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 AIFM SARL	codice LEI: 636700S8DFQA41ASEZ75
Green Arrow Private Equity Fund IV	Classe A ISIN LU2587288585
	Classe B ISIN LU2587288668
	Classe C ISIN LU2587288403

A) Summary

Green Arrow Private Equity Fund IV (the "**Fund**"), managed by Green Arrow Capital AIFM SARL (the "**SARL**"), which has delegated portfolio management activities to Green Arrow Capital SGR (the "**SGR**"), promotes environmental and/or social characteristics pursuant to Article 8 of the SFDR.

The Fund aims to build a diversified portfolio of equity investments in Italian mid-market companies operating across a variety of sectors, with significant growth prospects and revenues ranging from €30 million to €250 million, and EBITDA between €5 million and €30 million.

- No sustainable investment objective: The Fund does not pursue a sustainable investment objective but promotes environmental and/or social characteristics.
- Environmental or social characteristics of the financial product: The Fund integrates ESG factors throughout the investment process by applying a negative screening approach to exclude certain sectors in accordance with the Green Arrow Capital SGR S.p.A. Policy and by defining a tailored ESG action plan for each portfolio company aimed at improving its performance and managing its risks. The characteristics promoted therefore emerge on a case-by-case basis and may include, for example:

  On the environmental side: renewable energy, energy efficiency, climate change mitigation, and the circular economy.

  On the social side: equal opportunities, health and safety, skills development, and support for local communities.
- Investment strategy: Stewardship and active ownership are the Fund's primary tools. The initial screening phase excludes prohibited sectors (such as tobacco, controversial weapons, thermal coal, etc.) and assesses compliance with UN-recognized human rights standards. This is followed by an ESG risk assessment approved by the GAC ESG Committee, which forms the basis for the subsequent ESG action plan. During the holding period, the Fund engages with portfolio companies through a dedicated ESG representative and monitors Principal Adverse Impact (PAI) indicators and company-specific KPIs. Upon exit, it provides investors with documentation on ESG progress achieved. Exposure to excluded sectors remains at zero at all times, and the Committee may reject investments deemed to present excessive ESG risk. Good governance practices are also assessed, including board structure, management quality, ESG integration, and risk management, with priority corrective actions implemented where weaknesses are identified.
- Proportion of investments: Eighty percent (80%) of the portfolio contributes to environmental and/or

social characteristics. The remaining twenty percent (20%) consists of cash, hedging instruments, or investments for which ESG engagement has not been possible.

- Monitoring of environmental or social characteristics: On an annual basis, the Fund monitors the progress of portfolio companies against each promoted ESG characteristic by tracking indicators identified through materiality assessments and due diligence activities. Where necessary, the SGR relies on the support of specialized advisors.
- Methodologies: Compliance with the exclusion list is verified on an ongoing basis, while progress against ESG action plans is reviewed periodically with portfolio companies.
- Data sources and processing: Data are collected directly from portfolio companies. The data collection process, aligned with ESG action plans, is designed to identify and report any anomalies or inconsistencies. Where information is not directly available, estimates and industry data provided by reputable third-party providers and other certified external sources are used to supplement the information.
- Limitations of methodologies and data: The main limitations relate to the availability, completeness, and comparability of data at the portfolio company level. However, such limitations do not compromise the promotion of environmental and/or social characteristics, which is ensured through binding elements (the exclusion list and ESG action plans) that do not depend on estimated data.
- Due diligence: The pre-investment phase includes negative screening against the exclusion list and an assessment of the project's ESG risk profile. The due diligence process is subject to internal controls.
- Engagement policies: Engagement is an integral part of the Fund's responsible investment strategy. The Fund maintains an ongoing dialogue with portfolio companies to share ESG culture and methodologies, review ESG action plans and monitor their implementation, and address any sustainability incidents ("ESG incidents") through a structured management and reporting process.
- Designated reference benchmark: No index has been designated as a reference benchmark for the purpose of attaining the environmental and/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 seeks to promote environmental and social characteristics by integrating the assessment of ESG factors throughout the investment process. A negative screening process will be carried out to exclude certain sectors from the investable universe in accordance with the Green Arrow Capital SGR ESG Responsible Investment Policy. In addition, the Fund will define an ESG action plan in cooperation with each portfolio company, with the objective of improving ESG performance and appropriately managing the ESG risks identified during the due diligence process.

Accordingly, the environmental and social characteristics promoted by the Fund will derive from the ESG action plans developed on a case-by-case basis. The Fund believes that this approach is effective in light of its investment objective of building a diversified portfolio of Italian mid-market private companies.

For illustrative purposes, below is a list of environmental and social characteristics that the Fund may promote:

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

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

D) Investment strategy

Considering its investable universe and investment style, the Fund believes that a stewardship strategy and active ownership activities are the most effective tools for promoting environmental and social characteristics. The Fund's responsible investment process is aligned with the Policy and is designed to take ESG factors into account throughout the entire investment lifecycle.

