to the amount of their investment in the Fund.

GREEN ARROW ASSET SELECTION S.à.r.l., a private limited liability company (*société à responsabilité limitée*), duly incorporated on 1 December 2008 under the law of the Grand Duchy of Luxembourg and having its registered office at 9, rue Schiller, L-2519 Luxembourg, Grand Duchy of Luxembourg acts as the “General Partner”. Its registration number with the Luxembourg trade and companies register is B 144.251.

The Fund has adopted an umbrella structure with a number of distinct sub funds, listed below:

- Green Arrow Renewable Energy
- Green Arrow Renewable Energy II
- Green Arrow European Renewables
- Green Arrow Italian Wind Fund
- Green Arrow Italian Solar Fund

The objective of this Responsible Investment Policy (“the Policy”, “RIP”) is to communicate and disclose the General Partner commitment to responsible and sustainable investing, as well as Company’s ESG strategy and objectives.

As such, this document highlights the official commitment of Green Arrow Asset Selection S.à.r.l. (hereinafter “GAAS” or the “Company” or the “General Partner”) to apply principles of responsible investment to its business and describe the criteria used in such approach.

In accordance with this Policy, through its managed funds, the Company intends to:

- Communicate and engage with all stakeholders its vision, the direct and indirect impacts generated by its investment activities and keep them informed about these topics;
- Define the principles that it will adhere to in the context of ESG with a tailor-made approach to the different investments;
- Enhance the positive ESG contribution of our investments, while aiming at maximizing returns on capital and respecting both the rights and the expectations of investors;
- Adhere to responsible internationally recognized investment principles and guidelines.

The Policy is intended to be updated and amended by entities in charge whenever it can be necessary and appropriate.

## **2. OUR APPROACH TO ESG**

The consideration of ESG factors regards the investment strategy of Green Arrow Asset Selection S.à r.l as well as its corporate governance and the behavior towards employees, investors and environment.

In this perspective, the Company undertakes (i) to establish a proper ESG Governance with specific functions regarding ESG management and monitoring across all management levels (i.e. ESG Committee, Manager and Champions) and (ii) to improve ESG communication with its stakeholders.

Our approach to ESG investing can be described as follows:

- Achieve a positive environmental and social impact alongside financial returns;
- Integrate ESG standards into projects delivery and execution;
- Align investments with national and international climate change policies;
- Improve portfolio risk/return characteristics.

### **➤ Corporate Governance**

The Company's corporate governance is designed to represent a solid guarantee of independence in the decision-making process. The investment process is a balanced decision-making set of procedures that aims to replicate best practices in the industry.

In particular, all managers and members of the governing bodies of the Company are required to be guided by the principles of the Code of Ethics in defining their objectives and carrying out their duties, as well as in any decision that may have an impact on the management of the General Partner or on the fund, as well as on shareholder value, on the employees and on the territory in which it operates. The internal control system of the Company also represents a solid safeguard and it is designed to be present along all the decisional steps of the investment process.

### **➤ Employees**

The Company's employees are expected to have a clear career path at all levels within the Company's departments and for all functions, based on their ability to develop technical and leadership skills, respecting the principles of diversity and equal opportunities. To achieve this goal, training programs are defined and fitted to the needs of the individual functions. Furthermore, participation to external training courses is encouraged.

The Company believes that human capital, besides contributing to the implementation of corporate strategies, is the primary source for the application of ethical values adopted through this Policy. For this reason, the aim of the Company is to make employees aware of the values of responsible investment policies organizing, where needed, training meetings dedicated to learning the tools used to integrate the ESG criteria in the respective work area.

➤ **Investors**

The Company strongly believes that an important component for the success of its business is investors' trust, with respect to which the Company assures that its business is conducted according to principles of fairness, objectivity and traceability, ensuring a professional service characterized by integrity and transparency.

Similarly, information relating to third parties within the premises of the Company's business, produced or acquired through business relationships, is protected in such a way as to guarantee maximum privacy and confidentiality.

The Company, its employees and third-party servicers are required to comply with all national and international rules and regulations regarding anti-money laundering and anti-terrorism. The Company's compliance function has adopted specific internal measures to verify the origin of the financial flows and the acquisition of an adequate knowledge regarding customers and counterparties with which transactions must be carried out.

➤ **Environment**

The Company is focusing on reducing any form of waste in the consumption of energy and resources in general. The Company encourages an approach which minimizes waste, differentiating its collection and appropriately disposing material classified as dangerous. In addition, the Company implements specific initiatives and projects to minimize paper consumption and, where possible, selects among suppliers those which offer products with reduced environmental impact. The Company encourages its employees to use innovative means of transportation and systems with low environmental impact, the use of which contributes concretely to the reduction of emissions generated by business trips and private transport.

### **3. ESG STRATEGY AND GOALS**

The Company is an active investor incorporating ESG Standards and PRI into its practices both with direct involvement of the top management, in order to ensure a fully integrated ESG approach, and a direct involvement of the investment team which are responsible for implementing ESG integration in their daily activity.

