



2023 ESG & Sustainability Report



*Guido Belli,
Arcadia SGR Chairman*

Arcadia (or the General Partner, “GP”) firmly believes that the creation of a company's value passes through a **sustainable development approach**, capable of combining the economic dimension of profit with human, social and natural capital, guaranteeing lasting growth over time.

Arcadia wants to be an active leader of this cultural change, aimed at reaching a balance of the different dimensions of business activity, constantly promoting the adoption of sustainable management styles by its portfolio companies, thus inspiring their own sustainable development path. The progressive integration of **environmental, social and governance (ESG)** considerations is a core element of Arcadia's investment processes.

With this in mind, **ESG issues** are considered not only a **strategic factor for value creation** through the development of greater awareness and control of 'sustainability risk', but also as a response to the interest of investors who are increasingly sensitive to these aspects.

The guideline outlining Arcadia's approach in supporting sustainable development is represented by the **ESG Policy**, that this year was integrated with the new approach to respond to **Bank of Italy Supervisory Expectations on environmental and climate risks**, based on the initiative launched by the European Central Bank. The ESG Policy describes Arcadia's commitment to responsible investment, the definition of the operational tools adopted and governance in terms of allocated roles, responsibilities and competences.

The main commitments of Arcadia for the next 3-years are outlined within Arcadia's ESG roadmap, guiding the ESG Framework implementation. Our Framework is aligned to the EU Regulation 2088/2019 (or 'SFDR') and the Principles for Responsible Investment (UN PRI) and embeds ESG factors into the investment process according to national and international standards and best practices observed among peers. To demonstrate our ESG progresses, **Arcadia submitted the first PRI Report** in 2023, with reference to 2022 activities.

In October 2023, Arcadia Sustainable Capital III (ASC III), the third fund launched by Arcadia, started its operations. ASC III is placed **under Art. 8** of the SFDR and **aims at promoting a set of Environmental and Social characteristics** that will demonstrate how Arcadia's commitment gives a measurable response of the positive change achieved through sustainable development. The new fund has completed a first investment in November 2023.



Our focus is to keep proceeding in our sustainability path by performing ESG due diligence for all potential 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.



Introduction

A small green seedling with three leaves growing out of a crack in a weathered wooden log. The background is a soft-focus bokeh of green and yellow light.

Arcadia SGR is an independent Private Equity Firm fully controlled by its Partners, **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
1 Portfolio company
+ 3 Exits
–
Arcadia Small Cap II
Vintage: 2017
6 Portfolio companies
+ 1 exit
–
Arcadia Sustainable Capital III
Vintage: 2023
1 portfolio company



**Investment targets'
characteristics**

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



ESG Governance

In 2022, Arcadia appointed the **ESG Manager** in charge of coordinating all the processes related to the ESG area, supported by **the Investment Team**. Moreover, starting from 2022, an ESG coordinator was appointed by most of the PCs.



ESG Roadmap Implementation

Arcadia **implemented the activities of its three-year ESG roadmap**, for example by publishing its first ESG Report in 2022, 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).



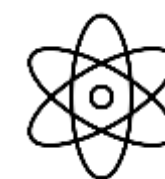
ESG Collaboration

Arcadia continued its collaboration with an external **ESG Advisor** started in 2022. The goal is to **work together** to further proceed in Arcadia sustainability agenda development.



Promotion of Environmental and Social characteristics

The new fund, **Arcadia Sustainable Capital III**, placed in **Art.8 of the EU Sustainable Finance Disclosure Regulation**, promotes a set of **environmental and social characteristics**.



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** to screen ESG risks and opportunities during the pre-investment phase and to monitor PCs performance during the holding period.



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 future investments.



ESG Data collection

Through the proprietary ESG Data collection and monitoring tool Arcadia voluntarily collected **material KPIs for portfolio company**.

Signatory of:



In 2021 Arcadia became a **signatory of UN PRI** (United Nation Principles for Responsible Investment) and 2022 has been its **first reporting year** (questionnaire submitted in July 2023).

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The background of the slide features a close-up of a green rice stalk on the left side. Overlaid on this is a complex digital network of thin white lines connecting various glowing green and blue dots, suggesting a global or technological theme. The overall color palette is dominated by vibrant greens, with some yellow and white highlights from the network nodes and background bokeh.

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 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.



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



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



- **Arcadia starts a collaboration with ERM Italia SpA** (external ESG Advisor) to further **integrate ESG 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**;
- **supports the appointment of an ESG Manager** at PC level;
- assesses the potential exposure **to physical and transition climate risks** of its portfolios;
- **submits its first 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 GP and Portfolio Companies.

