

# The Arrow engine for growth

We believe we have the right strategy in place to drive growth and create value for our shareholders.

## Link to risks

- A Macro and political
- B Target operating model
- C Liquidity/funding risk
- D Capital allocation and investment returns

- E Regulatory scrutiny
- F Operational resilience
- G Fund and investment management executive and business transformation
- H Scalability
- I Fund management personnel

Read more on our principal risks and uncertainties on pages 48 to 52.

Strategic priorities	Our approach	Progress in 2020	Key priorities in 2021	Link to risks
<p><b>1</b></p> <p><b>Live and breathe our purpose and culture, supported by clear and ambitious ESG goals</b></p>	<ul style="list-style-type: none"> <li>• Enable customers to build better financial futures by helping them to rehabilitate their credit scores and gain access to future credit</li> <li>• Use industry-leading data and analytics to better understand our customers' financial situations and tailor our interactions with them on an individual basis</li> <li>• Work with debt charities and other organisations that provide free impartial services to ensure that customers get the best possible advice</li> <li>• Clear ESG framework built</li> </ul>	<ul style="list-style-type: none"> <li>• Finalist for 11 industry awards, winning seven</li> <li>• Maintained our strong relationship with Citizens Advice in the UK</li> <li>• Worked closely with and funded StepChange, Payplan and Christians Against Poverty on consumer debt issues</li> <li>• Customer engagement via digital routes continued to increase</li> <li>• New sustainability framework, which was approved by the board</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to focus on excellent customer outcomes</li> <li>• Increase customers' digital interaction with us</li> <li>• Maintain staff incentives based on positive customer outcomes</li> <li>• Deliver against ESG targets</li> </ul>	B,E
<p><b>2</b></p> <p><b>Allocate capital dynamically to drive outsize returns while effectively managing risk</b></p>	<ul style="list-style-type: none"> <li>• Make value accretive capital allocations depending on the prevailing market and economic environment</li> <li>• Strike a balance between investing for growth, increasing returns to shareholders and deleveraging</li> <li>• Ensure all investments are made on a prudent risk-adjusted returns basis</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritised liquidity preservation in H1 due to COVID-19 pandemic economic uncertainty</li> <li>• Grew investment volume in H2 to take advantage of investment opportunities presented by the economic dislocation</li> <li>• Prioritised investments backed by hard, quality assets</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the macro-economic environment</li> <li>• Deploy increased investment volume should returns increase</li> <li>• Continue to focus on high-quality secured assets</li> </ul>	A,B,C,D,G
<p><b>3</b></p> <p><b>Prioritise investments in high-value, granular niche products in our core markets whilst creating opportunities for platform servicing revenue</b></p>	<ul style="list-style-type: none"> <li>• Leverage expertise in granular asset classes to target high-return niches</li> <li>• Use local knowledge and experience of our local in-country teams to drive performance</li> <li>• Maintain underwriting discipline</li> <li>• Maintain diversity by geography and asset class</li> <li>• Invest in assets that provide returns significantly above our mid-teens IRR target</li> <li>• Provide quality asset servicing solutions for third-party clients</li> <li>• Deliver consistent asset serving results for our Fund and Investment Management business</li> </ul>	<ul style="list-style-type: none"> <li>• Arrow invested through its separately managed agreement (SMA) in the ACO 1, which as a whole invested at a rolling IRR of 17% in 2020</li> <li>• Created a diverse investment vintage by geography and asset class</li> <li>• 26 new third-party servicing contracts won</li> <li>• Arrow's owned platforms are the primary servicer on 73% of ACO 1's fund investments and are involved as a servicer on 88% of ACO 1 fund investments</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to invest prudently and at attractive returns across a diversified vintage</li> <li>• Drive internal and third-party collections performance</li> </ul>	A,C,D,G
<p><b>4</b></p> <p><b>Build a scalable and sustainable fund management platform with a diverse spread of global investors</b></p>	<ul style="list-style-type: none"> <li>• Raise further funds at larger scale</li> <li>• Grow the number and diversity of limited partner investors in our funds</li> <li>• Grow FUM to over €10 billion by end 2025</li> <li>• Increase the Group's proportion of higher quality capital-light earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Raised first discretionary third-party fund – ACO 1</li> <li>• FUM grew by €0.6 billion to €4.3 billion</li> </ul>	<ul style="list-style-type: none"> <li>• Deploy ACO 1 fund at attractive returns</li> <li>• Maintain focus on offering our clients excellent service and solutions</li> <li>• Consider attractive new investment strategies for future fundraisings</li> </ul>	A,C,D,F,G,H,I
<p><b>5</b></p> <p><b>Develop industry-leading asset management and servicing expertise which support our investment ambitions, clients and customers</b></p>	<ul style="list-style-type: none"> <li>• Retain current talent</li> <li>• Ensure we can offer attractive opportunities to new investment talent that can complement and expand on our current expertise</li> <li>• Deliver the highest quality of service to clients</li> <li>• Ensure we have the most up-to-date expertise to ensure that customer satisfaction and welfare are always successfully delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to retain senior members of the investment team</li> <li>• Hired new talent with accretive expertise</li> <li>• Customer satisfaction levels increased despite the impact of COVID-19</li> <li>• Won the Credit Strategy award in relation to client service</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to prioritise retention of investment talent</li> <li>• Identify new talent that fits well with the Group's strategy, purpose and culture</li> <li>• Continue to ensure that client and customer experience are best-in-class</li> </ul>	B,E,F,H,I
<p><b>6</b></p> <p><b>Create a simple, efficient and flexible organisation by deploying agile practices, supported by strong leadership and a commitment to develop our people to reach their full potential</b></p>	<ul style="list-style-type: none"> <li>• Identify opportunities to increase productivity</li> <li>• Identify opportunities to reduce costs</li> <li>• Ensure maximum working flexibility for employees facilitated by leading technology solutions</li> <li>• Prioritise development of our employees</li> </ul>	<ul style="list-style-type: none"> <li>• Embarked upon a £10 million cost reduction programme</li> <li>• Reduced costs by £8.9 million year on year</li> <li>• Enabled 100% of employees to work from home while also improving productivity scores</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to identify opportunities to reduce costs and improve productivity</li> <li>• Continue to ensure that employees are able to work with flexibility</li> </ul>	B,H,I