

**Summary**

Green Arrow Private Equity IV Fund S.C.A. SICAV-RAIF (“the Fund”) aims at building a diversified private equity portfolio of shareholdings in middle-market companies with significant growth prospects and with revenues ranging from EUR 30 million and EUR 250 million and an EBITDA from EUR 5 million and EUR 30 million across a variety of sectors.

The Fund does not have a sustainable investment objective but promotes environmental and/or social characteristics in line with the Green Arrow SGR ESG Responsible Investment Policy (“the Policy”).

- Environmental characteristics: reduction of the climate impact of portfolio companies.
- Social characteristics: diversity and inclusion, employee health and safety, and upskilling.

Given the diversity of sectors and business models of the investable universe, no fixed indicators are defined ex ante. Instead, an ESG Action Plan is developed for each portfolio company, setting tailored objectives and, where relevant, performance indicators aligned with selected Sustainable Development Goals (SDGs).

ESG criteria are integrated across the investment process: (i) pre-investment screening excludes activities not allowed by the Policy; (ii) ESG risk assessment results are submitted to the GAC ESG Committee for approval; (iii) approved investments form the basis for an active ownership strategy.

Stewardship is supported by a monitoring tool developed in collaboration with an external consultant, which is used to track environmental and social indicators identified in the ESG Action Plans.

The portfolio will include only investments that promote one or more environmental and/or social characteristics, except for a limited portion of cash or money market instruments held solely for liquidity and hedging purposes.

The Fund does not currently commit to a minimum proportion of investments aligned with the EU Taxonomy Regulation

**No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

**Environmental or social characteristics of the financial product**

The Fund’s exposure to companies that, directly or through subsidiaries, operate in sectors excluded under the Policy must remain zero throughout the entire life of the Fund. While the Fund promotes environmental and/or social characteristics—focused respectively on reducing the climate impact of portfolio companies, and on fostering diversity and inclusion, employee health and safety, and upskilling—specific indicators will be defined on a case-by-case basis within the ESG Action Plan for each portfolio company. This approach ensures that the unique features and circumstances of each company are duly reflected.

By way of example, the following table provides a list of such indicators, which may include (but are not limited to) the following:

Characteristics	Sustainability indicator	SDG
Environmental theme	Intensity of greenhouse gas emissions	SDG 9, SDG 13
Environmental theme	Share of renewable energy consumption	SDG 7, SDG 9

Social theme	Reduction of the gender pay gap	SDG 5, SDG 10
Social theme	Adoption of advanced health & safety standards in the workplace	SDG 3
Social theme	Training hours per employee and initiatives to enhance skills and knowledge	SDG 8

The Fund believes in the effectiveness of this approach, considering the investment objective of building a diversified portfolio in Italian private middle-market companies.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted.

### Investment strategy

Considering the investable universe and investment style, the Fund believes that stewardship and active equity are the most effective tools for promoting environmental and social characteristics. The Fund's responsible investment process is aligned with the Policy and aims to consider ESG factors throughout the investment life cycle.

