

**DISCLOSURE
PURSUANT TO SUSTAINABILITY
EX ART. 10 SFDR**

Sviluppo Sostenibile

a) Summary

The closed-ended investment fund reserved to Professional Investors, *Sviluppo Sostenibile* (hereinafter "the Fund") falls within the **scope of art. 8 of the Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation)** also known as, "**SFDR**", which, amongst other things, promotes environmental and social objectives, provided that the firms in which the investments are made comply with good governance practices.

The purpose of this section is to illustrate the environmental and social objectives of the Fund, as well as to provide information on the methodologies used to evaluate, measure and monitor the environmental and social objectives, including the sources of data use to monitor the social and environmental metrics, the screening criteria for the underlying assets and the relevant indicators of sustainability used to measure the environmental and social attributes of the Fund.

b) No sustainable investment objective

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

c) Environmental and/or social characteristics of the fund

The Fund promotes ESG (i.e., Environmental, Social and Corporate Governance) objectives as well as the acceptance and implementation of the principles set out by the PRI (Principles of Responsible Investment) within the financial sector, integrating sustainability risks in the investment process.

The Fund has as its main investment objective activities that pursue typical objectives of financial management, all the while, taking into account environmental, social and governance aspects ("ESG Compliant Company"), of companies operating in the mid-market sector, in the sustainable development and Italian excellence sectors (excluding food manufacturing companies). The Fund aims to be able to support these companies, among other things, in internationalization and M&A processes.

In particular, target companies will be characterized by strategic positioning and sustainable competitive advantage and be active in innovative sectors with high growth potential. The following is a non-exhaustive list of areas the Fund invests in: (i) Machinery & Equipment; (ii) Smart Building; (iii) Health & Wellness; (iv) IoT; (v) Big Data; and (vi) Sharing Economy.

The Fund promotes the pursuit of e/s goals among its investee companies:

- i. Energy efficiency strategies and the adoption of sustainability policies;
- ii. Implementation of procedures and activities aimed at improving ESG characteristics
- iii. Adoption of higher health and safety standards in the workplace;
- i. Development of employee welfare programs.

d) Investment Strategy

Green Arrow Capital Alternative Funds SGR (the "**SRG / "GAC**") began monitoring ESG-related topics in 2019, in order to match the interest shown by investors regarding sustainability issues, especially those pertinent to responsible and sustainable investments.

GAC has therefore implemented an approach that aims at enhancing the positive impacts of the adoption of ESG policies, during the screen, selection, monitoring and exit process of the assets held in the portfolio, in order to marry social value and financial value.

The analysis of ESG factors is integrated throughout the entire investment process and is planned and implemented considering the relevance of the investments and their characteristics, both in terms of objectives and of the nature of the assets concerned. The investment process is divided into the following phases:

- i. Screening & Selection: all potential investments are subject to a selection process based on ESG factors, in order to exclude investments that are not compatible with the eligibility criteria established by the SGR.

Eligible investments are analyzed through an ESG due diligence process in order to identify the existence and severity of potential ESG concerns and to implement risk mitigation measures and exploit untapped ESG

opportunities. The due diligence process, performed on the documentation provided by the company's management, typically includes:

- ii. an assessment of the maturity of the company's approach in managing consequential problems;
- iii. a reputational check;
- iv. a benchmarking exercise in order to obtain a comprehensive understanding of the company on sustainability with respect to competitors and international best practices in the sector.

For potential minority investments, where both the exposure and the influence of the SGR are lower than the majority investments, a tailor-made questionnaire is sent to the company, in order to obtain a better understanding of the company's practices and its methods for handling difficult problems.

- ii. Approval: on the basis of the information included in the investment memorandum, containing the main observations resulting from the ESG due diligence activity, as well as the observations of the control functions and the opinion of the Advisory Committee, the Board of Directors of the SGR resolves on the matter. the approval of the investment.
- iii. Monitoring & Engagement: carried out efficiently and continuously in accordance with the ESG best practices. The SGR has adopted procedures for monitoring ESG risks and to ensure constant dialogue with relevant counterparties, such as, taking into account the specific characteristics and purposes of individual investments.
- iv. Value realization: an assessment of the impact of the ESG initiatives implemented during the management phase is conducted in order to define the best divestment strategy.

