



2024 ESG & Sustainability Report



*Guido Belli,
Arcadia SGR Chairman*

Throughout 2023 and the first half of 2024, Arcadia (or the General Partner, “GP”) continued to demonstrate its commitment to sustainability, believing that **the creation of lasting value, depends on an integrated and responsible approach.**

We made significant efforts in strengthening and implementing the ESG (Environmental, Social and Governance) strategy outlined in our **ESG Roadmap**, integrating environmental, social, and governance criteria into all key areas of our investment activity, both at the GP and at Funds level.

Following the latest ESG regulatory trends and the challenges posed by the climate crisis, 2023 was dedicated to **integrating climate risks** into Arcadia’s governance, responsible investment approach, and risk management system in line with the **Bank of Italy Supervisory Expectations of climate and environmental risks.**

During the year, we kept investing in enhancing internal competencies, by facilitating a **training session on climate risks** for all team members to ensure that our people are fully equipped to assess and manage the challenges related to

climate change.

In a perspective of increasing internal ESG accountability, Arcadia started structuring a **system for monitoring Principal Adverse Impacts** as outlined by the EU Regulation 2019/2088 on Sustainability Financial Disclosure (“SFDR”, ref. article 4) in relation to the investments made with the fund Arcadia Sustainable Capital III. This initiative represents a further step towards responsibility for the environmental and social impacts that investments may generate.

We performed the baseline **calculation of our carbon footprint** (Scope 1 and 2 GHG emissions at GP level); this represents the first step to measure the impact generated by our business and identify reduction opportunities.

At Fund level, we support our Portfolio Companies in measuring their GHG emissions’ impact as well as their exposure to climate risks and opportunities.

2023 represented the first year of operations of Arcadia Sustainable Capital III, Arcadia’s **first Article 8-compliant fund**, which is committed to promoting environmental and social characteristics through its investments. This fund marks an important milestone in the private equity offering, highlighting our commitment to a more sustainable future.

In July 2024, in our ongoing effort to ensure transparency and accountability, we also submitted the second **United Nations' PRI questionnaire**, further integrating the principles of responsible investment into decision-making processes.

In addition, we continued our **partnerships with primary institutional organizations** to promote business acceleration, responsible investment and ESG stewardship.

Looking ahead, we remain firmly convinced that our integrated and responsible approach will not only **strengthen our competitive position but also contribute to building a more sustainable future** for generations to come.



“ Our focus is to keep proceeding in our sustainability path by performing ESG due diligence for all new investments and by strengthening the established engagement with our Portfolio Companies through the definition of ESG action plans and the careful monitoring process of the ESG performance during the ownership period. We aim at maintaining alignment to relevant ESG trends and applicable regulatory standards, investing in personnel training and ESG awareness across our portfolios. ”

Introduction



Arcadia SGR is an independent Private Equity Firm fully controlled by its Management, investing in small and medium-sized Italian companies and supporting them in their growth. Arcadia currently manages three Private Equity Funds.



Investment Team & Operating Partners

8
Investment professionals
–
110+ years
of cumulative experience
in the Private Equity market
–
7
Operating Partners



Private Equity Funds

Arcadia Small Cap
Vintage: 2011
4 Exits (the last one in August 2024)
–
Arcadia Small Cap II
Vintage: 2017
6 Portfolio companies
+ 1 exit
–
Arcadia Sustainable Capital III
Vintage: 2023
Currently in fundraising
1 portfolio company



Investment targets' characteristics

Geography
Companies located in Italy
–
ESG Factors
Companies which leverage on
sustainability as key competitive advantage
–
Perspective
Strong financials and
clear growth opportunities
–
Technology
Sectors not driven by
disruptive innovation



ESG Governance

Since 2022, Arcadia appointed the **ESG Manager** in charge of coordinating all the processes related to the ESG area, supported by **the Investment Team (which continued its mandate in 2023 and 2024)**. Moreover, as of June 2024, **an ESG Manager is appointed in all the PCs**.



ESG Roadmap Implementation

Arcadia kept **implementing the activities of its three-year ESG roadmap**, e.g. by publishing its second ESG Report in 2023, by disclosing the SFDR statements in accordance with Article 3, 4 and 10 on its website and by starting collecting ESG KPIs in line with the Technical Reporting Standards Requests (PAI disclosure – currently comply approach).



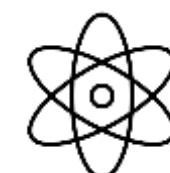
ESG Collaboration

Arcadia continued its collaboration with an external **ESG consulting firm started in 2022**. The goal is to **work together** to further proceed in Arcadia's sustainability agenda development. Moreover, the Advisory Board of Arcadia Sustainable Capital III appointed an independent ESG advisor to monitor ESG achievements



Promotion of Environmental and Social characteristics

Arcadia Sustainable Capital III, aligned with the requirements of Article 8 of the EU Sustainable Finance Disclosure Regulation (Reg. 2019/2088), promotes **environmental and social characteristics measured through quantitative targets**.



ESG Tools

To be an active leader, Arcadia **has developed two proprietary tools, the ESG Pre-Screening Tool and the ESG Data Collection and Monitoring Tool**. These tools were **implemented through 2023 and 2024** to screen ESG risks and opportunities during the pre-investment phase and to monitor PCs' performance during the holding period.



Bank of Italy Action Plan Implementation

Arcadia, in line with the Bank of Italy's Expectations, in the first half of 2024 **carried out a training on climate risks at GP level and the assessment of the GP's carbon footprint (Scope 1 and Scope 2 GHG emissions)**



High level Climate risk screening

Arcadia has mapped **the climate, physical and transition's risks of each portfolio company**, according to Bank of Italy's Expectations, to understand potential exposure to these risks. Arcadia intends to perform this assessment during the Due Diligence phase for all future investments.



ESG Data collection

Through the proprietary ESG Data Collection and Monitoring Tool Arcadia voluntarily collects **material KPIs for each portfolio company of all funds under management**.

Signatory of:



PRI submission

In 2021 Arcadia became a signatory of **UN PRI** (United Nation Principles for Responsible Investment). **2023 marked the second reporting year (UN PRI questionnaire submitted in July 2024)**.

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1. Arcadia ESG Journey

BOARD OF DIRECTORS

The **Board of Directors** (BoD) has the ultimate responsibility to oversee the implementation of the activities connected to ESG, including climate-related topics.

ESG MANAGER

The **ESG Manager** coordinates all the processes related to ESG at GP and Fund level. The ESG manager reports to the BoD at least every six months.

INVESTMENT TEAM

The **Investment Team** ensures that:

- the **ESG Due Diligence and high-level climate risk screening** is performed on all potential investments;
- the BoD of the portfolio companies appoints an **ESG Manager**, who is responsible for **implementing planned ESG activities**, measuring ESG KPIs and **assessing training needs**.



Simona Quaglia
ESG Manager

Our third fund, placed in Art. 8 of SFDR, is a natural consequence of our focus on sustainability, which has been a key pillar in the investment strategy of Arcadia since its foundation.

The **BoD of the Portfolio Companies** (or the Top Management) is **responsible** for implementing ESG activities and ESG reporting and discusses the progress achieved on ESG targets at least once a year with Arcadia's ESG Manager.



Arcadia becomes a signatory of UN PRI (United Nation Principles for Responsible Investment).



- Prior to the launch of the Regulation 2088/2019 (the “SFDR”), **Arcadia starts its collaboration with Vigeo Eiris** to assess PCs’ ESG performance and assign an **ESG rating to PCs**;
- **Arcadia publishes the first version of its ESG Policy.**

- **Arcadia starts a collaboration with ERM Italia SpA** (external ESG Advisor) to further **integrate ESG factors in the investment process**;
- Arcadia develops a three-year **ESG roadmap describing the next steps** both at GP and Fund level;
- **Arcadia launches the new fund Arcadia Sustainable Capital III**, placed in Art. 8 of the SFDR;
- Arcadia publishes **its first ESG Report.**

In line with its ESG Roadmap Arcadia:

- Voluntarily collects a set of **ESG KPIs through the proprietary ESG Data Collection and Monitoring Tool**;
- **Ensures the appointment of an ESG Manager** at PC level;
- Assesses the potential exposure to **physical and transition climate risks** of its portfolio companies;
- **Submits its first PRI questionnaire.**
- Starts its collaboration with **Politecnico di Milano, an independent ESG advisor** chosen by the Advisory Board of ASC III to assess the achievement of ESG KPIs

In line with its **Bank of Italy Action plan** Arcadia:

- Performs a **training of Climate Risks** at GP level;
- Assesses the **Carbon Footprint** at GP level computing its **Scope 1 and Scope 2 GHG emissions**;
- **Submits its second PRI questionnaire.**



MISSION



Arcadia invests in companies that can create value through a sustainable approach, balancing profit with the preservation of Environment, Social and Human capital and assuring a sustainable long-term growth.



Arcadia supports **ESG awareness** and **knowledge** by facilitating training sessions for employees of the GP and the Portfolio Companies.

Arcadia has also an active role in mitigating the **climate change**. In the first half of 2024, Arcadia assessed **its own greenhouse gas emissions** (Scope 1 and 2) and supported the investees in calculating their Scope 1 and Scope 2 emissions. Furthermore, for ASC III investees, Arcadia supports actions aimed at reducing Scope 1 and Scope 2 GHG emissions.



The key principles of Arcadia's ESG approach are included within Arcadia's Responsible Investment (RI) Policy. These principles – Environment, Social and Governance – describe Arcadia ESG main priorities throughout the investment process. The latest version of the [ESG Policy](#) is available on the company's website.

