GREEN ARROW
CAPITAL

Sustainability disclosure pursuant to art. 10 of Regulation (EU) 2019/2088 (SFDR) and art. 25 to 36 of Delegated Regulation (EU) 2022/1288 on the Fund

Green Arrow Private Debt Fund II

promoting environmental or social characteristics pursuant to Art. 8 SFDR

Green Arrow Capital SGR S.p.A.	LEI code: 8156002A0330F6E5A549	
Green Arrow Private Debt Fund II	Units A1 ISIN IT0005450280 (bearer)	Units A1 ISIN IT0005450272 (registered)
	Units A2 ISIN IT0005510208 (bearer)	Units A2 ISIN IT0005510216 (registered)
	Units B ISIN IT0005450298 (bearer)	Units B ISIN IT0005450306 (registered)
	Units C ISIN IT0005450314 (bearer)	Units C ISIN IT0005450322 (registered)

A) Summary

Green Arrow Private Debt Fund II (the "**Fund**"), managed by Green Arrow Capital SGR S.p.A. (the "**Company**"), promotes environmental and/or social characteristics pursuant to article 8 SFDR.

The Fund aims to build a portfolio consisting of different credit/debt instruments issued by or disbursed in favor of Italian small and medium-sized enterprises.

- No sustainable investment objectives: The Fund does not pursue sustainable investment objectives but promotes environmental and/or social characteristics;
- Environmental or social characteristics of the financial product: The characteristics promoted by the Fund are identified on the basis of the specificities of each financed company;
- Investment strategy: The Fund aims to promote sustainable value creation and growth through the integration of ESG factors into investment processes and procedures, through thorough ESG screening and careful monitoring. The Fund's responsible investment strategy is mainly based on three tools applied in the pre-investment phase: negative screening, positive screening and definition of ESG targets;
- Investment Share: The Fund has an asset allocation of 100% to companies that promote SFDR characteristics, to which it has direct exposure only, without targeting any sustainable investment within the meaning of the SFDR. The remaining portion (#2 Others) consists of cash and money market instruments held for cash and hedging needs;
- Monitoring of environmental or social characteristics: On an annual basis, the Fund monitors the progress of assets on each ESG characteristic promoted, detecting indicators identified on the basis of materiality analysis and due diligence. For the purposes of data consistency, the Investment Team (the "**Team**") (verifies the quality of the data with the asset tenant and periodically engages with the asset manager to monitor the implementation of the ESG action plan, carrying out, where appropriate, additional active ownership activities. The Company avails itself, where necessary, of the support of specialized advisors;
- Methodologies: Compliance with the exclusion list is verified on an ongoing basis while the plans relating to the ESG Targets are reviewed periodically with the funded companies;
- Sources and processing of data: The data are collected directly from the financed companies. The collection process, hinged on ESG Targets, is designed to detect and report any anomalies or

inconsistencies. Where the information is not directly available, it is supplemented with industry estimates and data provided by authoritative third-party providers and other certified external sources;

- Limitations of methodologies and data: The main limitations relate to the availability, completeness and comparability of data at the level of the funded company, in particular for newly funded companies. These limitations, however, do not affect the promotion of environmental and/or social characteristics, which is ensured by binding elements (exclusion list and ESG Target as a condition of approval) that do not depend on estimated data;
- Due diligence: The pre-investment phase involves negative screening against the exclusion list and estimating the project's ESG risk profile. Due diligence is subject to internal and external controls;
- Engagement policies: Engagement is an integral part of the responsible investment strategy. The Fund dialogues with the companies financed to share ESG culture and methods, review the ESG action plan and monitor its progress, and manage any sustainability incidents ("ESG incidents") through a structured management and reporting process;
- Designated Benchmark: No benchmark has been designated as a benchmark to meet the environmental or social characteristics promoted by the financial product.

B) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not aim to invest sustainably.

C) Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics pursuant to article 8 SFDR.

The characteristics promoted are identified according to the characteristics of each company financed, in accordance with the provisions of the Environmental, Social, Governance (ESG) Responsible Investment Policy (the "**Policy**") and are broken down into specific ESG Targets measured through dedicated sustainability indicators.

