

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Green Arrow Capital SGR S.p.A.

### Summary

Green Arrow Capital SGR (“GAC”) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of GAC.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Green Arrow Capital SGR aims to act as a responsible investment platform with multiple business units active in clean energy & infrastructure, private equity and private credit investments. As of end 2022 the platform consists of the following “vintage” funds:

- Green Arrow Energy Fund (“GAEF”) – clean energy – vintage 2015
- Green Arrow Private Equity Fund 3 (“GAPEF 3”) – private equity– vintage 2015
- Green Arrow Private Debt Fund I (“GAPDF I”) – private debt – vintage 2016
- Microfinanza I (“MF I”) – impact microfinance (debt) – vintage 2010

and newly launched investment strategies that promote environmental and social characteristics or that have sustainable investments as objective:

- Green Arrow Infrastructure of the Future Fund (“GAIF”) – clean energy & infrastructure (art. 9)
- Green Arrow Private Equity Fund 4 (“GAPEF 4”) – private equity (art. 8)
- Green Arrow Private Debt Fund II (“GAPDF II”) – private debt (art. 8)

of which GAIF is the only fund that has already made investments during the reporting period. During the preparation of the first PAI reporting, the SGR increased the focus on GAIF activities since they also fall under SFDR and EU Taxonomy scope.

The objective of the funds' upcoming reporting is to have more detailed information, both in terms of qualitative and quantitative terms. For this purpose, the SGR commits to improve the data collection on vintage investments. Moreover, future investments from GAPEF 4 and GAPDF II are expected to populate our ESG data management system.

### **Sintesi**

Green Arrow Capital SGR ("GAC") prende in considerazione i principali effetti negativi delle proprie decisioni di investimento sui fattori di sostenibilità. La presente dichiarazione è la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità di GAC.

La presente dichiarazione sui principali effetti negativi sui fattori di sostenibilità riguarda il periodo di riferimento dal 1° Gennaio al 31 Dicembre 2022.

Green Arrow Capital SGR si propone come piattaforma di investimento responsabile con diverse business unit attive nel settore dell'energia rinnovabile e delle infrastrutture, del private equity e del private credit. Alla fine del 2022 la piattaforma è composta dai seguenti fondi "vintage":

- Green Arrow Energy Fund ("GAEF") – energia rinnovabile – vintage 2015
- Green Arrow Private Equity Fund 3 ("GAPEF 3") – private equity– vintage 2015
- Green Arrow Private Debt Fund I ("GAPDF I") – private debt – vintage 2016
- Microfinanza I ("MF I") – microfinanza ad impatto (debt) – vintage 2010

e dalle strategie di investimento lanciate di recente che promuovono caratteristiche ambientali e sociali o che hanno come obiettivo investimenti sostenibili:

- Green Arrow Infrastructure of the Future Fund (“GAIF”) – energia rinnovabile & infrastrutture (art. 9)
- Green Arrow Private Equity Fund 4 (“GAPEF 4”) – private equity (art. 8)
- Green Arrow Private Debt Fund II (“GAPDF II”) – private debt (art. 8)

Di questi GAIF è l’unico fondo che ha già effettuato investimenti nel periodo di riferimento. Durante la preparazione della prima rendicontazione dei PAI, la SGR ha focalizzato la propria attenzione sulle attività di GAIF in quanto rientrano anche nell’ambito della SFDR e della Tassonomia Europea.

L’obiettivo per la prossima rendicontazione è quello di avere informazioni più dettagliate, sia in termini qualitativi che quantitativi. A tal fine, la SGR si impegna a migliorare la raccolta dei dati sugli investimenti vintage. Inoltre, si prevede che i futuri investimenti di GAPEF 4 e GAPDF II andranno a popolare il sistema di gestione dei dati ESG.

**Description of the principal adverse impacts on sustainability factors**

| Adverse sustainability indicator |                     | Metric                | Impact 2022               | Explanation  | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---------------------|-----------------------|---------------------------|--|--|
| Greenhouse gas emissions         | 1. GHG emissions    | Scope 1 GHG emissions | 0 tCO2                    | The majority of GHG emissions are Scope 3 and are mainly driven by 5G and Storage investments. These are limited to suppliers’ operations and thus unavoidable, in any case GAIF ensure that its suppliers adopt responsible measures to mitigate their environmental impact. As expected in case of |  |
|                                  |                     | Scope 2 GHG emissions | 174,9 tCO2                |  |  |
|                                  |                     | Scope 3 GHG emissions | 6049,4 tCO2               |  |  |
|                                  |                     | Total GHG emissions   | 6224,3 tCO2               |  |  |
|                                  | 2. Carbon footprint | Carbon footprint      | 23,1 tCO2 per €M invested |  |  |

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| <p>3. GHG intensity of investee companies</p>                         | <p>GHG intensity of investee companies</p>  | <p>42,8 tCO<sub>2</sub> per €M revenue</p> | <p>renewable energy investments, carbon footprint and GHG intensity ratios are low.</p> <p>This carbon footprint may increase in the future as many assets under development will be operational in the next year.</p> <p>Data refer to GAIF only.</p> <p>GAC is in the process to expand the perimeter of calculation to vintage infrastructure, private equity and debt investments in relation to their estimated exit period.</p> |
| <p>4. Exposure to companies active in the fossil fuel sector</p>      | <p>Share of investments in companies active in the fossil fuel sector</p>   | <p>0%</p>                                  | <p>This holds for all investments of GAC since fossil fuel and related activities are excluded by the ESG Responsible Investment Policy, which applies to all Funds of GAC.</p>   |
| <p>5. Share of non-renewable energy consumption and production</p>    | <p>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</p> | <p>0%</p>                                  | <p>Data refers to GAIF only.</p> <p>All energy consumption derives from auto production or certified renewable sources. The goal is to keep the trend for upcoming expansions and new assets.</p> <p>GAC is in the process to expand the perimeter of calculation to vintage infrastructure, private equity and debt investments in relation to their estimated exit period.</p>  |
| <p>6. Energy consumption intensity per high-impact climate sector</p> | <p>Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector</p>   | <p>0,132 GWh per €M revenue</p>            | <p>Data refers to GAIF only.</p> <p>Energy consumption (100% green) is tied to idle operational activities of solar plants and energy storage devices.</p>  |