ARCADIA SUPPORTS:

1. The transition to a low-carbon economy (when feasible) and/or the avoidance of negative impacts on the environment.
2. The evaluation of the environmental policies implemented by the PCs
3. The focus on strengthening the environmental management system of PCs.

ARCADIA VALUES:

1. The respect of individual freedom
2. The impact PCs can have on stakeholders

ARCADIA BELIEVES:

1. A virtuous model of corporate governance can prove to be a key factor of value creation
2. The dialogue with the top management of PCs is crucial to work in synergy and to build a management system applicable to the organizational context.

Arcadia is aligned with the **EU Regulation 2019/2088** (or “Sustainable Finance Disclosure Regulation”, SFDR). Being one of the pillars of the European Action Plan for Sustainable Finance, the SFDR promotes transparency for financial markets operators regarding management and disclosure of sustainability risks, consideration of negative sustainability impacts in their investment processes and disclosure of sustainability-related information with respect to financial products.

Arcadia is aligned with the SFDR in compliance with the articles 3, 4, 5 (at GP level) and articles 6, 7, 8, 10 and 11 at Fund level (the latest three articles refer to the Fund ASC III, aligned to SFDR article 8). **Please refer to Arcadia’s website Sustainability section for further details.**

The GP aims at adopting the **comply approach regarding art. 4**, related to the **Principal Adverse Impact (PAI) disclosure** for ASC III portfolio companies; indeed, in the Due Diligence phase **Arcadia performs a PAI readiness assessment** of the Target Company. The comply approach will be adopted when the number of PCs and therefore the data supporting the PAI disclosure will be significant (please note that as of H1 2024, ASC III has only made one investment).

UN PRI Engagement

Arcadia is a signatory of the **United Nations Principles for Responsible Investments (UN PRI)** since 2021 and in July 2024 the GP submitted its **second PRI Questionnaire**.

The GP has developed its RI strategy in line with the PRI six principles, as described below:

- | | |
|---|--|
| 1 Incorporate ESG issues into investment analysis and decision-making processes; | 4 Promote acceptance and implementation of the Principles within the investment industry; |
| 2 Be active owners and incorporate ESG issues into ownership policies and practices; | 5 Work together to enhance effectiveness in implementing the Principles; |
| 3 Seek appropriate disclosure on ESG issues by the portfolio companies; | 6 Report on activities and progresses towards implementing the Principles. |

Signatory of:





In April 2022, the Bank of Italy, in line with a similar initiative of the European Central Bank, issued a first set of **Supervisory Expectations** regarding the integration of **climate and environmental risks into the business strategies, governance and control systems, risk management frameworks, and communications** of supervised financial intermediaries.

Arcadia's Approach

Arcadia responded to the Bank of Italy Supervisory expectations by implementing the following initiatives:

2022- H1 2023

- 1 **Action Plan** focused on Environmental and Climate Risk Management submitted to the Bank of Italy
- 2 **Governance** of climate-related aspects defined
- 3 **Materiality mapping of physical and transition's climate risks** performed on existing portfolios (ASC and ASC II) and climate risks and opportunities screening and monitoring integrated within the **investment process**.

2023 - H1 2024

- 4 **Training on climate risks** performed at GP level
- 5 **Carbon Footprint assessment** of the GP, including **Scope 1 and Scope 2 GHG emissions**, performed
- 6 **Climate risks (physical and transition) screening** performed for the investments of ASC III fund.



2023 - H1 2024 ACTIVITIES

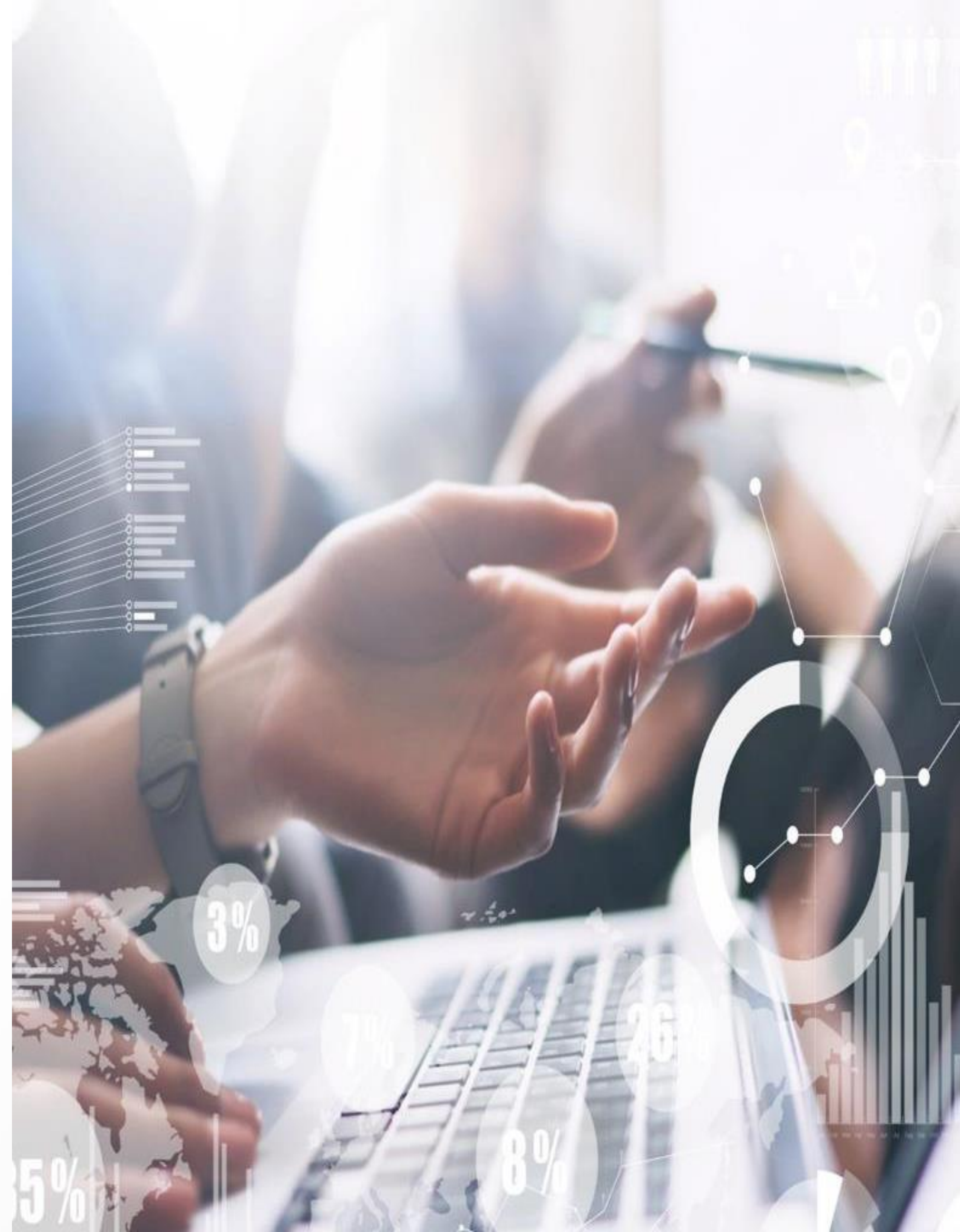
4 Training on climate risks performed at GP level

5 Carbon Footprint assessment of the GP, including Scope 1 and Scope 2 GHG emissions, performed

6 Climate risks (physical and transition) screening performed for the new investments of ASC III fund



- The training session, provided by an external consultancy company specialized in sustainability, supported the improvement of **internal knowledge around climate-related topics**.
- **Arcadia's whole personnel** was invited to the training session, including the **Board of Directors**.
- The training session provided the **fundamentals to understand climate change** and the **implications of related risks and opportunities for a Private Equity investor**, also considering the Bank of Italy's Supervisory Expectations.
- The training session included **case studies**, to engage the audience with **practical examples** on how to apply climate-related considerations along the investment cycle and ensure **accountability across the team**.



2023 - H1 2024 ACTIVITIES

- 4 Training on climate risks performed at GP level
- 5 Carbon Footprint assessment of the GP, including Scope 1 and Scope 2 GHG emissions, performed**
- 6 Climate risks (physical and transition) screening performed for the new investments of ASC III fund

In June 2024, Arcadia performed a carbon footprint assessment at GP level (referred to FY 2023 data), in accordance with the GHG Protocol Corporate Standard.

The system boundary for the quantification of GHG emissions has been defined applying the **operational control approach**¹.