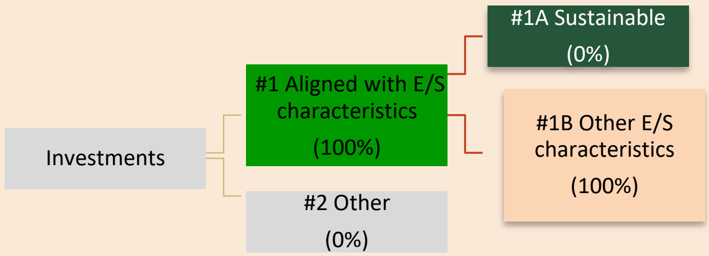
- **Screening**: This preliminary phase ensures that the investment team avoids investments in sectors explicitly excluded by the Policy, including tobacco, adult entertainment, thermal coal (where it accounts for more than 50% of revenues), controversial weapons (weapons with disproportionate and indiscriminate impacts on civilians), and chemical or biological warfare agents. In addition, investment opportunities are screened against United Nations principles and rights in order to identify any violations and, where appropriate, exclude the company from the investable universe. To complete the preliminary assessment, the investment team uses a tool that estimates the target company's ESG risk profile based on multiple ESG factors. The results are submitted to the GAC ESG Committee and, if the investment opportunity is approved, serve as the starting point for the active ownership strategy and the ESG action plan. This tool was developed with the support of external ESG advisors and is subject to regular review.
- **Active Ownership:** The Fund maintains an ongoing dialogue with its portfolio companies, within which a dedicated ESG representative is appointed. The objective is to develop ESG action plans that are consistent with each company's characteristics and specific circumstances and can be effectively integrated into its business model. In addition, data collection and monitoring systems are implemented to (i) appropriately monitor PAI indicators in accordance with the SFDR and the PAI Statement, and (ii) track the ESG KPIs identified within the ESG action plan. The Fund is committed to sharing a culture of sustainability and corporate responsibility with its portfolio companies and to accelerating the implementation and enhancement of ESG governance systems.
- **Divestment:** During the exit phase, the Fund provides investors with adequate documentation regarding the progress achieved under the ESG action plan and the improvement in the ESG performance of portfolio companies.
- **Binding Elements:** The Fund's exposure to sectors and companies excluded under the Policy must remain at zero throughout the Fund's entire lifecycle. The ESG risk profile of each investment opportunity is presented to the GAC ESG Committee, which has the authority to reject an investment where a high ESG risk profile is identified and the feasibility or effectiveness of an ESG action plan is deemed insufficient to ensure risk mitigation and ESG performance improvement.
- **Good Governance:** The Fund assesses the good governance practices of portfolio companies through its preliminary ESG assessment tool and by conducting additional due diligence on:
    - Board composition;
    - Management team expertise;

- Long-term strategic orientation;
- Integration of ESG factors into the business model;
- Compliance and risk management systems.

Where significant corporate governance issues are identified, the Fund will promptly prioritize improvement measures to ensure the adoption of sound governance practices as quickly as possible.

E) Share of investments

La strategia di investimento punta a costruire un portafoglio nel quale l'80% degli investimenti contribuisce alla promozione di caratteristiche ambientali e/o sociali. Il residuo del 20% è ascrivibile a liquidità e strumenti del mercato monetario detenuti per esigenze di cassa e copertura, ed eventualmente ad investimenti per i quali non è stato possibile intraprendere pratiche di engagement e miglioramento delle performance ESG.



#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.

F) Monitoring of environmental or social characteristics

As described in the "Investment Strategy" section, the Fund maintains an ongoing dialogue with its portfolio companies, within which a dedicated ESG representative is appointed. To support engagement activities and data collection, the Fund has developed an ESG monitoring tool with the support of an external advisor, aimed at tracking, among other things, indicators relating to the environmental and/or social characteristics promoted by the Fund.

G) Methodologies

Compliance with the exclusion list is continuously monitored to ensure zero exposure to excluded sectors and companies. In addition, the Fund's ESG representatives and those of the portfolio companies periodically review the ESG action plans in order to monitor progress and assess outcomes.

The ESG monitoring tool incorporates indicators derived from the ESG action plans and supports the Fund in measuring and monitoring the promotion of the environmental and/or social characteristics it seeks to advance.

H) Sources and processing of data

As described in the "Investment Strategy" section, the majority of the data is collected directly from portfolio companies during the active ownership period, and the Fund is committed to ensuring that such data and information are accurate, reliable, and verified wherever possible. Any external data considered relevant must be obtained from authoritative and/or certified sources.

All collected data is processed through the Fund's ESG monitoring tool, which is designed to identify inconsistencies, ensure data reliability, and support the investment team in the proper management of ESG information. As a general principle, all data collected from portfolio companies should be based on actual reported figures and reliable information rather than estimates.

I) Limitations of methodologies and data

The definition of ESG action plans in collaboration with portfolio companies helps minimize the risk of data gaps and supports the establishment of an effective data governance framework. The communication channels established between the Fund and the ESG representatives of portfolio companies further enhance the data collection process, facilitating the timely, accurate, and consistent reporting of ESG-related information.

J) Due diligence

As described in the **"Investment Strategy"** section, the pre-investment phase is characterized by a **negative screening process** against the exclusion list. Investment opportunities are further assessed through a tool designed to estimate their ESG risk profile based on a range of ESG factors. The results of this preliminary assessment are then submitted to the **GAC ESG Committee**, which is responsible for approving or rejecting the proposed investment.

Due diligence is subject to internal controls:

- 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).

K) Commitment policies

Engaging with portfolio companies is essential to developing effective ESG action plans through which environmental and/or social characteristics can be promoted. During the ownership period, the Fund maintains regular communication with ESG representatives and senior management of portfolio companies with the objective of:

- Sharing a culture of sustainability, ESG knowledge, and best practices;
- Reviewing the ESG action plan and monitoring its implementation and progress;
- Managing potential sustainability-related incidents through an appropriate escalation, mitigation, and reporting process.

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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