Arcadia also addresses **climate change** by accounting for the GP's **Greenhouse Gas emissions** (monitoring and reducing them) and by defining a **decarbonization plan** for its Portfolio Companies as well.



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 ESG Policy is available on the company's website.

ARCADIA SUPPORTS:

1. The transition to a **low-carbon economy**
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, from employees to the supply chain**

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.

SFDR Disclosure

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 participants 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, 6, 8 and 10. **Please refer to Arcadia’s website Sustainability section for further details.**

UN PRI Engagement

Arcadia is a signatory of the **United Nations Principles for Responsible Investments (UN PRI)** since 2021.

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

Signatory of:



- | | | | |
|---|------------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------|
| 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. |





In April 2022, the Bank of Italy, in line with similar initiatives 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

1

Action Plan focused on Environmental and Climate risk management sent to the Bank of Italy

2

Governance of climate-related aspects defined

3

Materiality mapping of physical and transition's climate risks performed on existent portfolios (ASC and ASC II) and climate risks and opportunities screening integrated within the **ESG/EHS Due Diligence phase**.



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.

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

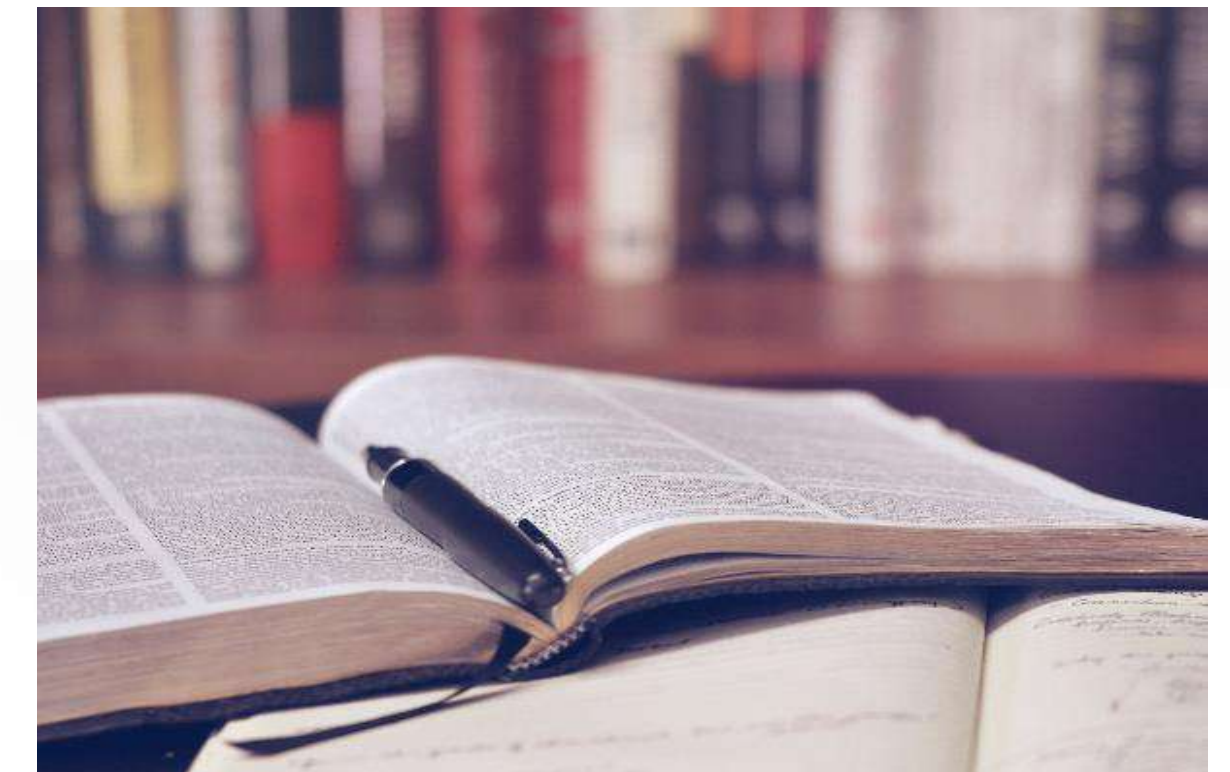
Ownership

- 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 progresses 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.**



- The [European Investment Fund](#) (EIF) is under the InvestEU programme aiming to support European projects, which foster entrepreneurship, growth, innovation, research and development, the green and digital transitions and employment. Arcadia Sustainable Capital III is supported by EIF.

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 through **aggregation processes** to improve their competitive positioning



"We are honoured to have participated in this selection and to have received this award, which rewards Arcadia's commitment to the development of our country through active participation in the sustainable growth of Italian SMEs "

Simone Arnaboldi, Arcadia SGR CEO



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.