The following energy sources were included in the assessment:

- **Scope 1:** GP’s car fleet fuel consumption
- **Scope 2:** GP’s electricity consumption

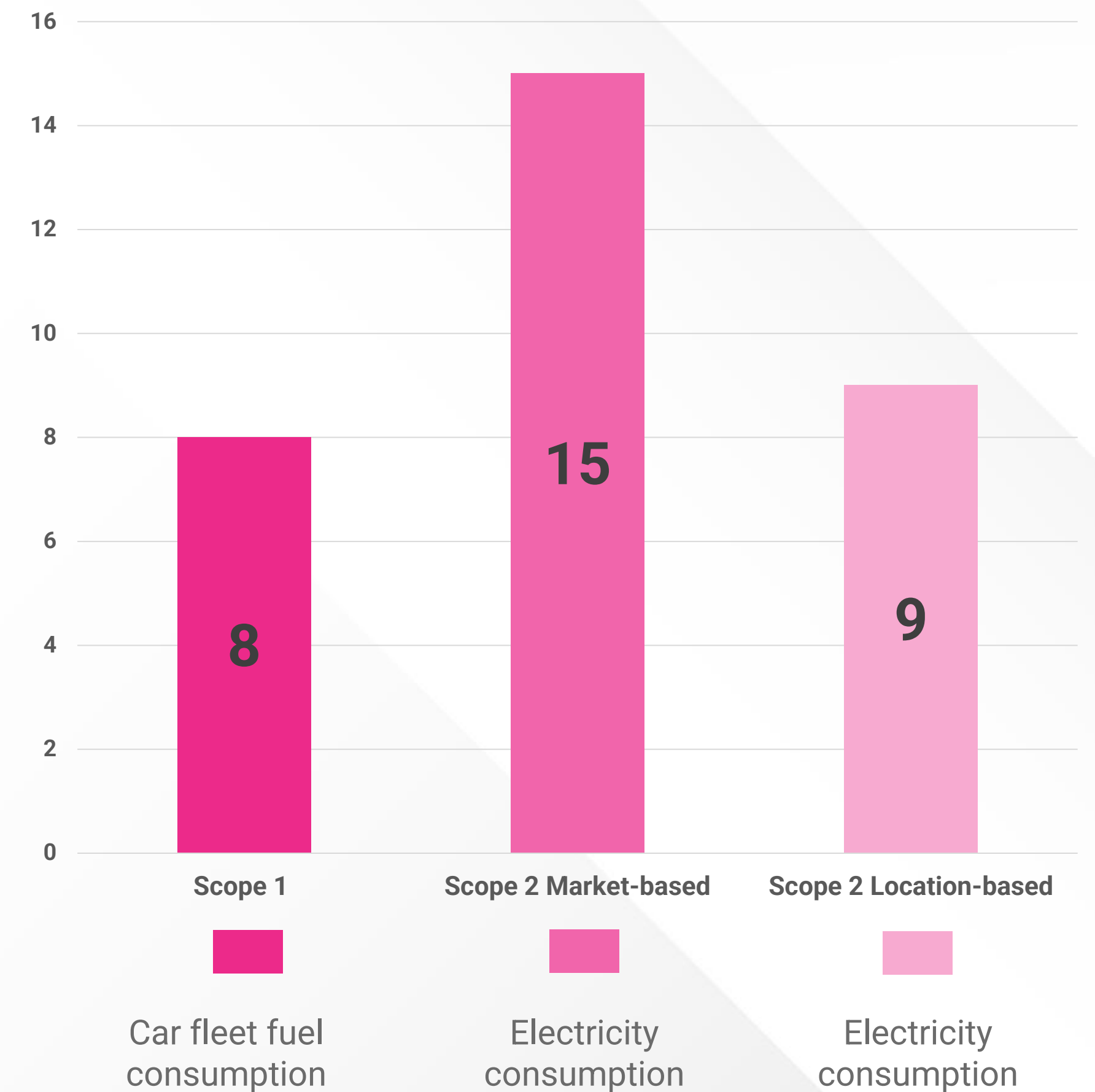
Category	tCO ₂ e (%) Market-based*	tCO ₂ e (%) Location-based**
Scope 1	8 (35%)	8 (47%)
Scope 2	15 (65%)	9 (53%)
Total	23	17

Location-based**
Based on average energy generation emission factor for defined geographic locations, including local, subnational or national boundaries.
Market-based*
Based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractual instruments.

¹**Operational Control approach:**
 “Under the operational control approach, a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control.”



Arcadia SGR Scope 1 and 2 emissions in 2023 (tCO₂e)



2023 - H1 2024 ACTIVITIES

- 4 Training on climate risks performed at GP level
- 5 Carbon Footprint assessment of the GP, including Scope 1 and Scope 2 GHG emissions, performed
- 6 Climate risks (physical and transition) screening performed for the new investments of ASC III fund**

The high-level screening was carried out using a proprietary tool. The tool is inspired to the Task Force on Financial Disclosure (TCFD) approach, and it is designed to perform a first high-level screening of the target company exposure to **physical risks** (for each asset) and **transition aspects (risk & opportunities)** associated with the economic activity.

Physical Risk

Physical risk refers to the economic impact of the expected increase in climate hazards. The climate hazards to be considered in the screening are:

-  Temperature increase
-  Coastal flooding
-  River flooding
-  Cyclone/ storms
-  Water stress
-  Rainfall induced landslides
-  Wildfires

Transition's aspects



POLICY & LEGAL

Evolving legal requirements on international, national and regional level, implying new costs.



MARKET & TECHNOLOGY

Reduced market demand for high carbon products and commodities. New technologies disrupt markets.



BRAND & REPUTATION

Growing expectations for responsible conduct from stakeholders. Risks for reputation, brand value and trust in management.

ESG criteria are applied across all stages of the investment process. Arcadia evaluates the size of the company and the sector in which it operates, upon which various ESG risks and opportunities depend. The whole process is implemented by the ESG Manager supported by the ESG Advisor.

Pre-Investment*

- Application of the **ESG Pre-Screening Tool** and **screening of potential climate risks**;
- Performance of an **ESG Due Diligence**, with the support of external ESG consultant;
- **Definition of the ESG target KPIs to be achieved** by the Portfolio Company during the holding period, also depending on the **size** and **materiality** of sustainable factors of the Portfolio Company.
- For ASC III Fund, additional activities are carried out. [Please refer to slide 29.](#)

*Please note: the pre-investment phase is preceded by a screening against the GP's exclusion list.

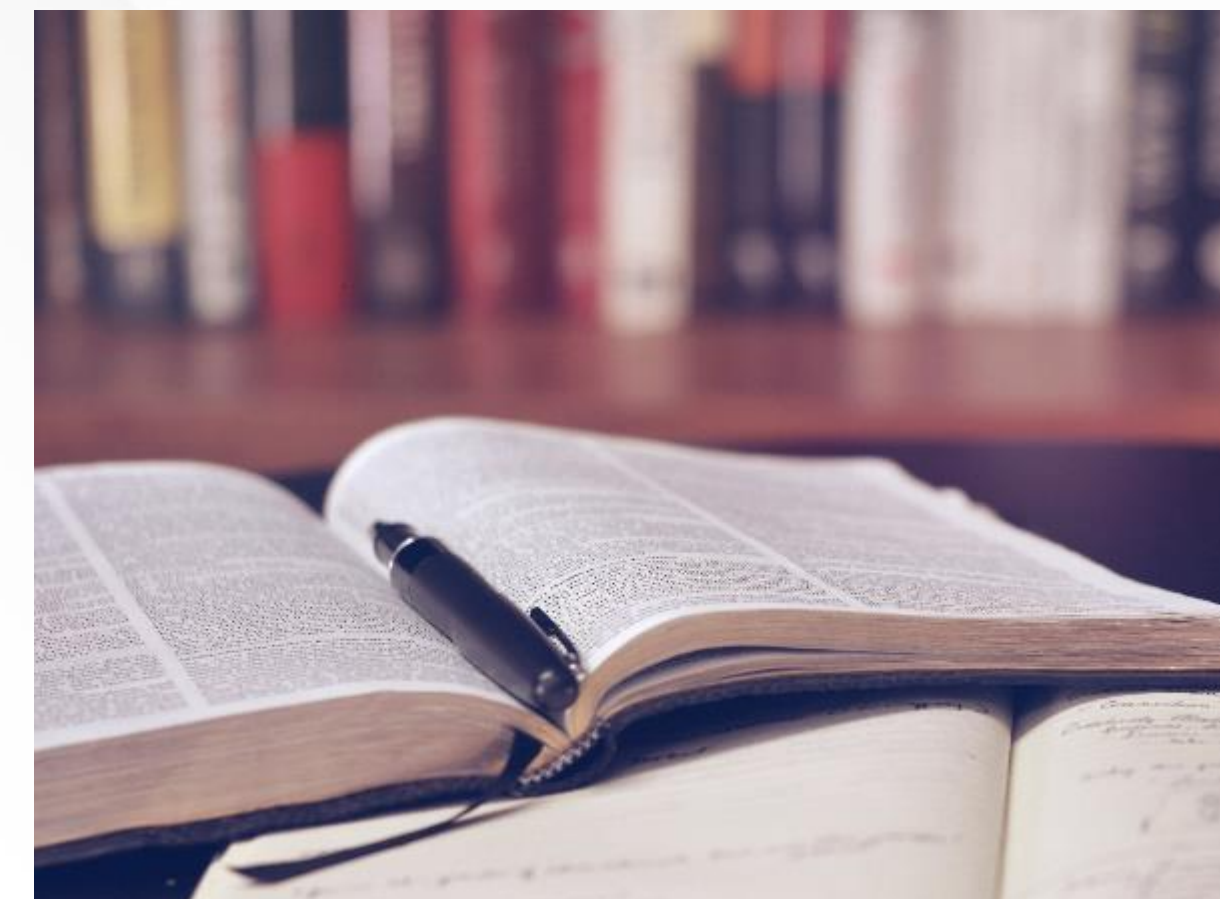
Ownership

- Implementation of the **ESG Action Plan**, which includes actions to **achieve ESG target KPIs** for the PCs;
- **Monitoring of ESG target KPIs** with the goal of improving their trend, through the application of the **ESG Data Collection and Monitoring Tool**;

Exit

- **Vendor ESG Due Diligence**, which shows **the progress achieved** against the targets set in the ESG Action Plan through the measurement of ESG KPIs metrics.

Arcadia is partner of primary institutional organizations that promote business acceleration, sustainability topics and professional education.