- **Pre-investment screening:** This preliminary step ensures that sectors excluded from the Policy are avoided: tobacco, adult entertainment, and thermal coal (for more than 50% of revenues), controversial armaments (devices that have a disproportionate and unpredictable impact on civilians), biologicals and chemicals. In addition, the alignment of investment targets with the UN Principles is checked in order to identify violations and possibly exclude the target from the investable universe. To conclude the preliminary assessment, the team adopts a tool to estimate the ESG risk profile based on multiple ESG factors; the results are reported to GAC's ESG Committee and will eventually form the basis for the active equity strategy and ESG action plan. This assessment tool was developed with the support of external ESG consultants and will be regularly reviewed.
- **Active ownership:** The Fund establishes an ongoing dialogue with its investee companies and ESG representatives are appointed. The aim is to develop ESG action plans that are consistent with the characteristics and peculiarities of the companies and that can be effectively integrated into their business models. In addition, data collection and monitoring systems are structured to (i) adequately report PAI indicators in accordance with the SFDR and PAI Statement, and (ii) monitor ESG KPIs identified in the action plans. The Fund is committed to sharing a culture of sustainability and corporate responsibility with its investee companies, and to accelerating the process of implementing and improving ESG governance systems.
- **Disinvestment:** In the divestment phase of the investment, the Fund will provide investors with appropriate reporting on the progress of the action plan and improvements in the ESG performance of the investee company.
- **Binding Elements:** The Fund's exposure to sectors and companies identified in the exclusion list must be zero for the entire lifetime of the Fund. The ESG risk profile of investment targets is submitted to the GAC ESG Committee, which can reject the investment project where a high risk is determined and the feasibility or efficacy of an ESG action plan is considered non-sufficient to guarantee the mitigation of such risks and the improvement of ESG performance.
- **Good Governance:** The ESG tool adopted in the pre-screening phase contains a checklist to verify the adoption of good governance practices, in particular those regarding sound governance structure, relationship with employees, staff remuneration and tax compliance. The tool takes into account the highest standards, frameworks and certifications to determine whether good

governance practices are adopted or if there are governance issues. As such, the Fund is able to intervene if a potential investment should not comply with some requirements: if governance-related issues arise, the Fund will prioritize any necessary action to ensure timely and practical solutions.

### **Proportion of investments**

The Fund has direct exposure to investments, all of which comply with the binding elements and the defined investment strategy. This strategy aims to construct a portfolio in which at least 80% of investments contribute to the promotion of environmental and/or social characteristics, in line with the Fund's ESG approach. The remaining share of the portfolio may be allocated to cash or cash-equivalent instruments for liquidity management purposes. The Fund does not undertake any commitment regarding a minimum proportion of investments aligned with the EU Taxonomy Regulation

### **Monitoring of environmental or social characteristics**

As described in the "Investment Strategy" section, the Fund establishes a continuous dialogue with portfolio companies and ESG representatives are appointed. To support engagement and data collection activities, the Fund developed an ESG monitoring tool with an external consultant aimed at tracking, among others, indicators related to environmental/social characteristics promoted.

### **Methodologies**

Adherence to the exclusion list is constantly monitored to ensure zero exposure to avoided sectors and companies. In addition, the Fund and portfolio companies' ESG representatives periodically review ESG action plans in order to monitor progress and results; the ESG monitoring tool will include indicators deriving from action plans and it supports the Fund in the measurement of environmental/social characteristics promotion.

### **Data sources and processing**

As described in the "Investment Strategy" section, most of the data is collected directly from portfolio companies during active ownership and the Fund is committed to ensuring that data and information are precise, reliable and audited where possible. External data, which may be considered useful, must be derived from authoritative and/or certified sources. All data collected is processed through the ESG monitoring tool, which can detect inconsistent data and guide the Fund investment team in properly managing ESG information. All data collected from portfolio companies should be nominal and reliable rather than estimated.

### **Limitations to methodologies and data**

The definition of ESG action plans in cooperation with portfolio companies allows for minimizing the risk of lacking data and building up effective data governance. Communication flows established among the Fund and portfolio companies' ESG representatives enhance the data gathering process.

### **Due diligence**

As described in the "Investment strategy" section, the pre-investment phase is characterized by a negative screening against the exclusion list. Investment projects are further assessed by means of a tool that is able to estimate the ESG risk profile on the basis of several factors. Results of this preliminary assessment are submitted to GAC ESG Committee for the investment approval/denial.

### **Engagement policies**

Engaging with portfolio companies is key to developing effective ESG action plans through which environmental/social characteristics are promoted. During the ownership phase, the Fund regularly communicates with ESG representatives and top management of portfolio companies with the aim of:

- Sharing ESG and sustainability culture, knowledge and methods;
- Reviewing ESG action plan and monitoring its progress;
- Managing possible sustainability-related incidents.