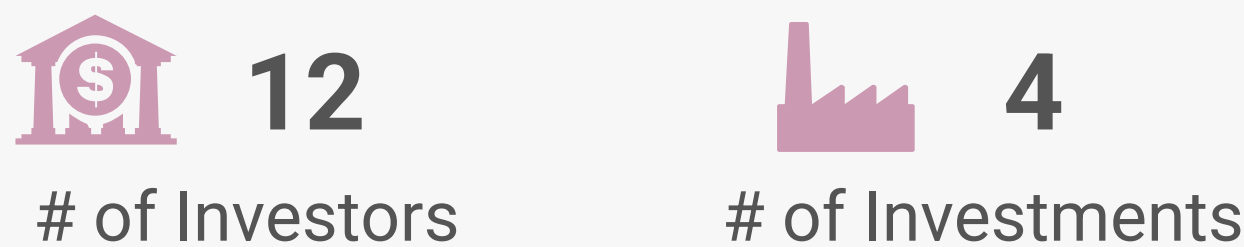
2. Arcadia ESG Investment Rationale



Fund supported by the European Union through the **Competitiveness and Innovation Framework Program ("CIP")**.
This initiative supports **innovation activities** (including eco-innovation) and promotes the **increased use of renewable energies** and **energy efficiency** through the Fund's investments.

ASC KEY FACTS

KEY STATS



INVESTORS

€53M
Committed Capital

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

Cornerstone Investor:
European Investment
Fund

PORTFOLIO COMPANIES

VISION GROUP
Leader in the Italian optical consumer healthcare market

REALISED INVESTMENTS

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

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

Lisapharma
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



Leather processing for the fashion industry



Smoked salmon processing



Cardboard packaging for the pharma industry



Electromechanics devices for the lighting industry



Heat exchangers for the HVAC industry



Shaped pipes and manifolds for the HVAC industry

REALISED INVESTMENTS



Extrusion of special polyamide pipes for automotive and industrial
Exit: Sold to a trade buyer (ARaymond)