- [CIP](#) The **Competitiveness and Innovation Framework Program** supports **innovation activities** (including **eco-innovation**) into small and medium-sized companies



- [ELITE](#) connects companies to diverse sources of capital to **accelerate their growth** towards a smart and sustainable future and enabling potential IPOs



- [Gianluca Spina Association](#) supports initiatives to **promote excellence in teaching, innovation, the right to study** and projects capable of creating **sustainable value**



- The [European Fund for Strategic Investments](#) (EFSI) to support the growth of the economies of European Union countries with a focus on the themes of Innovation and Green Economy



- A professor of [Politecnico di Milano School of Management](#) sits in the BoD of Arcadia and facilitates the partnership with Portfolio Companies to **develop projects with a high technological content**
- [Politecnico di Milano](#) has also been appointed as **independent ESG Advisor** for the assessment of the achievement of the set of **ESG KPIs promoted by ASC III**



- The [European Investment Fund \(EIF\) with the InvestEU Programme](#) supports sustainable investment, innovation and job creation in Europe.

Italia del Merito Award

In March 2023 **Arcadia received the 'Italia del Merito' award** at the Campidoglio in Rome. Arcadia was recognized for its effort in the ESG integration, and in particular:

- Appointment of **ESG Manager** and adoption of an **ESG policy showing a strong focus on ESG issues** both at GP and Fund level
- Adherence to the requirements of **Article 8 of the SFDR regulation: selection of 9 characteristics, with 17 KPIs** on which the ASCIII fund aims to support the PCs in their growth process
- Endorsement of **PRI principles**
- Investment in **strategic Italian sectors** and promotion of **Made in Italy**
- Contribution to SMEs **growth process** by supporting **managerial growth, processes internalisation, and aggregation processes**, to improve their competitive positioning



Italia del Merito is the event that for over 10 years has rewarded Italian excellence in collaboration with leading institutions. Each year an award is given to personalities and companies that have distinguished themselves for particular merits, according to the themes of each edition, and then awarded with the prestigious endorsement.

ESG Stewardship



On 18 January, Arcadia was invited by the **Business School of the Politecnico di Milano, Italy's largest science-technology university**, to illustrate **the Fund's investment approach and integration of ESG factors**. The speech, integrated within the Sustainable and Impact Finance Course, was **led by Arcadia's ESG Manager** and was also addressed to executives in the business and finance world.



Arcadia supported its PCs in participating to the Sustainability Award. The award, now in its fourth edition, is reserved to Italian companies that have integrated environmental, social and economic sustainability into their business strategies. It aims to give credit to companies that have distinguished themselves for the implementation of a sustainable and inclusive development approach to business.

2. Arcadia ESG Investment Rationale



CLOSED

Fund Arcadia Small Cap

Fund supported by the European Union through the **Competitiveness and Innovation Framework Program ("CIP")**.

This initiative supported **innovation activities** (including eco-innovation) and promoted the **increased use of renewable energies** and **energy efficiency** through the Fund's investments. The **fund was closed in September 2024**, as all investments were realised.

ASC KEY FACTS

KEY STATS



12

of Investors



4

of Investments



€53M

Committed Capital



€8M

Average Equity Ticket



83%

Drawdown



4

Platform Add-on



158%

Distributed



4

of Exits

INVESTORS

€53M

Committed Capital

- Funds of funds
- Pension funds
- Banking Foundations
- Family offices
- HNWI
- Management Team

Cornerstone Investor:
European Investment Fund

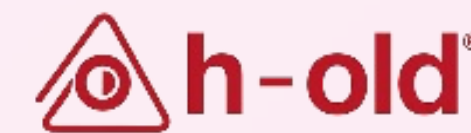
REALISED INVESTMENTS



Leader in the Italian optical consumer healthcare market
Exit: Sold to a financial buyer (ICG)



Production of high-strength fasteners
Exit: Sold to a trade buyer (Max Mothes GmbH)



Adhesive tapes for industrial applications
Exit: Sold to a trade buyer (Saint-Gobain)




CMO and CDMO of drugs (mainly injectable)
Exit: Sold to a trade buyer (Asian publicly-listed company)


Fund sponsored by EFSI, which supports the growth of the economies of the European countries with a focus on innovation and Green Economy.

ASC II KEY FACTS


KEY STATS


 **23**
of Investors


 **7**
of Investments

 **€80M**
Committed Capital

 **€10M**
Average Equity Ticket

 **86%**
Drawdown








 **1**
Platform Add-on

 **39%**
Distributed

 **1**
of Exits


INVESTORS

€80M
Committed Capital

-  Funds of funds
-  Pension funds
-  Banks and Banking
-  Foundations
-  Family offices
-  HNWI
-  Management Team

Cornerstone Investor:
European Investment
Fund


PORTFOLIO COMPANIES


 **CHIORINO TECHNOLOGY** Leather processing for the fashion industry


 **Starlaks**
La Salmoneria Italiana Smoked salmon processing

 **FAVILLINI**
PHARMACEUTICAL PACKAGING Cardboard packaging for the pharma industry


 **IDEAGRAFICA**

 **EMC COLOSIO** Electromechanical devices for the lighting industry

 **KFL**
KLIMA FOR LIFE Heat exchangers for the HVAC industry

 **CBS.Est** Shaped pipes and manifolds for the HVAC industry

REALISED INVESTMENTS

 **castello**
hi-tech tubes Extrusion of special polyamide pipes for automotive and industrial
Exit: Sold to a trade buyer (ARaymond)

3. Arcadia Sustainable Capital III

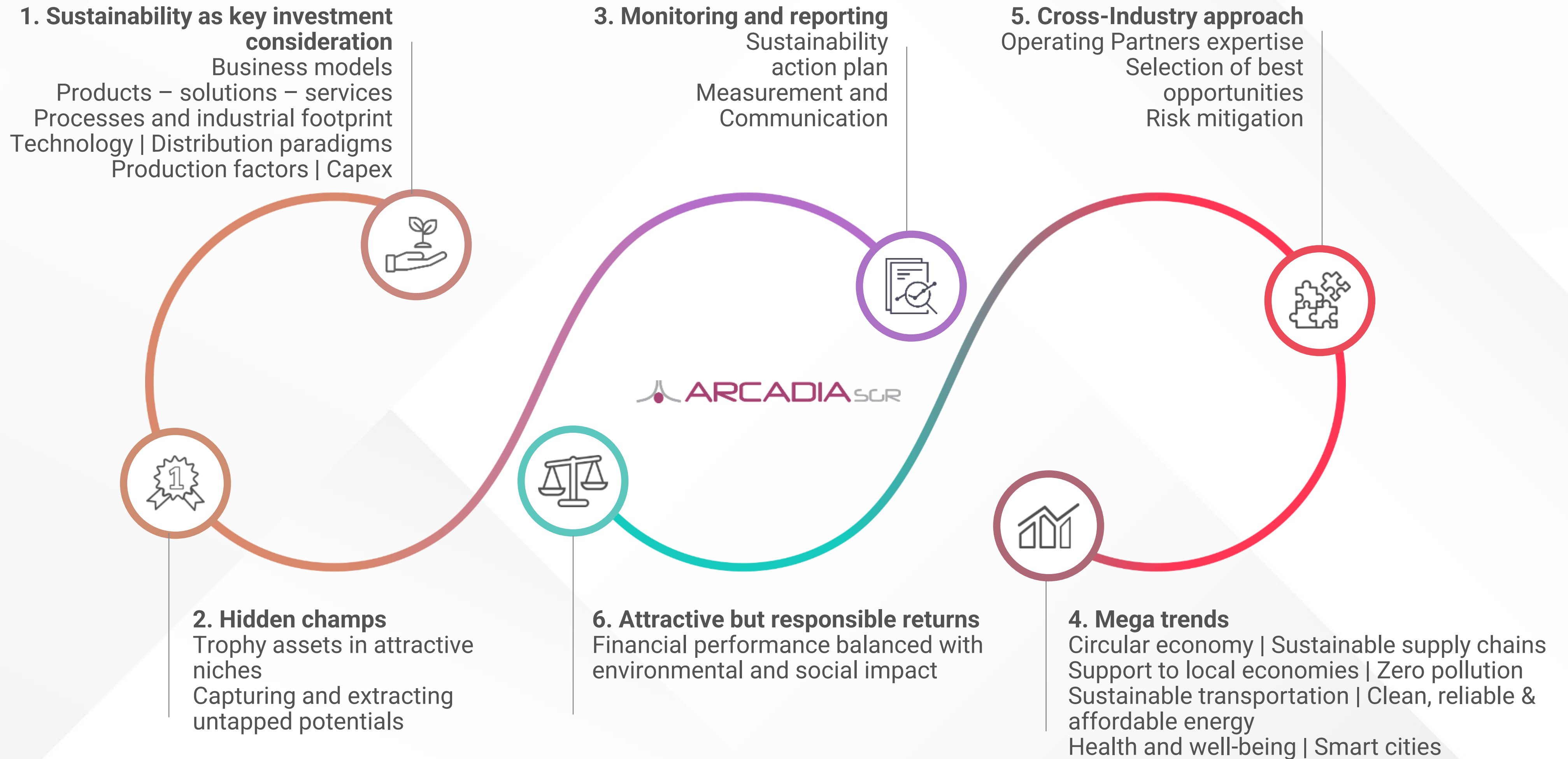




In September 2022 Arcadia has launched its new fund, **Arcadia Sustainable Capital III** placed in **Art.8** of the EU Sustainable Finance Disclosure Regulation (SFDR). The Regulation requires the fund to promote specific **environmental and social characteristics** based on a materiality criteria for the investee companies.

