

**PRINCIPAL ADVERSE
SUSTAINABILITY IMPACT STATEMENT**

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A. Summary

Green Arrow Capital SGR (“GAC” or “the Company”) is a private and independent investment platform founded in 2013 with the aim of connecting the financial industry with the real economy with the objective of generating value for all the stakeholders. The firm manages a range of strategies - including private equity, private debt, and infrastructure – on behalf of institutions and individual investors in Italy and abroad. Since 2019, the platform has been enriched with a special credit situations investment fund.

Article 4 of the Sustainable Finance Disclosure Regulation (“SFDR”) requires fund managers to make a clear statement as to whether they consider “principal adverse impacts”.

ESG and sustainability risk are particularly important to Green Arrow Capital and it takes them seriously. However, the current position of the company is that it does not consider the adverse impacts of investment decisions on sustainability factors in the manner prescribed by Article 4 of the Disclosure Regulation. This position will be kept under regular review.

The main reason for this decision is that the detailed requirements on the scope of “principal adverse impacts” were not settled by 10 March 2021 (the first compliance date).

Fund managers who confirm they do consider principal adverse impacts will be required to make an annual disclosure against a mandatory list, which is still in the draft version, of adverse sustainability indicators set out in European Union SFDR Regulation.

Green Arrow Fund managers will assess the mandatory data collection and disclosure requirements whenever the availability of mandatory and opt-in ESG indicators improves.

The present statement is the consolidated principal adverse sustainability impact statement of Green Arrow SGR and its subsidiary Quercus Assets Selection Sarl.

The only exception is made by **Green Arrow Infrastructure of the Future Fund S.C.A. SICAV-RAIF (“GAIF”)** which will be the only fund that will consider principal adverse sustainability impacts (“PAIs”) at the fund level, and they are described in paragraph 2 of this document and within Annex 1 of its pre-contractual information.

In that case, the PAIs cover the reference period from the 10th of March 2021 to 31 December 2021.

B. Description of principal adverse sustainability impacts (“PAIs”)

In 2020, GAC has taken significant steps to reduce the principal adverse impacts listed above, by defining an ESG framework and formalizing its ESG commitments.

Looking ahead, we plan to continue on our path towards strengthening our ESG approach in line with the objectives and targets set out in our ESG Framework, in the specific ESG roadmaps developed for each fund, and in this statement.

In particular, in the coming years, we are committed to integrating our ESG policy throughout our investment process with particular emphasis on those ESG-related factors which may impact our investment performance. In this context, we pay particular attention to the ESG Due Diligence assessment on all our potential investments and adopt a tool to monitor the ESG performance of all our investments.

Whilst PAIs may be numerous, the approach we have taken is to identify in the future group PAIs which have an overall impact at the company level.

Whilst, at the fund level, the company has already identified the following PAI for **Green Arrow**

Infrastructure of the Future Fund S.C.A. SICAV-RAIF ("GAIF"):

Theme	Adverse Sustainability Indicator (PAI)
Greenhouse emissions	<i>GHG emissions</i>
	<i>Carbon footprint</i>
	<i>GHG intensity of investee companies</i>
	<i>Exposure to companies active in the fossil fuel sector</i>
	<i>Share of non-renewable energy consumption and production</i>
	<i>Energy consumption intensity per high impact climate sector</i>
Biodiversity	<i>Activities negatively affecting biodiversity- sensitive areas</i>
Water	<i>Emissions to water</i>
Waste	<i>Hazardous waste ratio</i>
Social and employee matters	<i>Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</i>
	<i>Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</i>
	<i>Unadjusted gender pay gap</i>
	<i>Board gender diversity</i>
	<i>Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)</i>
Fossil fuels	<i>Exposure to fossil fuels through real estate assets</i>
Energy efficiency	<i>Exposure to energy-inefficient real estate assets</i>

Methodologies and data used to assess each principal adverse impact are disclosed in Annex 1 of the GAIF fund.

C. Description of policies to identify and prioritize principal adverse sustainability impacts

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 initial commitment to reducing its principal adverse sustainability impacts:

- A. An **ESG Responsible Investment Policy** in which the Company highlights its commitment to responsible investing and ESG criteria valuation that is reflected over 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 an 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:
 - **Board of Directors:** The Board of Directors shall approve the ESG policy and the ESG 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 Board of Directors 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

Champions.

- **ESG Champion:** The ESG Champion appointed within the investment team of every single fund, shall be responsible for the assessment and monitoring of ESG risks and opportunities during the pre-investment, acquisition, ownership, and exit phase. ESG Champions shall be given appropriate training and shall receive instructions from the ESG Manager.