Environmental characteristics	Social characteristics
Increased renewable energy consumption	Ensuring equal opportunities and avoiding all forms of discrimination
Increase in the self-production of renewable energy	Enhancing women's empowerment and reducing the wage gap
Definition of an energy efficiency strategy	Adoption of high standards for health and safety in the workplace
Climate risk mitigation	Improving people's skills and knowledge
Strengthening the waste management system	Promoting work-life balance
Improving supply chain sustainability and accelerating towards a circular economy	Supporting the social development of the local communities in which the investments operate

Therefore, the features promoted by the Fund will be directly linked to the ESG Targets and their structured plans on a case-by-case basis. The Fund considers that this type of approach is the optimal solution to promote environmental and social characteristics while taking into account the operational context.

No benchmark has been selected as a benchmark for the purpose of achieving the Fund's environmental and social promotion objectives.

D) Investment strategy

The Fund aims to promote sustainable value creation and growth by integrating ESG factors into its investment processes and procedures, through a careful ESG assessment in the preliminary phase of each potential investment and careful monitoring during the holding phase. In accordance with the Policy, the Fund's responsible investment strategy is based on three instruments:

- Negative ESG screening: the Fund does not invest in companies operating in the excluded sectors or in companies that do not comply with the requirements of the Policy or are not deemed appropriate from an ESG point of view. Investments are screened against UN principles and rights in order to detect possible violations and exclude the company from the investable universe;
- Positive ESG screening: the Fund carries out investment transactions in companies with ESG potential identified by the Company;
- Definition of ESG Target KPIs: specific indicators that the Fund encourages to be achieved by each Portfolio Company, in order to promote an overall positive ESG impact.

The ESG analysis of the target companies is carried out both in the preliminary phase and after the investment:

- Preliminary phase (pre-investment): prior to each transaction, the Manager carries out negative and positive ESG screening and considers the results, reserving full discretion regarding the implementation of the transaction. The Manager also prepares the ESG Target KPIs referring to the company, within 12 months of the closing of the transaction, taking into account the relevant characteristics of the company (reference market, geographical location, size and number of employees), the type of instruments held by the Fund (debt or equity) and the terms and conditions of the transaction, including its prospective duration. The ESG Target KPIs are submitted to the ESG Advisor, who expresses a written and reasoned opinion, based on his own independent analysis, on their adequacy and reasonableness; if the ESG Advisor does not confirm them, the Manager will draw up new ones;
- Post-investment phase (monitoring): during the entire holding period, the Manager periodically monitors the ESG performance of the Portfolio Companies and compliance with their respective ESG Target KPIs and, where necessary, promotes the implementation of a specific ESG enhancement plan, possibly making use of the support of an external ESG expert. The Manager prepares an Annual ESG Report for the Advisory Board, containing, for each Portfolio Company, an analysis of the progress made in terms of ESG, an overview of the overall ESG performance of the portfolio and the percentage of ESG Target KPI achieved. Finally, the overall ESG performance of the portfolio is reflected in the Overall ESG Ratio, determined in the final ESG Portfolio Report.
- Divestment: Should the credit be sold before maturity, the Fund provides adequate documentation on the progress of the ESG Target KPIs and the improvement of the performance of the financed companies to potential buyers.

The Fund's exposure to sectors and companies included in the exclusion list mentioned above must be zero at each stage of the Fund's life cycle. Each individual investment must contribute to the promotion of one or more environmental or social characteristics through the definition of at least one or more ESG Targets.

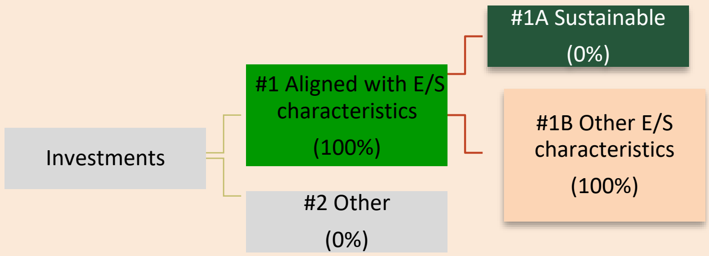
Policy for the evaluation of good governance practices: The ESG tool adopted in the screening phase uses a checklist aimed at verifying the adoption of good governance practices, with particular attention to the solidity of the managerial structure, relations with personnel, staff remuneration and tax compliance. Based on high standards, reference frameworks and certifications, the tool detects whether good governance practices are implemented or if critical issues emerge. In this way, the Fund has the opportunity to intervene promptly in the event that a potential investment does not meet the requirements. Where material issues in corporate governance are identified, the Fund will prioritise any action necessary to ensure concrete solutions are delivered in the shortest possible time.