17 KPIs have been chosen, considering topics' potential materiality based on the Fund's investment strategy. They have been identified, among 9 Characteristics inspired by **UN Sustainable Development Goals (UN SDGs)** and the Italian *Piano Nazionale di Ripresa e Resilienza* («PNRR») **Missions 2** (Green Revolution and Ecological Transition) **and 5** (Inclusion and Cohesion).

The Regulation of Arcadia Sustainable Capital III specifies that target companies should be characterized by attractive growth opportunities leveraging on strong sustainability mega trends. The fund, as of the first semester of 2024, has 80 million euros of committed capital.



The promotion of environmental and social characteristics will be monitored on a periodic basis by the GP through a proprietary data collection tool collecting a set of specific key performance indicators (“KPIs”). Part of the carried interest of the management team is subordinated to the achievement of ESG target KPIs. The achievement of the target KPIs is assessed by an independent ESG Advisor appointed by the Advisory Board.



Promote Inclusion, diversity and equal opportunities

- 1. % of women employed
- 2. % of employees aged between 20 and 30 yrs
- 3. % of women on new hiring



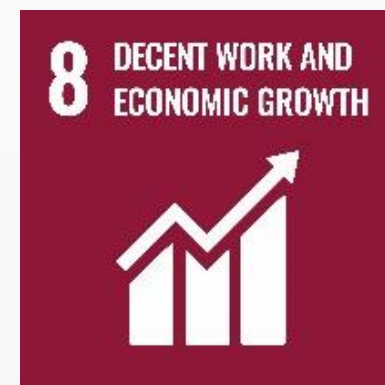
Foster employee attraction and retention through the development of a corporate welfare systems

- 8. % of employees with access to corporate welfare



Support the reduction of hazardous waste

- 13.% of hazardous liquid waste generated
- 14.% of hazardous solid waste generated



Ensure safe and good working conditions for all workers

- 4. Rate of accidents (#employees)
- 5. # near misses
- 6. Avg hrs of voluntary training (excl. H&S) per employee



Address climate change by supporting PCs in measuring, monitoring & reducing GHG emissions

- 9. Scope 1 GHG emissions
- 10.Scope 2 GHG emissions
- 11.# of initiatives directed at reducing GHG emissions



Support waste recycling

- 15.% of non-recycled liquid waste generated
- 16.% of non-recycled solid waste generated



Support the employment growth

- 7. % of workforce growth



Promote the use of renewable sources

- 12.% use of renewable energy consumption



Promote the use of recycled or certified raw materials

- 17.% of recycled and/or certified raw materials, semi-finished products

Fund sponsored by the European Investment Fund (EIF). Through the “InvestEU Program”, EIF supports sustainable investment, innovation and job creation in Europe.

ASC III KEY FACTS

KEY STATS



21

of Investors



1

of Investments



€80M

Committed Capital



€12-18M

Average Equity Ticket



13%

Drawdown



n.a.

Platform Add-on



n.a.%

Distributed



0

of Exits

INVESTORS

€80M

Committed Capital

- Funds of funds
- Pension funds
- Banks
- Family offices
- HNWI
- Management Team

Cornerstone Investor:
European Investment
Fund

PORTFOLIO COMPANIES



Protective riding helmets



In ASC III, additional assessments are integrated during the pre-acquisition and post-acquisition phase.








- EIF thesis alignment (InvestEU programme):** the Target Company is assessed to evaluate the potential contribution to one or more EIF investment thesis.
- PAI readiness Assessment:** collection of the readily available data to measure the 14 mandatory and 2 voluntarily KPIs associated to Principal Adverse Impacts (PAIs) and the definition of actions to be performed in order to disclose all the 16 PAI according to the RTS standards.
- Baseline assessment of the Environmental and Social Characteristics:** collection of the 17 KPIs associated with the 9 E/S Characteristics promoted by the Fund.
- Target setting to measure the level of contribution to the promotion of E/S Characteristics:** Targets on a **5-year investment period are set**. The achievement of the targets are validated by an independent ESG advisor appointed by the Advisory Board.

4. ESG at Portfolio Level





Company	Description	ESG Factors	SDG Target	Key actions implemented
 Recycled Leather	Finishing and ennoblement of leather for the luxury and fashion industries	<ul style="list-style-type: none"> • Recycling of raw materials and finished products • Transition towards vegetable tanned leather 		<ul style="list-style-type: none"> • Patented process for leather waste recycling • Switch to 100% renewable energy
 Circular Economy	Cardboard packaging for pharmaceutical and nutraceutical sectors	<ul style="list-style-type: none"> • Shifting from plastic to paper and cardboard packaging • Contribute to reforestation and fighting against desertification 		<ul style="list-style-type: none"> • Switch to 100% certified raw materials from the FSC • Switch to 100% renewable energy
 La Salmeria Italiana Healthy food	Value added processing of high-quality smoked salmon	<ul style="list-style-type: none"> • Promoting healthy lifestyles through the consumption of superfoods • Protein transition from meat to fish • Blue economy and preservation of marine environment • 74% of employees are women 		<ul style="list-style-type: none"> • Sustainable aquaculture, traceable fishing and BIO certification obtained
 Healthcare REALISED INVESTMENT	Leading Italian independent optical network in consumer healthcare	<ul style="list-style-type: none"> • Improving customers' health and addressing visual and hearing conditions 		<ul style="list-style-type: none"> • > 40% of C-level are women • 8x increase in #employees
 Electric Vehicles REALISED INVESTMENT	Extrusion specialist of polyamide and polyurethane tubes for automotive and industrial sector	<ul style="list-style-type: none"> • Supporting the transition from fossil-based fuels towards electric-powered vehicles • GHG emissions and other pollutants reduction 		<ul style="list-style-type: none"> • Switch to recycled and fully recyclable raw materials

Company	Description	ESG Factors	SDG Target	Key actions implemented
 <p>Energy Efficiency</p>	<p>European leader of lighting components for smart cities applications and design fixtures</p>	<ul style="list-style-type: none"> • Energy consumption reduction with adoption of LED technologies • Resource-efficient systems for urban lighting applications 		<ul style="list-style-type: none"> • Switch to 100% renewable energy
 <p>Pollution Reduction</p>	<p>Special tubes, piping and systems for the HVACR industry</p>	<ul style="list-style-type: none"> • Replacement of traditional fossil-based systems with heating pumps powered by renewable energy • Energy efficiency 		<ul style="list-style-type: none"> • The Company is performing a feasibility study to install photovoltaic systems on-site.
 <p>Pollution Reduction</p>	<p>Customized high efficiency heat exchangers for the HVACR sector</p>	<ul style="list-style-type: none"> • Hydrofluorocarbons (HFCs) replacement with low-emissions natural refrigerants fluids • Phase-out of ozone depletion substances and global warming reduction 		<ul style="list-style-type: none"> • GHG emissions (Scope 1 and Scope 2) monitoring and reduction in 2023 with respect to 2022.
 <p>Pollution Reduction Energy Efficiency Circular economy</p>	<p>Protective riding helmets</p>	<ul style="list-style-type: none"> • 19% of energy from renewable sources, generated from photovoltaic panels present onsite • The filling material of its helmets is recycled 		<ul style="list-style-type: none"> • Electricity sourced through contracts backed up by Guarantees of Origin (switch to 100% renewable energy)

VISION GROUP



Date of investment

Feb 2014

–

Fund

Arcadia Small Cap

–

Employees

830

(-7% vs 2022)

–

Annual Turnover

172 €Mln

(+11.6% vs 2022)

–

Date of Exit

August 2024

Vision Group operates in the Italian market of specialized optical distribution. The company was founded in 1989 as a result of the affiliation process of optical centers in Italy. The Group has grown both organically and through acquisitions, from around 120 employees in 2021 to 830 in 2023 (also thanks to a transformational acquisition of 174 stores from Essilor Luxottica).

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT

Renewable energy

Electricity from **renewable sources** in place

Long-term planting activity in collaboration with



SOCIAL

Gender Diversity and Welfare

33% of women in place in the **Board of statutory auditors**

Glasses and health care funds in place for all employees



GOVERNANCE

Whistleblowing

Implementation of a **Whistleblowing procedure** for anonymous complaints pursuant to Legislative Decree No. 24/2023

The company appointed an **ESG Manager**



- The annual **VisionOptica Award** is designed to encourage and develop research and studies related to Optometry; Prizes are awarded for **Degree Theses** of particular scientific relevance
- In May 2022 the Study Centre of the International School of Optics and Optometry was founded to create and disseminate a stronger culture of visual wellbeing based on scientific research and correct information
- Through the **Vision + Onlus**, Vision Group engaged in the Andasibé project aimed at **supporting the ophthalmology department** of a small hospital in the north of Madagascar.