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|              |   |   |    | GAC is in the process of expanding the perimeter of calculation to vintage infrastructure, private equity and debt investments in relation to their estimated exit period.   |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0% | <p>As per the EU Taxonomy assessment results, GAIF investments located in or near biodiversity-sensitive areas do not negatively affect those areas; EU Taxonomy assessment is also conducted for all assets on a periodic basis.</p> <p>In its risk assessment valuation, GAC did not envisage any negative effect on biodiversity from legacy investments under infrastructure (GAEF ), private equity (GAPEF 3) and debt (GAPDF I).</p> |
| Water        | 8. Emissions to water   | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average  | 0% | <p>Data refers to GAIF only for which no hazardous or radioactive waste has been generated.</p> <p>The investment activities of GAEF do not lead to emissions to water. For GAIF investments no hazardous or radioactive waste has been generated.</p>   |
| Waste        | 9. Hazardous waste and radioactive waste ratio                  | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average   | 0% | <p>GAC is in the process to expand the perimeter of calculation to vintage infrastructure, private equity and debt investments in relation to their estimated exit period.</p>   |

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| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises   | 0%  | <p>Private equity and debt investments, as well as the SPVs that manage GAIF and GAEF assets have not been involved in any violations of such principles.</p> <p>GAC participates to the UN Global Compact and is committed to transfer these principles to investee companies, as well as into the formation and management of SPVs underlying infrastructure funds.</p>   |
|                             | 11. 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 | 6%  | <p>GAC has been able to verify that just one investee company effectively lacks process and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises within the Private Debt I portfolio.</p> <p>In its continuous process to screen and enhance its responsible investment approach, GAC decided to further investigate and support the investee company in improving its position with respect to this principal adverse impact indicator.</p> |
|                             | 12. Unadjusted gender pay gap   | Average unadjusted gender pay gap of investee companies  | N/A | GAC has not been able to provide sufficiently reliable data in this context at this stage due to the unavailability of comparable data.   |

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|  |  |   |       | <p>Nonetheless, it is committed to improve the data collection quality for the next reporting.</p> <p>Finally, GAC considers this indicator not applicable to investments in infrastructure as the calculation would be made on an SPV consisting of a manager from the managing fund and no employees.</p>  |
|  | 13. Board gender diversity   | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 12,2% | <p>GAC is in the process to expand the perimeter of calculation with newly launched private equity and debt funds.</p> <p>This indicator refers to investee companies of vintage private equity and debt funds on legacy investments in which there was a lower focus on this topic.</p> <p>Finally, GAC considers this indicator not applicable to investment infrastructure as the calculation would be made on an SPV consisting of a manager from the managing fund.</p> |
|  | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and | Share of investments in investee companies involved in the manufacture or selling of controversial weapons          | 0%    | <p>As per GAC ESG Responsible Investment Policy, such activities are excluded ex-ante in the investment universe definition.</p>   |

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|              | biological weapons)  |   |     |   |
| Emissions    | 15. 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 | 24% | With regards to this indicator, vintage funds did not include engagement and human rights policies in their bylaws, despite that some of the investee companies already had initiatives in place.   |
| Human Rights | 16. Lack of a human rights policy  | Share of investments in entities without a human rights policy  | 42% | Finally, GAC considers this indicator not applicable to investment infrastructure as the investment objective is renewable energy production and distribution.<br><br>GAC is in the process to expand the perimeter of calculation with newly launched private equity and debt funds. |

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

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

A. An **ESG Responsible Investment Policy** (approved by the Board of Directors in 2019 and updated at the end of 2022) in which the Company highlights its commitment to responsible investing and ESG criteria valuation that is reflected in 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 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's commitment to 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 the 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 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 come 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 populations such as chemical, biological, depleted uranium, and nuclear weapons, anti-personnel landmines and cluster bombs. Finally, companies involved in severe violations 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 with assessing all the financial criteria, provides for valuation of ESG criteria.

### **Acquisition**

For both direct and indirect investments, all data regarding ESG topics that 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.

### **Engagement policies**

There is no engagement strategy formalized for vintage funds investments (GAPDF I and GAPEF 3), which is embedded into the investment strategy of newly launched private equity and debt funds (GAPDF II and GAPEF 4) that complies with art. 8 of SFDR but they did not make any investment during the reporting period of this document.

Engagement activities/programs are not applicable in infrastructure investments as GAC operates by means of SPVs that manages specific infrastructure project/investment.

**References to international standards**

Green Arrow Capital SGR is a signatory of UN Principles for Responsible Investment since 2020 and participant to the UN Global Compact since 2021. The following principles are taken into account where meaningful and applicable:

- OECD Principles of Corporate Governance and 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.

**Historical comparison**

The earliest historical comparison will be available in the next reporting documentation (June 2024).