3. Arcadia Sustainable Capital III

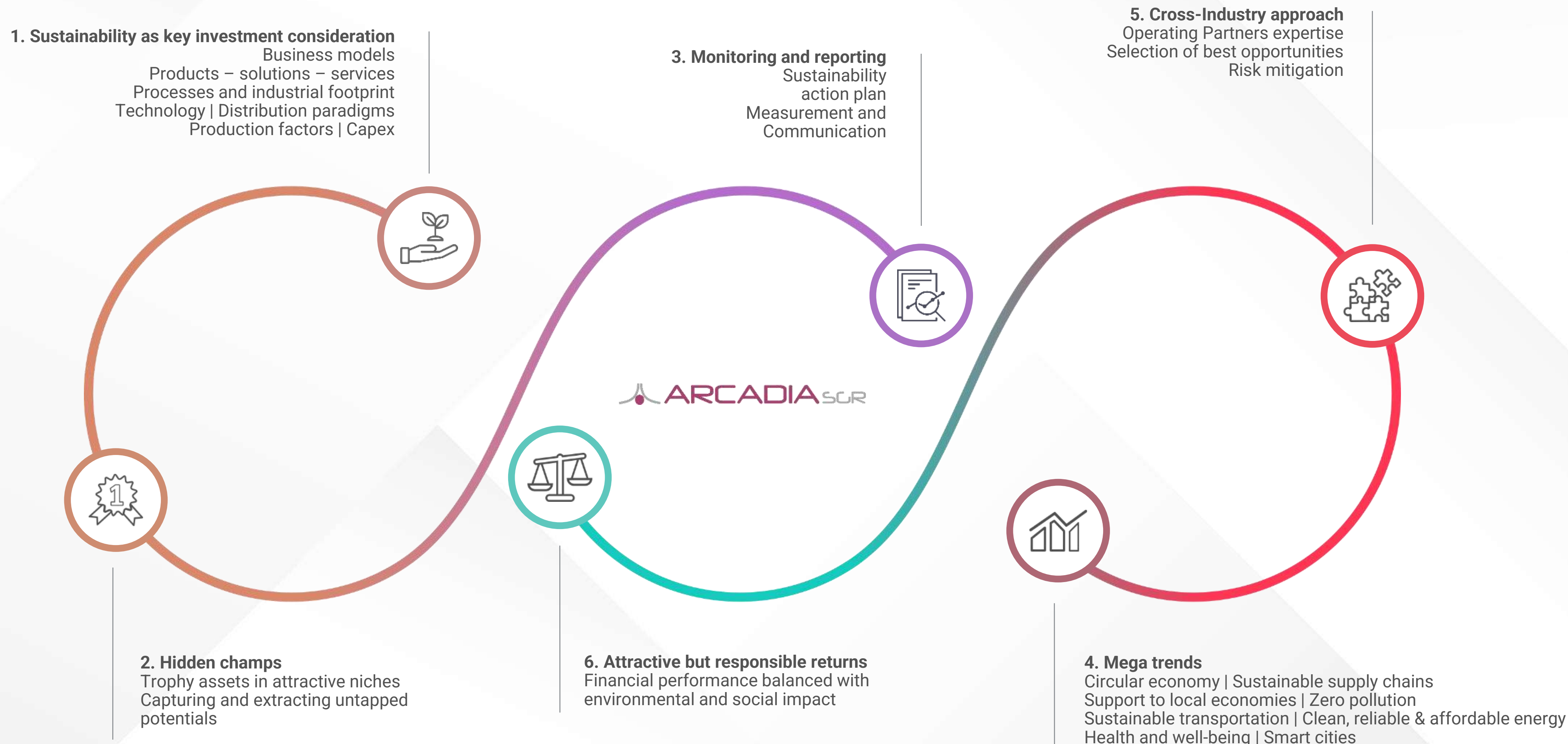




In September 2022 Arcadia has launched its new fund, **Arcadia Sustainable Capital III** placed in **Art.8** of the EU Sustainable Finance Disclosure Regulation (SFDR). The Regulation requires the fund to promote specific **environmental and social characteristics** based on a materiality criteria for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

17 KPIs, chosen by considering topics' potential materiality based on the Fund's investment strategy, 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 2023 has about 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.



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



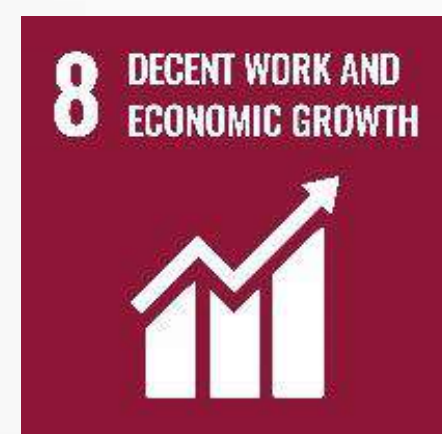
Foster employee attraction and retention through the development of a corporate welfare systems

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

4. ESG at Portfolio Level





Company	Description	ESG Factors	SDG Target	Key actions implemented
	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
	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 100% renewable energy
	Extrusion specialist of polyamide and polyurethane tubes for automotive and industrial sector	<ul style="list-style-type: none"> Secolar transition from fossil-based fuels towards electric-powered vehicles GHGs emissions reduction 	   	<ul style="list-style-type: none"> Reduction of pollutant emission Recycled and fully recyclable raw materials
	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"> 100% certified raw materials from the FSC 100% renewable energy
	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 	   	<ul style="list-style-type: none"> 74% of employees are women Sustainable aquaculture, traceable fishing and BIO certification
	European leader of lighting components for smart cities applications and design fixtures	<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"> Smart cities products for low environmental impact 100% renewable energy
	Special tubes, piping and systems for the HVACR industry	<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"> In progress
	Customised high efficiency heat exchangers for the HVACR sector	<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"> In progress



Date of investment

Feb 2014

–

Fund

Arcadia Small Cap

–

Employees

890

(+732% vs 2021)

–

Annual Turnover

154 €Mln

(+95% vs 2021)

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 890 in 2022 (also thanks to a recent transformational acquisition of 174 stores from Essilor Luxottica).

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT

Renewable energy

Electricity from
renewable sources

–

Long-term planting activity in
collaboration with



SOCIAL

Gender Diversity and Welfare

60% of women employed in the
Board of statutory auditors

–

All employees are provided
with **glasses and health care**
funds



GOVERNANCE

Whistleblowing

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

–

The company appointed an **ESG**
Coordinator



- 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.



3.14 tons/year
(-30% vs 2021)
Non-hazardous waste
generated



369.02 MWh/year
(+3% vs 2021)
Electricity consumption



18,000 l
(+12.5% vs 2021)
Company car fleet fuel
consumption



SOCIAL



15%
(vs 83% in 2021)
of new hires are
women



65h
(+86% vs 2021)
of average voluntary training
per employee



7
(1 in 2021)
Workplace injuries*



7
(1 in 2021)
Near misses

*Please note that the number of occupational injuries is influenced by the increase of the n. of employees (+732% vs 2021)