Overall, the D&I KPI (new hires that are women) improved between 2022 and 2023

ENVIRONMENT

3.97 tons/year
(+26% vs 2022)
Non-hazardous waste generated

70,000 l
(18,000 l in 2022)
Company fleet's fuel consumption

SOCIAL

68%
(vs 15% in 2022)
of new hires are women

10
(7 in 2022)
n. of workplace injuries

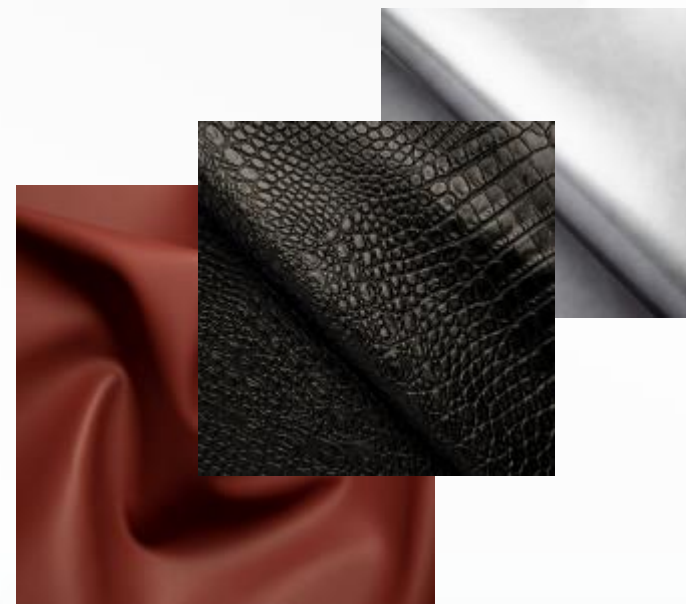
10
(7 in 2022)
n. of near misses

GOVERNANCE

UNI ISO 9001 - 13485
Certification
for quality management
system

**New Salesforce cloud
management system**

Whistleblowing
procedure in place
pursuant to Legislative
Decree No. 24/2023



Chiorino Technology, founded at the beginning of the 1980s, specialises in the **ennobling and finishing of special types of leather goods** for luxury brands of leather goods and footwear.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT

Life Cycle Analysis (LCA)

In 2021 Chiorino Technology carried out a **product's LCA** to find out the **less impacting** leather tanning system (green tanning vs chrome tanning). Using the study's results, in **2022 the company decreased the use of chrome leathers by 8%** compared to the previous year

Project Uroboro

A system for **recovering supply chain waste** created in partnership with Politecnico di Milano. The International Patent application was finalized in 2022, and was awarded by Saint Laurent as the best ESG innovative solution promoted by its suppliers



SOCIAL

Employees' Retention

A **monetary bonus was** allocated to all employees to compensate for the higher costs of utility bills
 –
Female personnel is assigned to departments not related to heavy load handling



GOVERNANCE

Supply Chain traceability

Chiorino Technology certified its tanning code of conduct in accordance with the standard **UNIC SC 410** in order to ensure the traceability of raw materials across all production phases in the upstream supply chain
 –
 The company appointed an **ESG Manager**
 –
Organizational Model pursuant the L.Decree 231/2001 in place
 –
 Implementation of a **Whistleblowing procedure** for anonymous complaints pursuant to Legislative Decree No. 24/2023

Date of investment

Feb 2018

–

Fund

Arcadia Small Cap II

–

Employees

52

(-16% vs 2022)

–

Annual Turnover

10.6 €Mln

(-27% vs 2022)



Overall, all environmental KPIs improved between 2022 and 2023

ENVIRONMENT

<p>243.41 tons/year (-24% vs 2022) Total hazardous waste 204.60 tons/year (-20% vs 2022) Total non-hazardous waste</p>	<p>945.2 MWh / year (-18% vs 2022) Electricity consumption</p>	<p>100% Electricity consumed derived from renewable sources</p>	<p>13,220 tCO₂e / year Total GHG emissions* (-35% vs 2022)</p>	<p>Total GHG Emissions</p> <p>■ Scope 1 ■ Scope 2 ■ Scope 3</p>
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*Scope 2 are zero, considering a market-based approach (electricity consumed is covered by Guarantees of Origin). Location based Scope 2 GHG emissions were not calculated in 2023.

SOCIAL

<p>0.58h (-74% vs 2022) average voluntary training per employee</p>	<p># 2 (0 in 2022) n. of workplace injuries</p>	<p># 2 (6 in 2022) Near misses</p>	<p>13 days (0 in 2022) Lost days due to injuries</p>
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GOVERNANCE

<p>Code of ethics implemented</p>	<p>231 Organizational model implemented</p>	<p>Whistleblowing procedure in place pursuant to Legislative Decree No. 24/2023</p>
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Grafiche Favillini, founded in Livorno in 1886, is active in the technical paper sector and specialises in the production of secondary cardboard packaging for the pharmaceutical/nutraceutical sector.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT



SOCIAL



GOVERNANCE

Date of investment

Feb 2020

–

Fund

Arcadia Small Cap II

–

Employees

212

(+9% vs 2022)

–

Annual Turnover

36.5 €Mln

(+3,4% vs 2022)

FSC Chain of Custody of Cardboard Certification

traceability of the timbers

–

Environmental Product Declaration

commitment to measure and reduce the environmental impact of products (Favillini, obtained in 2023)

–

Environmental and quality Policy in place (drafted in 2023)

–

Environmental management system in place certified against **ISO 14001** (Favillini)

–

Three new machines introduced; two **Carbon neutral** and one **high energy efficient**

Awareness Rising initiatives

The Company made its contribution to the Italian **RicicloAperto** initiative organized by **Comieco**, promoting **good paper and cardboard recycling practices** to raise awareness of recycling among young people

Ethical Packaging Charter

Signatory of the **Ethical Packaging Charter**, which includes **10 different commitments** product and production chain-related

–

Organizational Model pursuant the L.Decree 231/2001 in place

–

Implementation of a **Whistleblowing procedure** for anonymous complaints pursuant to Legislative Decree No. 24/2023





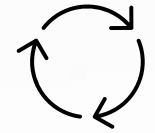










–

The company has an **ESG Manager** in place

Data presented refer to both Grafiche Favillini and Ideagrafica, unless specified that data refer to one of the two companies only.



Overall, the D&I KPI (new hires that are women) improved between 2022 and 2023

 ENVIRONMENT	 79.7 tons (+30% vs 2022) Total hazardous waste 2,293 tons (-4.5% vs 2022) Total non-hazardous waste	 2,150 MWh/year (+6% vs 2022) Electricity consumption	 100% Electricity consumed derived from renewable sources for Favillini	 1,003 tons/year (+0% vs 2022) of certified and/or recycled materials
 SOCIAL	 27% (+3% vs 2022) of new hires are women	 9.18h (-20% vs 2022) average voluntary hours of training per employee	 # 4 (vs 1 in 2022) n. of workplace injuries	 47 days (vs 12 in 2022) Lost days due to injuries
 GOVERNANCE	 ERP system (Enterprise Resource Planning) implemented and up to date	 Whistleblowing procedure in place pursuant to Legislative Decree No. 24/2023	 Code of Conduct In place	 Ecovadis Silver Status (Voluntary ESG Rating)



Date of investment

Feb 2021

–

Fund

Arcadia Small Cap II

–

Employees

82

(-11% vs 2022)

–

Annual Turnover

20.9 €Mln

(+7.5% vs 2022)

Starlaks, based in the outskirts of Novara, operates in the smoked salmon processing since 2012.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT



SOCIAL



GOVERNANCE

Resource and energy

In place initiative for paper material reduction in packaging (~10% p/year) and **efficiency gains per pallet** (~ 14% energy consumption for transport)

–

Introduction of a new thermo-forming machine to **increase production efficiency** and **plastic saving** (expected - 6 tons of plastic film p/year)

–

Electricity **100% from renewable sources**

Employees' engagement

Introduction of periodical meetings to share current and prospective company dynamics and performance, for **greater employee involvement**

Achievements

Organizational Model pursuant the L.Decree **231/2001** in place

–

Implementation of a **Whistleblowing procedure** for anonymous complaints pursuant to Legislative Decree No. 24/2023