E) Share of investments

The Fund invests only directly and therefore has direct exposure to the companies financed, each of which must comply with the binding elements and investment strategy. As a result, the Fund has a 100% asset allocation to companies that promote environmental and/or social characteristics in line with the SFDR, but does not have any sustainable investment within the meaning of the SFDR as its objective. All investments will therefore contribute to the promotion of environmental and/or social characteristics, with the exception of the residual part (#2 Others), consisting of liquidity and money market instruments held for cash and hedging needs.

F) Monitoring of environmental or social characteristics

As described in section "D) Investment Strategy", the Fund maintains an ongoing dialogue with its portfolio companies within which an ESG representative is appointed to conduct engagement and monitoring activities. The ESG monitoring tool adopted by the Fund is structured to track the indicators required by the regulations and those underlying the ESG Targets (i.e. the parameters related to the environmental and/or social characteristics promoted).



#1 A/S Aligned Characteristics: Includes financial product investments used to comply with the environmental or social characteristics promoted by the financial product
#2 Others: includes the remaining investments of the financial product that are not aligned with environmental or social characteristics, nor are they considered sustainable investments.

The monitoring of the environmental and/or social characteristics promoted, and the related sustainability indicators is ensured throughout the life cycle of the Fund. This oversight is entrusted to the Company's ESG governance bodies and to the external control exercised by the **Advisor.**

G) Methodologies

Compliance with the exclusion list is monitored on an ongoing basis to ensure zero exposure to prohibited sectors and behaviors, while plans containing ESG Targets are periodically reviewed with funded companies to ensure that Targets are effectively met. ESG tools developed to support the pre-investment and management phases incorporate indications and recommendations of globally recognized standards.

H) Sources and processing of data

The data used to measure the achievement of each of the environmental and/or social characteristics promoted are collected primarily and directly from the financed companies and their underlying assets. This process is managed by the Team - with the support of the ESG Champions and, where appropriate, by the Advisor, - both during the due diligence phase and throughout the entire holding period and is integrated into the ESG Targets agreed with the financed companies.

The quality and reliability of the data are ensured by direct collection at the source, the use of certified and authoritative external sources and consistency checks integrated into the ESG monitoring tool. The latter is able to identify any inconsistencies and guide the Team in the correct management of ESG information.

All the data collected flows into the Company's ESG data management system, which supports the calculation, monitoring, historicization and publication of indicators, and feeds into both the measurement of the Fund's ESG Targets and the annual reporting of the main adverse impacts (PAI) at the Company level.

The data coming from the financed companies must be certain and verifiable; The use of estimates is allowed on a residual basis, limited to cases in which the data is not directly available from the financed company or the underlying asset.

I) Limitations of methodologies and data

A margin of estimation is inherent in the calculation of some indicators, in particular where the data are not directly available from the companies financed. The main sources of uncertainty concern:

- the availability, completeness and comparability of data at the level of the financed company, with particular reference to recently financed companies, for which the timing of the transaction may prevent the immediate implementation of structured ESG data collection systems;
- the absence of fully standardized measurement methodologies for some environmental and social metrics;
- the lower ability of the private debt asset class to influence the governance and reporting processes of issuers, compared to majority equity investments.

These limitations do not affect the promotion of the environmental or social characteristics of the Fund, which is guaranteed by binding elements of the investment strategy that do not depend on estimated data: zero exposure to the sectors and companies included in the exclusion list, verified on an ongoing basis, and the definition of one or more ESG Targets for each investment as a necessary condition for the approval of the transaction.

Constant dialogue with the companies financed, the appointment of an ESG representative within each of them and the definition of ESG Targets already in the pre-investment phase mitigate the risk of data unavailability and promote effective data governance. The Company is also committed to progressively reducing these margins of error through the strengthening of its ESG data management system and the gradual integration of new investments within it. None of the limitations described above therefore precludes the promotion of the environmental and/or social characteristics of the Fund.