GOVERNANCE



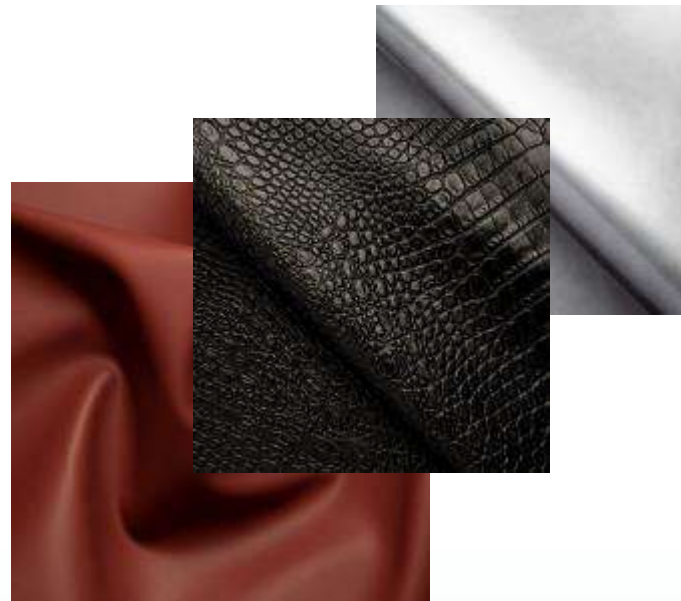
UNI ISO 9001 - 13485
Certification
for quality management
system



**New Salesforce cloud
management system**



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



Date of investment

Feb 2018

–

Fund

Arcadia Small Cap II

–

Employees

62

(-11% vs 2021)

–

Annual Turnover

14.6 €Mln

(-4% vs 2021)

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 has been assigned to departments not related to heavy load handling



GOVERNANCE

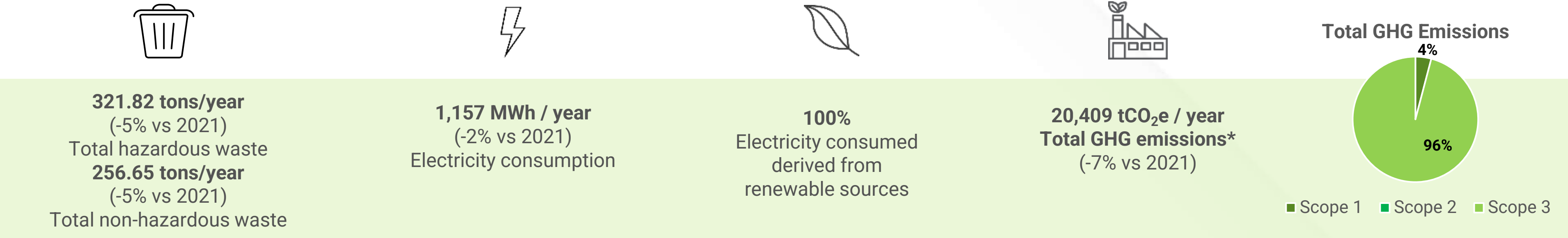
Supply Chain traceability

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

–

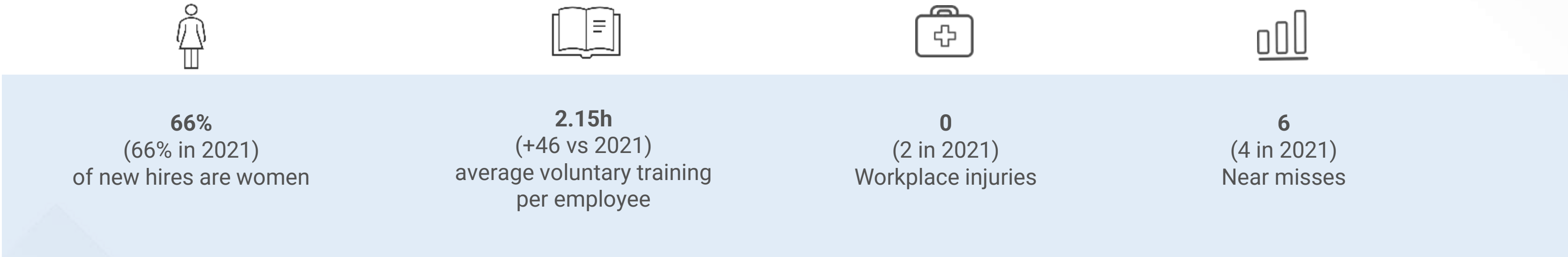
The company appointed an **ESG Coordinator**