–

The company has an **ESG Manager** in place

 CERTIFICATIONS

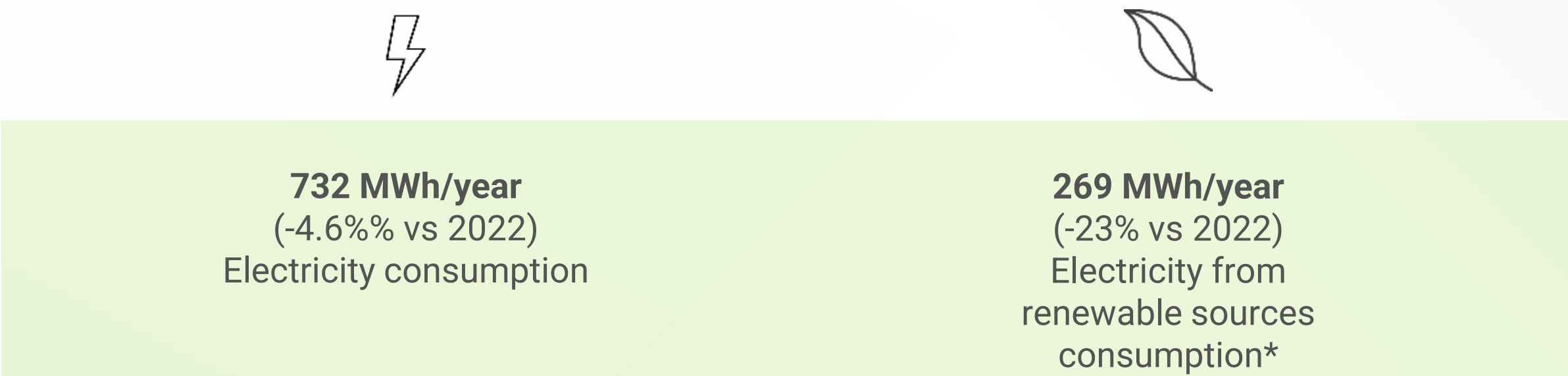


BIO

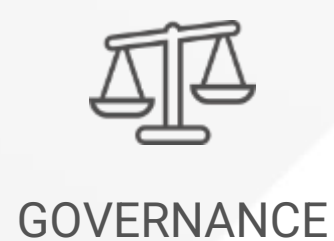
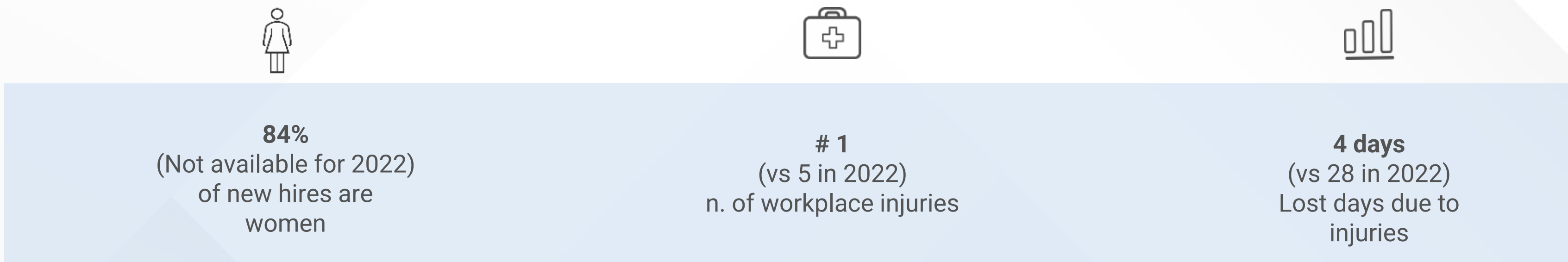
- The **fishing activity** is carried out following **sustainability criteria**;
- **Sustainable Aquaculture + fish products traceability** along the entire value chain;
- Products contain at least **95% BIO ingredients**;
- High quality breeding, production, environmental-safe methods are granted.



Overall, all environmental and health and safety KPIs improved between 2022 and 2023



*Please note that since January 2024, 100% of the electricity purchased derives from renewable energy sources (Guarantees of origin)





Date of investment

Nov 2021

–

Fund

Arcadia Small Cap II

–

Employees

39

(= 2022)

–

Annual Turnover

18 €Mln

(-10% vs 2022)

EMC Colosio, headquartered in the outskirts of Brescia, is a European leader in the design and production of components for the lighting industry.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT

Energy efficiency and recycling

Development of LED technology devices for **lower energy consumption**

–

Recycling of plastic production waste

–

Electricity **100% from renewable sources**



SOCIAL

Welfare system

Proposal to implement a welfare system with **free Friday afternoons** for all employees



GOVERNANCE

Key initiatives

Management system for the **automation** of customers' orders in place

–

Organizational Model pursuant the L.Decree 231/2001 in place

–

Implementation of a **Whistleblowing procedure** for anonymous complaints pursuant to Legislative Decree No. 24/2023

–

The company has an **ESG Manager** in place

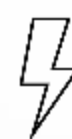


Innovation

Development of «**Nema Socket**» and «**Zagha Socket**» systems, key components of street lighting for smart cities. The Goal is to obtain energy efficient lighting systems through a modular use of the light source depending on the traffic (car and/or pedestrian).



Overall, all environmental and health and safety KPIs improved between 2022 and 2023



534 MWh/year
(-10% vs 2022)
Electricity consumption



100%
(+61% vs 2022)
Electricity consumed from
renewable energy sources
(Guarantees of origin)



131.8 MWh/year
(-25% vs 2022)
Total natural gas
consumption



66%
(Not available for 2022)
of new hires are
women



1.41h
(N/A in 2022)
average voluntary
training per employee



0
(vs 1 in 2022)
n. of workplace injuries



0 days
(vs 3 in 2022)
Lost days due to
injuries



**Business ethic
Commitment**
Published on its website



231
Organizational model
implemented



Whistleblowing
procedure in place
pursuant to
Legislative Decree
No. 24/2023



KFL EST is active in the engineering, manufacturing and distribution of customized heat exchangers primarily addressed to the refrigeration and conditioning markets. The Company was founded in 1993 and is headquartered in the outskirts of Gorizia.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT



SOCIAL



GOVERNANCE

Date of investment
Jul 2022
–
Fund
Arcadia Small Cap II
–
Employees
135
(+8% vs 2022)
–
Annual Turnover
19.5 €Mln
(-12% vs 2022)

Recycling
Thanks to product design, disassembly and separation of materials are possible, enabling a **100% recyclability of products**
–
Renewable Energy
The Company is evaluating the possibility to install **solar panels** for a 100% coverage of electricity production supply

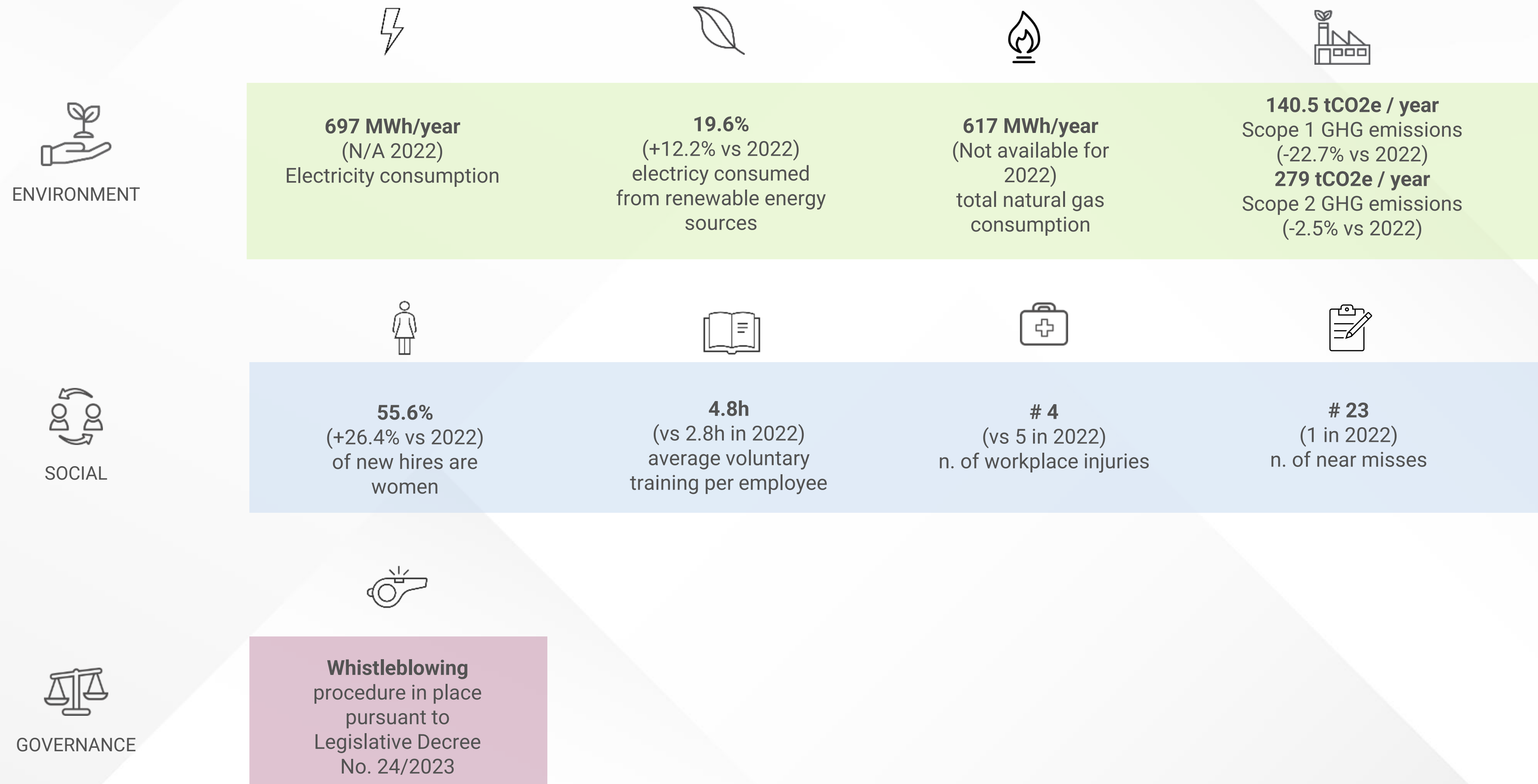
Employee Development
KFL provides both **mandatory and voluntary training** to its employees, assessed based on specific job needs and reported in a training plan updated annually
–
Approximately **600 hours** of training were provided in 2021

ISO 9001 Certification
The Company **obtained the ISO 9001:2015 certification for its quality management system**
The certification enables KFL to maintain and improve the quality of its products and consistently meet its customers' expectations
–
Whistleblowing procedure in place pursuant to Legislative Decree No. 24/2023
–
The company appointed an **ESG Manager**

Please note, the company was acquired by ASC II in July 2022. In 2023 the company started, on a voluntary basis, to progressively improve ESG data monitoring, with the goal of identifying aspects with relevant ESG potential to be improved.



Overall, environmental KPIs related to renewable energy and GHG emissions and all social KPIs improved between 2022 and 2023





CBS EST, based in the outskirts of Udine, is specialized in the production of customized products for the air conditioning, refrigeration and heating industry.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT



SOCIAL



GOVERNANCE

Date of investment

Jul 2022

–

Fund

Arcadia Small Cap II

–

Employees

155

(+1% vs 2022)

–

Annual Turnover

30.6 €Mln

(-7% vs 2022)

Energy Saving Projects

The Company is currently evaluating the feasibility of **solar panels installation** and the opportunity of conversion to the **Industry 4.0** concept

Employee Development

Employee training needs are assessed annually in accordance with each job activity’s specific needs; an **annual training plan** is then developed (**800 hours of training** provided in **2021**)

ISO 9001 Certification

The Company **obtained the ISO 9001:2015 certification for its quality management system**

The certification enables CBS to maintain and improve the quality of its products and consistently meet its customers’ expectations

–
The company appointed an **ESG Manager**

Please note: The company was not engaged in the 2023 ESG data collection campaign. Arcadia aims to include it in the data collection starting from 2024.