e) Proportion of investments

The Fund invests only in ESG-compliant companies. ESG-compliance is defined through proprietary tools which assess ESG-compliance. In addition, the Fund shall not invest in: (i) other private equity funds or similar pooled investment vehicles; or (ii) enterprises/companies in respect of which a Connected Fund holds debt instruments or other receivables; (iii) trading or real estate development activities; (iv) enterprises carrying out their business, even marginally, in one of the following sector: (a) trade or production of firearms, armaments, military supplies or ammunition; (b) carry out their main activities in the sector of tobacco; (c) gambling or gambling related products; (d) production and distribution of spirits; (e) production and distribution pornographic and child pornography; (f) production or marketing of electronic solutions or programs which are specifically designed to illegally allow: access to electronic networks, downloading of data in electronic format; (g) human cloning; (h) or that violate the UN PRI or the inspiring principles of the so-called socially responsible investments (i.e. transparency, integrity and adequacy) according to the guidelines of the international associations of operators in the sector.

f) Monitoring of environmental or social characteristics

The e/s characteristics promoted by the Fund are monitored thanks to a ESG tool which has been developed for this specific purpose. The Fund engages with investee companies to collect e/s data on a quarterly basis and the annual data are evaluated by a third party with specific expertise on ESG topics. In addition, the Fund continuously engage with the ESG managers of investee companies. Please refer to paragraph g) and k) for further information.

g) Methodology used to measure the achievement of the environmental and social characteristics promoted by the Fund

In order to *ex ante* establish the compatibility of investments with the environmental and social objectives promoted by the Fund and to measure their achievement *ex post*, the SGR uses an investment evaluation and monitoring model built on the basis of a sustainability matrix (named the " ESG Tool "). It was developed starting from international standards such as the UN PRI, SASB, the Global Reporting Initiative Standards and 15 of the 17 Sustainable Development Goals, defined by the United Nations in 2015, selected from the three ESG categories.

The ESG Tool is based on indicators that are consistent and compliant with industry best practices and the relevant legislation, respectively. The SGR also evaluates the integration of the indicators used in the ESG Tool with additional indicators, based on the nature and respective features of the individual companies acquired by the Fund.

As seen above, the SGR maintains a proactive approach in defining the indicators and metrics used. Furthermore, the SGR monitors the evolution of the relevant regulatory provisions, and promptly provides updates.

h) Data sources and processing

Data sources are typically represented by the management of target/investee companies, which provides the Fund with the required e/s information. During the due diligence activities, the Fund is supported by external advisors with extensive ESG expertise in charge of performing an accurate analysis of target companies from a e/s perspective. Subsequently, the ESG managers of investee companies are in charge of assuring data quality regarding the e/s information shared with the Fund. Data are typically processed by the Fund relying on the ESG tool which allows for e/s monitoring during the entire lifecycle of the investee companies. The majority of e/s information collected is based on actual data and backed by supporting documents: when such documents are not available, investee companies may rely on conservative estimates which in any case represent a minority of e/s information collected by the Fund.

i) Limitations to methodologies and data

Limitations may include lack of extensive e/s information from target companies, given that mid-market usually do not have a dedicated ESG department in place and relevant information is usually collected on ad-hoc basis. The Fund relies on external advisors with specific ESG competencies to perform Due diligence activities and draft the ESG action plan of investee companies. In addition, the Fund provides training to ESG managers of investee companies (if needed) in order to identify and collect the relevant e/s information.

j) Due diligence

The Due diligence performed by the Fund is in line with international best practice and covers financial, legal, tax, business and ESG analysis. The Fund provides an internal control by overseeing the entire Due diligence activities, while external controls are granted thanks to the engagement of independent, third parties with significant expertise in each of the Due diligence fields of analysis. The Fund will also perform a dedicated ESG Due diligence during the exit phase from investee companies to ensure compliance with the ESG action plan implementation and highlight further improvements from a e/s perspective.

k) Engagement policies

The Fund engages continuously with the management of investee companies. This engagement also includes the e/s investment strategy through the appointment of a ESG manager in any investee companies. The ESG manager, together with the Fund, is responsible for e/s strategy implementation in accordance with the dedicated ESG action plan of the investee company.

l) Designated reference benchmark

In order to determine whether the Fund is in line with the environmental and/or social objectives it promotes, a specific index has not yet been designated as a reference index.