ENVIRONMENT

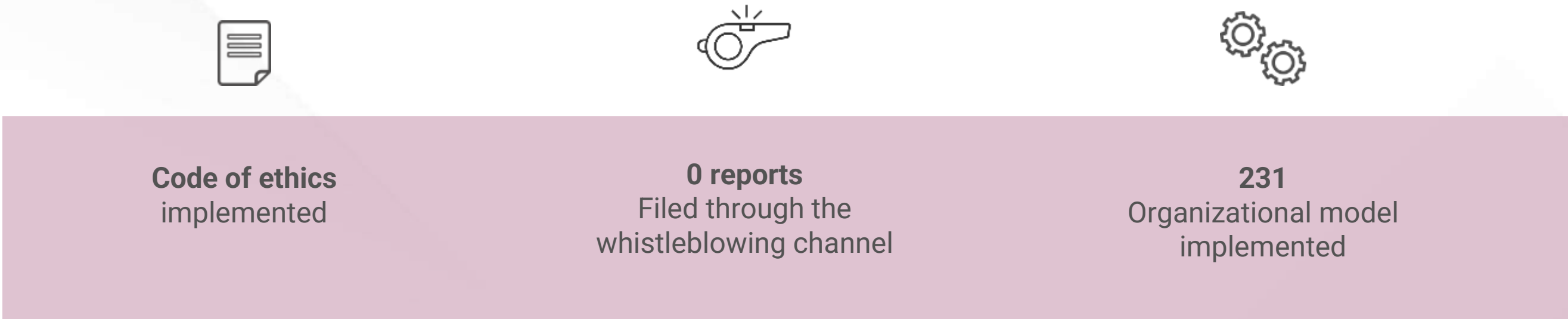


*Scope 2 are zero, considering a market based approach (electricity consumed is covered by Guarantees of Origin). Location based Scope 2 GHG emissions were not calculated in 2022.

SOCIAL



GOVERNANCE





Date of investment

Feb 2020

–

Fund

Arcadia Small Cap II

–

Employees

195

(+16% vs 2021)

–

Annual Turnover

35.3 €Mln

(+30% vs 2021)

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

FSC Chain of Custody of Cardboard Certification

Guarantees the traceability of the timbers used for the production of the cardboard

–

Enviromental Product Declaration

certifies the commitment as manufacturers to measure and reduce the environmental impact of products (**obtained in 2023**)

–

Environmental and quality Policy in place (**drafted in 2023**)



SOCIAL

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



GOVERNANCE

Ethical Packaging Charter

Grafiche Favillini has signed **the Ethical Packaging Charter**, which includes **10 different commitments** product and production chain–related

–

The commitment n.10 is **Sustainable Packaging** obtained. from **responsible sources** and **renewable raw materials**, and with **the lowest consumption of resources** and energy

–

The company appointed an **ESG Coordinator**

Data presented refer to both Grafiche Favillini and Ideagrafica



ENVIRONMENT



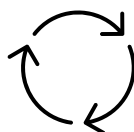
60.9 tons
(+23% vs 2021)*
Total hazardous waste
2,401 tons
(+22% vs 2021)*
Total non-hazardous waste



2,029 MWh/year
(+13% vs 2021)
Electricity consumption



100%
Electricity consumed
derived from
renewable sources



1,003 tons/year
(+78% vs 2021)
Of certified and/or
recycled materials

* Please consider that the annual turnover increased by 30%, therefore the increase in the generated waste is also linked to increased production



SOCIAL



24%
(vs 30% in 2021)
of new hires are women



11.40h
(+43 vs 2021)
average voluntary training
per employee



1
(2 in 2021)
Workplace injury



12
(vs 177 in 2021)
Lost days due to injuries



GOVERNANCE



ERP system
(Enterprise Resource
Planning) implemented and
up to date



UNI EN ISO 9001: 2015
For Quality management
System



Code of Conduct
In place



Ecovadis Silver Status
(Voluntary ESG Rating)

**Date of investment**

Feb 2021

–

Fund

Arcadia Small Cap II

–

Employees

101

(+7% vs 2021)

–

Annual Turnover

19.5 €Mln

(+9% vs 2021)

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

KEY ESG INITIATIVES UNDERTAKEN



ENVIRONMENT

Resource efficiency

Reduction of paper material in packaging (~10% p.a.) and **efficiency gains per pallet** (-14% transport consumption)

–

New thermoforming machines to **increase production efficiency** and **plastic saving**



SOCIAL

Employees' engagement

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



GOVERNANCE

Achievements

Introduction of the **Organizational Model** pursuant the L.Decree **231/2001** in January 2022.

–

The company appointed an **ESG Coordinator**



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.

Please note: The company conducted a first exercise of ESG data collection in 2022. The company will work to improve data availability and data quality to ensure efficient ESG performance monitoring.