J) Due diligence

As described in section "D) Investment Strategy", the pre-investment phase is characterized by a negative screening against the exclusion list. Investment projects are further evaluated using a tool that can estimate the ESG risk profile based on several factors.

Due diligence is subject to controls:

- Interior:
  - the **Board of Directors** (i) approves the ESG policy and strategy and defines the approach for monitoring the achievement of ESG objectives and (ii) defines the degree of materiality of ESG factors that may impact the business, the investment portfolio and stakeholders;
  - the **ESG Board Member** is a director with specific ESG responsibilities, with the task of (i) aligning the Company's ESG plan with that of the Group, including the related policies and improvement objectives, as well as promoting engagement and communication with stakeholders and (ii) updating the Board of Directors at least every six months;
  - the **ESG Committee** (i) expresses opinions and recommendations to the Board on ESG issues, (ii) is composed of the Chief Executive Officer, the ESG Manager, the Global Chief Investment Officer, the Global General Manager and the Risk Manager, (iii) contributes to integrating ESG factors into investment strategies, (iv) controls and monitors the ESG Roadmap, the Company's KPIs and the application of responsible investment practices by the Teams by carrying out, where deemed necessary, an ESG review with the ESG Manager and (v) presents the Annual ESG Report to the Board;

- the **ESG Manager** supervises and coordinates the implementation of the Policy and processes at company level, based on the information and reports collected by ESG Champions, (ii) reports to the ESG Committee and provides structured updates at least twice a year to the ESG Board Member, (iii) may present analyses on new regulatory frameworks (e.g. SFDR, EU Taxonomy, CSRD), the results of ESG *due diligence* on portfolio companies, the results of *engagement* and *stewardship* activities, as well as the main results of internal controls or external verification processes;
- the **ESG Champion** (i) is appointed within the Team, (ii) is responsible for assessing and monitoring ESG risks and opportunities during the pre-investment, acquisition, management (*ownership*) and divestment (exit) phases;
- the **Risk Manager**, with reference to all activities related to sustainability risk, (i) updates the ESG Board Member at least every six months and (ii) is involved in the definition and implementation of the monitoring approach for the achievement of ESG objectives by the Company and its portfolio companies;
- the **Advisory Board**: is involved in the investment process and provides views and recommendations on ESG issues (where established by the fund regulations).

- External:
  - the **Advisor** provides opinions and recommendations on the ESG Targets identified by the Fund and on the related plans, the progress of which is subject to periodic measurement.

K) Commitment policies

Engagement activities are a central component of the Company's responsible investment strategy and are governed by the Policy. The Company believes that the exercise of active ownership is an essential tool for mitigating sustainability risks and creating value throughout the entire life cycle of investment. In the case of private debt, stewardship is exercised to a more limited extent than majority investments, given the lower ability to influence the governance of issuers; for this reason, the Fund's engagement is contractually structured around the ESG Targets agreed with each company financed in the pre-investment phase.

During the investment management phase, the Fund communicates regularly with the companies it finances in order to:

- share a culture of sustainability, knowledge and ESG methods;
- reviewing the ESG action plan and monitoring its progress through dedicated KPIs, with periodic review throughout the holding period;
- collect the ESG data and information necessary to measure the characteristics promoted and report on the principal adverse impacts;
- manage possible sustainability-related incidents.

If a negative effect is not reduced over several reference periods, the Company intensifies its engagement by reviewing and updating the ESG Target and the related action plan with the financed company and intensifying the dialogue with management, with the support of the Advisor.

In the event of an event related to sustainability risks with negative impacts ("ESG incident"), the Company activates a structured management and reporting process, with the aim of promptly identifying the appropriate corrective actions. For indicators that are primarily managed through portfolio construction rather than dialogue, in particular exposure to controversial armaments and violations of the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises, the exclusion list is the primary lever. At the level of sectors, in line with the United Nations Principles for Responsible Investment (UN PRI), the Company promotes the dissemination of the culture of responsible investment by participating in initiatives and events organized by trade associations, including AIFI.

L) Designated benchmark

No index has been designated as a benchmark to meet the environmental or social characteristics promoted by the financial product.

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