The company operates in the riding helmets industry. Specifically, the target receives the helmet's components (shells, padding, straps and inserts), and stores them in 4 vertical warehouses.

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT



SOCIAL



GOVERNANCE

Date of investment
Nov 2023
–
Fund
Arcadia Sustainable Capital III
–
Employees
21
(+10% vs 2022)
–
Annual Turnover
7.6 €Mln

Recycling
The **filling material** of its helmets is made with **recycled materials** (*Greensoul technology*)
The company uses **recycled and FSC-certified paper** for both its flyers and packaging
the company takes care of the collection of **damaged helmets**: in case of failure of the safety tests, the helmet is entrusted to an external company for proper disposal (100% recyclable)
–
Renewable Energy
The company installed PV plants on-site covering 19% of the annual demand (FY2022 data)

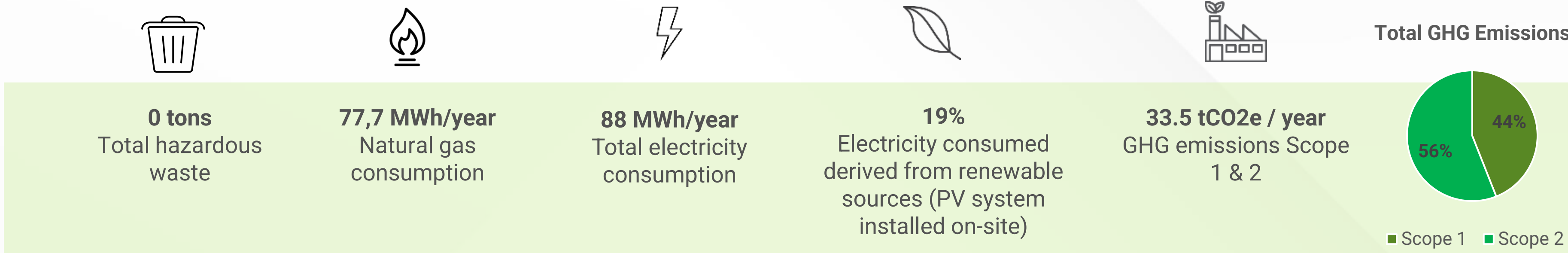
Social initiative
Equiarte Project, an initiative dedicated to the creation of some helmets with the drawings made by the 'Giardino dei Tigli' Community, an organisation committed to acquired disability
Customer safety
The helmet is equipped with a sensor that can alert the emergency services via KEP App. The physical data of the rider are recorded to facilitate first aid in the event of an accident

ISO 9001 Certification
The Company **obtained the ISO 9001:2015 certification for its quality management system**
The certification enables KEP to maintain and improve the quality of its products and consistently meet its customers' expectations
–
The company appointed an **ESG Manager**

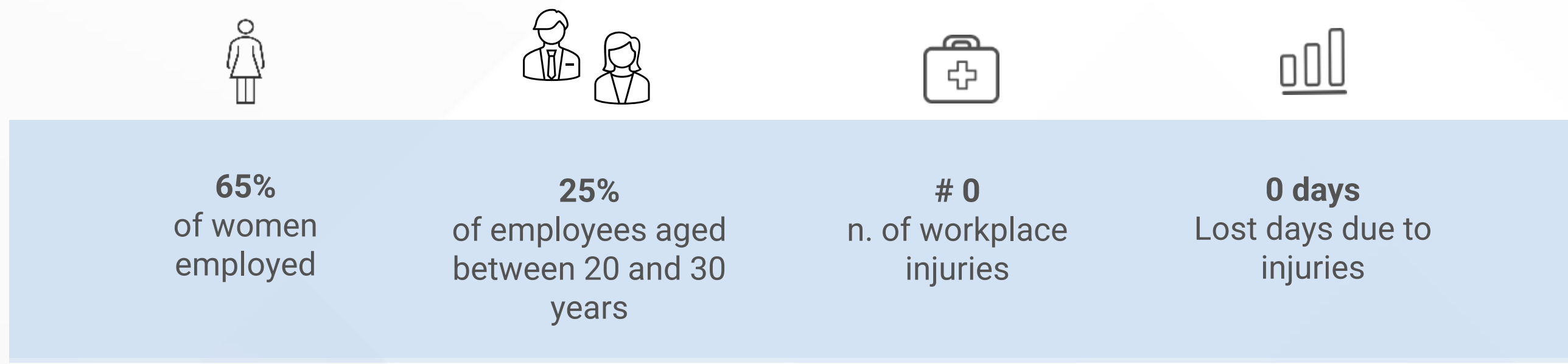
First reporting year for KEP Italia. No comparison vs 2023 was performed.

Energy and GHG data are referred to the baseline year 2022.

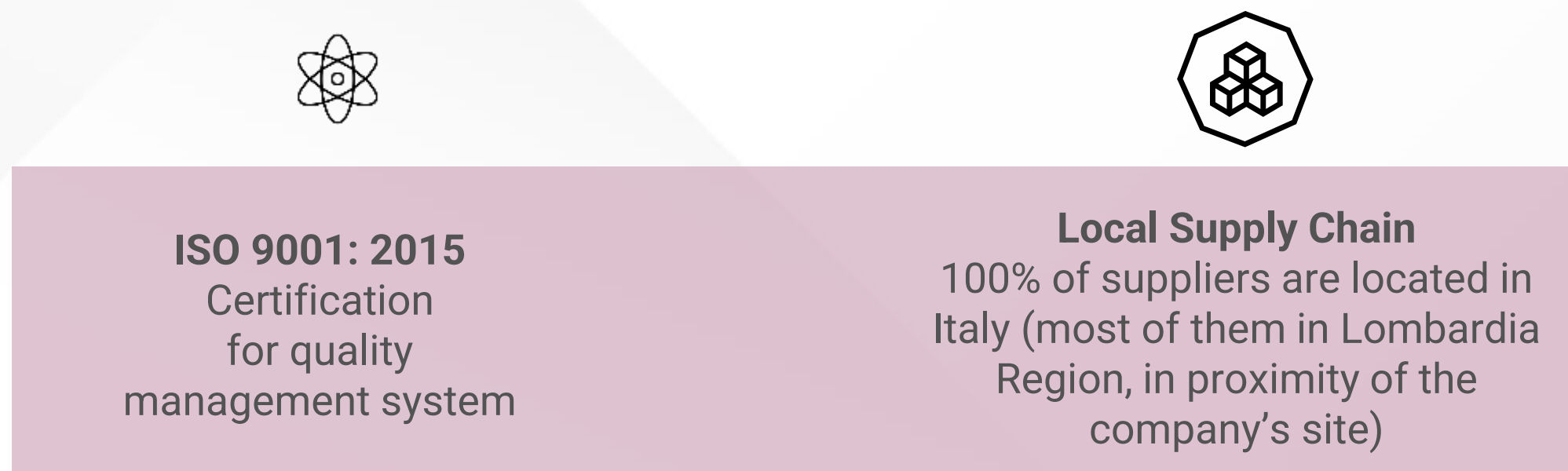
ENVIRONMENT



SOCIAL



GOVERNANCE



An aerial photograph of a winding asphalt road cutting through a dense forest. The forest is primarily composed of green trees, with some yellow trees scattered throughout, particularly on the right side of the road. The road curves from the top center towards the bottom right. The text is overlaid in the center of the image.

5. Next Steps

Plans for the 2H 2024 and 2025

ESG AT GP LEVEL

Keep integrating **climate considerations** within the GP's governance, strategy and risk management framework:

- Arcadia will keep the BoD and the Investment Team updated with respect to latest trends related to climate risks and opportunities;
- Arcadia will keep performing a screening of climate risk materiality within the pre-investment phase (within the ESG/EHS Due Diligence) and monitor adopted mitigation measures during the ownership phase (through the ESG Action Plans developed by the PCs, where materiality is confirmed).

Disclose the **Principal Adverse Impacts (PAIs)** of investment decisions:

- In 2022, Arcadia started ESG KPIs collection to monitor the ESG performance of its PCs. The goal for 2025 is to disclose the PAIs KPIs at GP level in line with the requirements of the Reporting Technical Standards (RTS) and art 4 of the SFDR (with reference to ASC III PAIs).

By demonstrating progresses on its Sustainability Agenda, Arcadia also aims at achieving and **increasing its PRI questionnaire score** with respect to 2023 score.

ESG AT FUND LEVEL

Keep investing through the new fund **Arcadia Sustainable Capital III, placed in article 8 of the SFDR:**

- Through its investment activity, ASC III Fund promotes material Environmental and Social Characteristics. Progresses will be monitored through the data collection and monitoring tool, on 17 KPIs. Baseline data will be collected during the Due Diligence Phase.

Support Portfolio Companies in **improving the data collection activity and in defining and implementing an ESG action plan**

- Arcadia will provide its PCs support in improving data availability and quality by engaging with the ESG coordinators at PC level.
- In addition, Arcadia aims at supporting its PCs in defining ESG Objectives, actions, KPIs, roles and responsibilities with the goal of progressively improve their ESG performance.



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