766 MWh/year
(+0.1%% vs 2021)
Electricity consumption



350 MWh/year
(+2% vs 2021)
Electricity from renewable
sources consumption



5
(vs 3 in 2021)
Workplace injuries



28
(vs 54 in 2021)
Lost days due to injuries



Code of ethics
adopted



231
Organizational model
implemented



Date of investment

Nov 2021

–

Fund

Arcadia Small Cap II

–

Employees

39

(+11% vs 2021)

–

Annual Turnover

20 €Mln

(-11% vs 2021)

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

–

Started the construction of a **photovoltaic system**



SOCIAL

Welfare system

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



GOVERNANCE

Key initiatives

Implementation of a new management system for the **automation** of customers' orders

–

Implementation of **Organizational Model** pursuant the L.Decree 231/2001

–

The company appointed an **ESG Coordinator**



Innovation

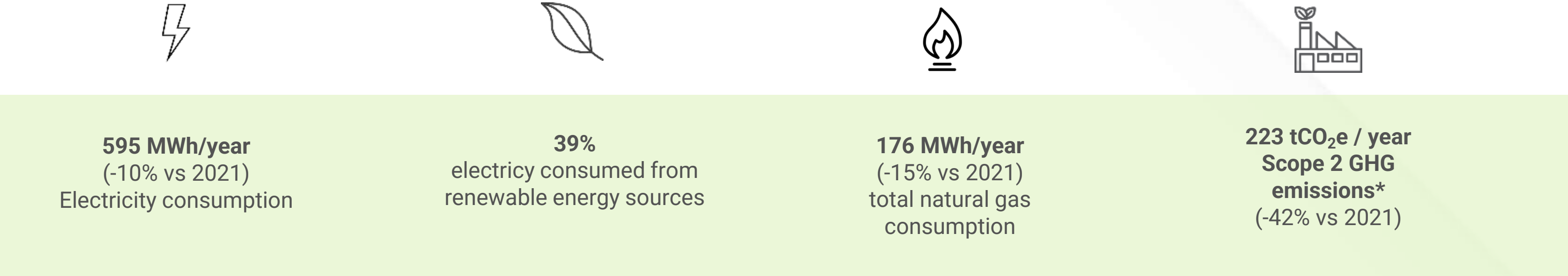
Development of «**Nema Socket**» and «**Zagha Socket**» **systems**, key components of street lighting for smart cities.

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).

Please note: The company conducted a first exercise of ESG data collection in 2022. The company will work to improve data availability and data quality to ensure efficient ESG performance monitoring.

