



SUSTAINABILITY-RELATED DISCLOSURE



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Summary

Green Arrow Capital SGR (“GAC” or “the Company”) is a private and independent investment platform founded in 2013 with the aim of connecting the financial industry with the real economy with the objective of generating value for all the stakeholders. The firm manages a range of strategies - including private equity, private debt and infrastructure – on behalf of institutions and individual investors in Italy and abroad. The present statement is the consolidated principal adverse sustainability impact statement of Green Arrow SGR.

A. Description of principal adverse sustainability impacts (“PAIs”)

In 2020, GAC has taken significant steps to improve its responsible investment approach in terms of sustainability risks assessment and identification of relevant ESG factors to consider throughout the investment process. Looking ahead, we plan to continue on our path towards strengthening our ESG approach in line with the objectives and targets set out in our ESG roadmap and in those developed for each business unit. In this context we pay particular attention to the ESG Due Diligence assessment on all our potential investments and to adopt a tool to monitor the ESG performance of all our investments. GAC is committed to increase quality of reporting considering principal adverse impacts of investment decisions on sustainability, thus new funds that promote environmental and/or social characteristics and those having sustainable investments as their objectives will concur to the disclosure of the following indicators:

Adverse sustainability indicator		Metric
Greenhouse gas emissions	GHG emissions	Scope 1, 2 and 3 GHG emissions
	GHG emissions	Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
Social and employee matters	Violations of UN Global Compact principles and Organisation for	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises

	Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Emissions	Investing in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Human Rights	Lack of a human rights policy	Share of investments in entities without a human rights policy

B. Description of policies to identify and prioritize principal adverse sustainability impacts

As part of the ESG framework and as set in the responsible investment strategy of the company, GAC has adopted several policies which highlights the commitment in reducing its principal adverse sustainability impacts:

A. An **ESG Responsible Investment Policy** in which the Company highlights its commitment to responsible investing and ESG criteria valuation that is reflected over its key activities.

This Policy concerns all the direct and indirect investment classes in which GAC is currently involved and in which it will be involved in the future. Green Arrow Capital SGR will have a tailored approach to each investment class in order to ensure an appropriate and effective ESG management, the consideration of material ESG factors will be fundamental not only for private equity investing but for debt/credit underwriting and infrastructure investment.

a) **Governance of ESG responsibilities** shall be shared among the following:

- **ESG Committee:** This Committee is in charge of supervising and reviewing the ESG policy and strategy. It may 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 ESG Manager.
 - **ESG Manager:** The ESG Manager reports to the ESG Committee and is responsible for ensuring, supervising and improving the implementation of the ESG policy and processes across the organization, collecting reports and information provided by the ESG Specialists.
 - **ESG Specialists:** The ESG Specialist appointed within the investment team of each single fund, shall be responsible for the assessment and monitoring of sustainability risks and opportunities during pre-investment, ownership and exit.
- b) GAC commitment towards environmental, social and corporate governance issues is decisive and thorough. Given its particular focus on ESG, the Company will monitor and review its ESG performance and it is committed to increase quality of reporting and disclosure in order to achieve a best practices approach going forward.
- c) GAC's Board of Directors approved the ESG Responsible Investment Policy on 19 November 2019 and it is constantly updated on possible integration and improvements.
- d) A Conflict-of-interest Policy to promote and to enhance transparency in accordance with the requirements of the legislative regime outlined by Directive 2014/65 / EU relating to financial instrument markets (the so-called MiFID II).

- B. **Acquisition Due diligence Policy:** Green Arrow Capital SGR introduced ESG criteria throughout the entire life cycle of an investment, considering them as crucial for mitigating risks and creating value.

Pre-investment screening

This preliminary phase ensures that the investment team avoids investing in sectors or companies which are explicitly considered non compatible with GAC's principles.

Green Arrow Capital SGR refuses to invest in tobacco and pornography industries and in companies whose more than half of revenues comes from coal. In addition, GAC excludes any investment in companies manufacturing and/or distributing controversial weapons. The latter are defined as weapons having a disproportionate impact on civilian population such as chemical, biological, depleted uranium, and nuclear weapons, anti-personnel landmines and cluster bombs. Finally, companies involved in severe violation of the 10 UNGC Principles are excluded from the investable universe. If the investment is eligible, then the investment team investigates further the areas which will undergo an ESG due diligence process. This process, along assessing all the financial criteria, provides for valuation of ESG criteria.

Acquisition

For both direct and indirect investments, all data regarding ESG topics which have been collected in the due diligence phase become an integral part of the final decision-making process. GAC's Investment Committee will consider material sustainability risks and final recommendations on the investment projects provided by the ESG Committee, which receive preliminary analysis results from ESG Manager and Specialists.

C. Remuneration Policy

The remuneration, intended for the purposes of this statement, regards:

- Any form of payments or benefits paid by the Company;
- Any form of payments paid by the Fund itself, including carried interest.

The remuneration policy has been structured with the objective of ensuring a fair balance between fixed and variable remuneration, in particular, employees are remunerated considering their specific targets

which are linked to their roles and functions. As such, the variable compensation structure at both, Company and Funds, includes ESG criteria within the performance indicators in order to measure the results of integrating sustainability risks into (i) risk management; (ii) the investment process; and, (iii) into management procedures. ESG criteria include the achievement of promoting environmental and/or social characteristics or the achievement of sustainable investment objectives for staff involved in those funds with responsible investment strategies.

D. Engagement policies

GAC's engagement activities with its shareholders, clients, industry and portfolio investments take place periodically and in various ways:

- A. A **Stewardship Policy**, included in the ESG Responsible Investment Policy, rules out engagement and active ownership methods towards portfolio companies;
- B. Furthermore, in line with PRI's principles, on promoting acceptance and implementation of the Principles within the investment industry, GAC participates to events and engagement activities promoted by the Italian Association of Private Equity, Venture Capital and Private Debt (AIFI). The ESG engagement activities involves both limited partners and general managers who had the opportunity to discuss and share their point of view and expectations regarding sustainability related topics.

E. References to international standards

From 2020 Green Arrow Capital SGR is a signatory of the **Principles for Responsible Investment ("UN PRI")** considering the importance of integrating of ESG criteria into the investment process and the need for a framework that provides guidelines and reporting standards. The Company became a **UN Global Compact participants** in 2021 to improve its capability to generate positive impact as an asset manager.

The following is a non-exhaustive list of relevant international conventions and principles considered by GAC:

- *OECD Principles of Corporate Governance*
- *OECD Guidelines for Multinational Enterprises*
- *UN Convention on Corruption*
- *UN Guiding Principles on Business and Human Rights*
- *ILO conventions on labour standards*
- *Universal Declaration of Human Rights*
- *Children's Rights and Business Principles.*