Our approach to ESG will improve the Company's long-term performance also by reducing risks and improving management practices of its funds, all while maintaining its profitability and

attractiveness to investors. Broadly speaking, The Company's commitment to ESG topics can be summarized as follows:

- **Environment** – The General Partner operates aiming at reducing the environmental impact as much as possible. As such, a priori (and even during the entire life cycle) of an investment, a thorough assessment of the environmental impact is carried out;
- **Social** – The Company aims to ensure that the investment portfolio ensures appropriate working conditions and support the social development of the community in which these companies operate. The Company actively promotes a management approach aimed at enhancing people's skills and competences, pursuing a work approach based on equal opportunities, repudiating any form of discrimination;
- **Governance** - The management of the investment portfolio's corporate governance is one of the key principles underlying the process of Responsible Investment. In this context, the Company, ensuring the highest quality of management, promotes the achievement of high ethical standards in conducting the business.

The Company believes that adherence to PRI and ESG integration across the investment process increases the value-generating capability for all its stakeholders by means of:

- Creation and enhancement of new business opportunities able to attract investors which are aware of ESG topics and responsible investing;
- Cost reduction by increasing efficiency of resources management and by reducing potential liability exposure;
- Financial and reputational risks reduction thanks to an enhanced knowledge of non-financial metrics and KPIs.

#### **4. SCOPE OF POLICY**

The Company commitment to responsible investing and ESG criteria valuation is reflected over all its activities, hence this Responsible Investment Policy concerns all the direct and indirect investments classes in which it is currently involved and in which it will be involved in the future.

The General Partner will have a tailored approach to each investment in order to ensure an appropriate and effective ESG management, the consideration of material ESG factors will therefore be paramount.

The Company, as long-term shareholder and investor believes that material environmental, social and governance ("ESG") factors are important drivers for growth which are both sustainable and value-creating for all stakeholders. Therefore, the integration of ESG criteria into our operations is key in order to develop a more sustainable strategy for our investments.

The General Partner is a signatory of the Principles for Responsible Investment ("PRI") since 2017. This is an important step which underlines the importance of ESG criteria and their integration into the investment process; such approach aligns the Company to best practices within its competitive landscape.

In this context, the Company has a commitment to the following:

- We will incorporate ESG issues into investment analysis and decision-making processes.

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

## 5. RESPONSIBLE INVESTMENT PROCESS

The General Partner believes that the introduction of ESG criteria throughout the entire life cycle of an investment is crucial for mitigating risks and creating value.

### ➤ Pre-investment screening and exclusion

This preliminary phase ensures that the investment team avoids investing in assets which are explicitly considered non compatible with the Company's principles.

GAAS is by nature a pure renewable energy infrastructure asset manager, for this reason every other business sector is excluded from the investable universe. In addition, the company prioritizes investment in countries with sound renewable energy policies underpinned by legislation that protects social and environmental rights. Projects with material risks, even alleged or indirect, of human rights abuses will be immediately excluded.

Investments opportunities that results after the exclusion step will be furtherly screened investigating ESG factors by means of a thorough due diligence process. Briefly, investment teams will assess:

- If the project has a significant impact on soil, water, surrounding ecosystem and/ore cultural heritage;
- If the project will produce an adverse effect on health, economic well-being and safety of the local community

This process, along assessing all the financial criteria, provides for valuation of ESG criteria. The due diligence is based on preliminary assessment and onsite visits in order to identify and assess key ESG issues and understand how they can be managed. The investment team may be advised by an external consultant for ESG audit;

### ➤ Active ownership

The Company coordinates the monitoring ESG practices and performances of its investment portfolio guaranteeing a constant communication flow within the organization and its external stakeholders. During the monitoring phase of its investments, the company aims to ensure that a sustainable and responsible investment approach is in place coherently with the strategy tailored for the specific investment class. ESG risk management and monitoring responsibility is performed by the Board of Directors which is regularly updated by the investment team;

### ➤ Divestment



During the divestment phase, the investment team aims to estimate the ESG impact on the acquisition, comparing the ex-ante situation with the ex-post situation and thus evaluating the improvement of the investment's ESG profile and of the residual risk. These analyses are an integral part of *ad hoc* reports prepared pre-divestiture.

The Company will provide potential investors with a summary of:

- Critical ESG factors related to that specific investment;
- ESG performance tracked throughout the ownership phase;
- Improvements of the asset's ESG profile since the acquisition.

## 6. GOVERNANCE

The governance of ESG responsibilities shall be shared among the following:

- ***Board of Managers***

The Board of Managers shall approve the ESG policy and the ESG Strategy. It shall also define the degree of materiality of the ESG factors that may impact the business, its investment portfolio and its stakeholders, taking into account the reports from the Group's ESG Manager.

- ***ESG Champion***

The ESG Champion, appointed within the investment team, shall be responsible for the assessment and monitoring of ESG risks and opportunities during pre-investment, acquisition, ownership and exit. The ESG Champion shall be given appropriate training and shall receive instructions from the Group ESG Manager<sup>1</sup>.

Within its governance of monitoring phase, the BoD is updated on a quarterly basis by the investment teams.

## 7. APPROVAL OF ESG POLICY

Our commitment towards environmental, social and corporate governance issues is decisive and thorough. Given our focus on ESG, we will monitor, review and publicly report our ESG performance in order to achieve a best practices approach going forward.

In this context, on April 6 2020, the Company's Board of Managers approved this Responsible Investment Policy.

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<sup>1</sup> The Group ESG Manager reports to the Board of Directors and is responsible for ensuring, supervising and improving the implementation of the ESG policy across the organisation, collecting reports and information provided by the ESG Champions.