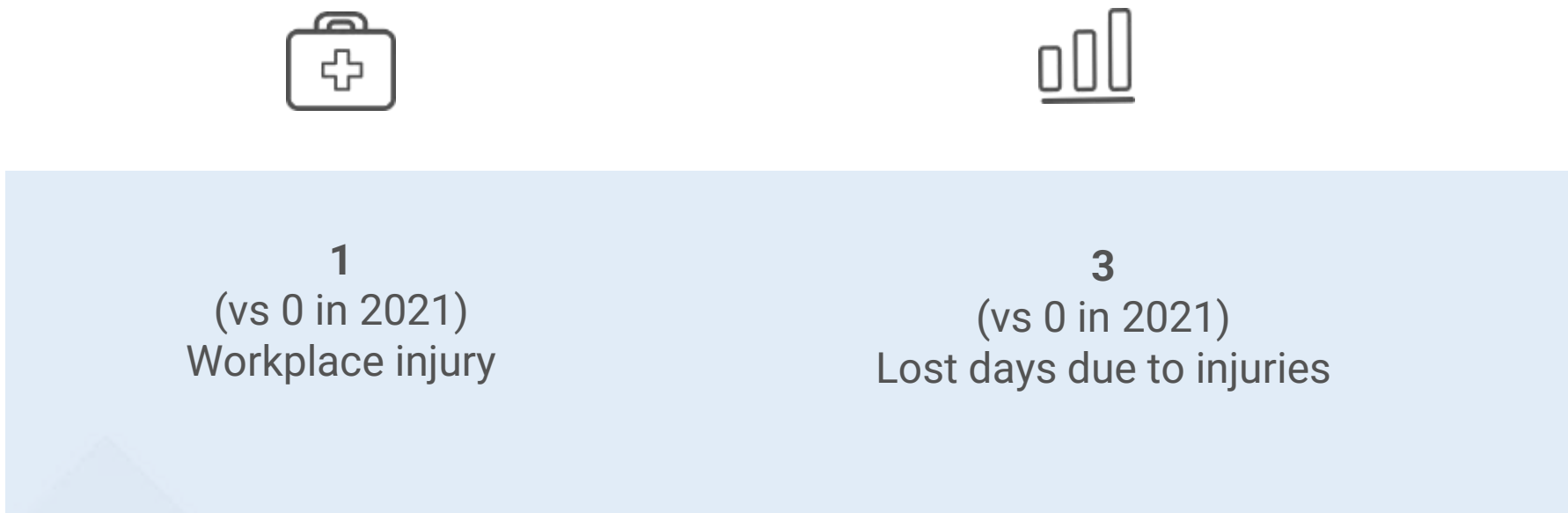



ENVIRONMENT

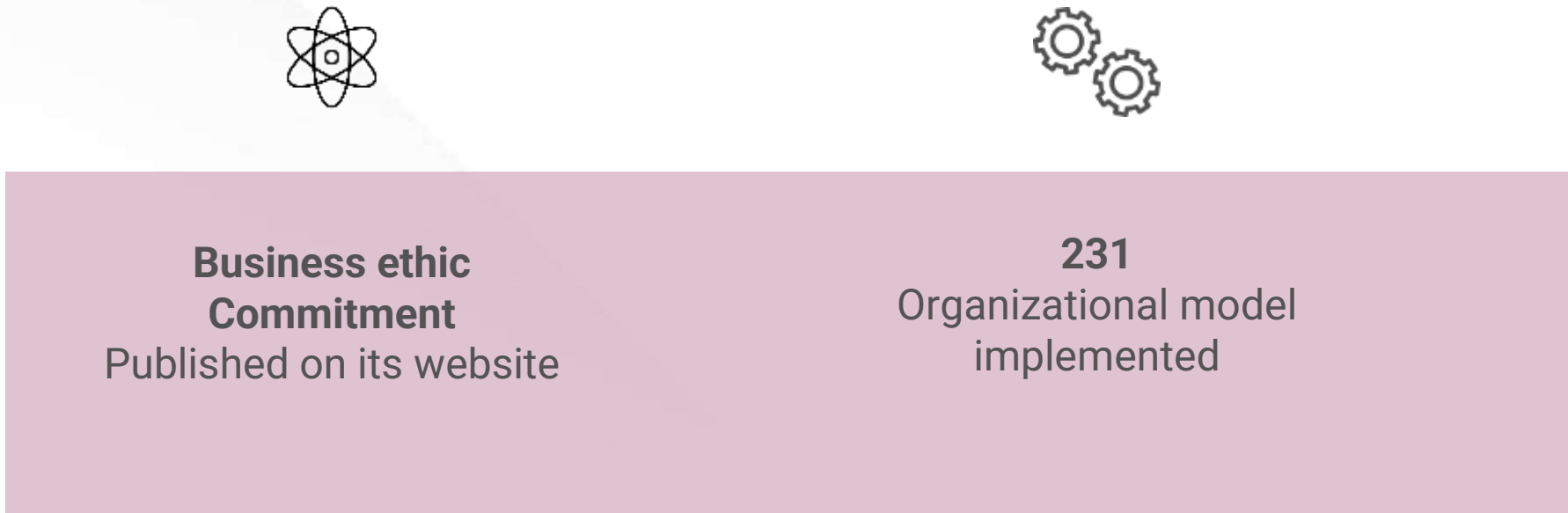


*Scope 2 are calculated considering a market-based approach (part of electricity consumed is covered by Guarantees of Origin). Location based Scope 2 GHG emissions and Scope 1 GHG emissions were not calculated in 2022.


SOCIAL




GOVERNANCE





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

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



SOCIAL

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**)

–
In 2021 the Company granted: health insurance for **Covid-19**, **health program** and a **voucher** of 150 Euro/employee



GOVERNANCE

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

Date of investment

Jul 2022

–

Fund

Arcadia Small Cap II

–

Employees

153

–

Annual Turnover

32.9 €Mln

Please note: The company was not engaged in the 2022 ESG data collection campaign, as the acquisition was completed in July 2022. Arcadia aims to include it in the data collection starting from 2023.



Date of investment

Jul 2022

–

Fund

Arcadia Small Cap II

–

Employees

125

–

Annual Turnover

22.1 €Mln

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

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

-

The company has appointed an ESG Manager

Please note: The company was not engaged in the 2022 ESG data collection campaign, as the acquisition was completed in July 2022. Arcadia aims to include it in the data collection starting from 2023.



5. Next Steps

Plans for the 2H 2023 and 2024

ESG AT GP LEVEL

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

- Arcadia will provide the BoD and the Investment Team a training focused on climate-related risks and opportunities;
- The screening of climate risk materiality will be integrated within the pre-investment phase (within the ESG/EHS Due Diligence) and ownership phase (within 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 2024 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.

By demonstrating progresses on its Sustainability Agenda, Arcadia also aims to achieve and **increase its PRI questionnaire score** with respect to its first baseline score

ESG AT FUND LEVEL

Begin the investment activity through the new fund **Arcadia Sustainable Capital III, placed in article 8 of the SFDR**:

- Through its investment activity, ASC III Fund will promote 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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