Within its governance of monitoring phase, the BoD is updated on a semi-annual basis by the investment teams.

- b) GAC's commitment toward environmental, social, and corporate governance issues is decisive and thorough. Given its particular focus on ESG, the Company will monitor, review, and publicly report its ESG performance in order to achieve the best practices approach going forward.
- c) GAC's Board of Directors approved the Responsible Investment Policy on 19 November 2019 and will be updated in 2021 to guarantee the alignment with current regulations and standards.

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) (last review 22/12/2020)

- B. **Acquisition Due Diligence Policy:** Green Arrow Capital SGR introduced ESG criteria throughout the entire life cycle of investment is 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, the SGR excludes any investment in companies manufacturing and/or distributing controversial weapons. The latter are defined as weapons having a disproportionate impact on the civilian population such as chemical, biological, depleted uranium, nuclear weapons, anti-personnel landmines, and cluster bombs. Finally, companies involved in severe violation 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 the 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 ESG risks for the final recommendation and, in accordance with the nature of the investment, it can include a corrective action plan for the target.

Ownership

GAC coordinates the monitoring of ESG practices and performances of its portfolio companies and funds guaranteeing a constant communication flow within the organization and its external stakeholders. During the monitoring phase of its investments, the team aims to ensure that a

sustainable and responsible investment approach is in place coherently with the strategy tailored for the specific investment class.

Divestment

During the divestment phase, the investment team aims to estimate the ESG impact on the acquisition, comparing the ex-ante situation with the ex-post situation and thus evaluating the improvement of the investment's ESG profile and the residual risk. These analyses are an integral part of ad hoc reports prepared pre-divestiture.

GAC reporting process will be aimed at providing potential investors with a summary of:

- Critical ESG factors related to that specific investment;
- ESG performance tracked throughout the ownership phase;
- Improvements of the company's ESG profile from GAC's investment;
- The Company's ESG activities are supported or promoted by GAC.

- C. **Remuneration Policy:** Green Arrow Capital SGR ensures that the Company is able to attract and develop high-performing and motivated employees in the market in which it operates.

The remuneration, intended for the policy, regards:

- Any form of payments or benefits paid by the Company;
- Any form of payments paid by the Fund itself, including carried interest;

The remuneration policy has been established ensuring a balance between fixed and variable remuneration and employees are remunerated by reference to specific targets linked to their roles and functions.

The Remuneration Policy also includes the promotion of sound and effective risk management in relation to sustainability risks. In particular, managers involved in the investment process of AIFs that fall into the product categories governed by Articles 8 and 9 of EU Regulation 2019/2088, are assigned specific objectives that integrate the risks and ESG factors relevant to the investments of each asset portfolio (as described on Green Arrow Capital's website).

D. Engagement policies

GAC's engagement activities with its shareholders, subscribers and industry take place periodically and in various ways:

- A. A **Stewardship Policy**, included in the ESG Responsible Investment Policy, can be found on Green Arrow Capital's [website](#) (further information will be uploaded as soon as it will be available)

Furthermore, in line with PRI's principles, on promoting acceptance and implementation of the Principles within the investment industry, GAC is also involved in industry ESG engagement activities with the participation in the Italian Association of Private Equity, Venture Capital, and Private Debt (AIFI). The ESG engagement activities involve both limited partners and general managers who had the opportunity to discuss and share their points of view and expectations regarding the ESG-related topics.

E. References to international standards

Green Arrow Capital SGR intends to pursue a just transition, in line with the 2015 Paris Agreement on climate change, in order to accelerate climate action and achieve the United Nations Sustainable Development Goals (SDGs). For this reason, the company adheres to the following international standards:

- From 16 January 2020 Green Arrow Capital SGR became a signatory of the **Principles for Responsible Investment (“PRI”)**. This is a step that underlines the importance of ESG criteria and their integration into the investment process.
- The Company adopts the Global Reporting Initiative (“GRI”) Standards to report on their sustainability impacts. The Standards help Green Arrow to understand and disclose its sustainable impacts in a way that meets the needs of multiple stakeholders.
- Sustainability Accounting Standards Board (“SASB”) Standards are also used during the due diligence phase and through the whole investment process. This adoption enables GAC in identifying, managing, and communicating financial-material sustainability information to its investors.

Application of PAI is also based upon relevant international conventions, including, but not limited to:

- *OECD Principles of Corporate Governance*
- *OECD 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.*