

ESG REPORT 2022

We are  
accelerating  
our progress



# Welcome to our third annual ESG Report



At Arrow, we are committed to an ethos of continuous development and as you read this report, you will see that we have delivered strong progress across Arrow including our 19 local asset management and servicing platforms. Environmental, Social and Governance considerations can directly and materially impact investment outcomes. As long-term investors, we know that focusing on ESG throughout the investment lifecycle avoids undue risk and better identifies valuable opportunities. Integrating ESG analysis into our investment process helps ensure that we are aligned with our clients and society's collective long-term interests. In short, we recognise long-term sustainable success is linked to the fortunes of the stakeholders and communities that we work alongside.

Our local market expertise is unique in the European asset management eco-system. That expertise means we help a large and fragmented banking sector to move illiquid assets off their capital-intensive balance sheets, thereby allowing their capital to be redeployed into the wider economy; driving investment, job creation and improved standards of living. This expertise, together with the strong sense of responsibility that's embedded in our culture, ensures excellent outcomes for the underlying customers, clients and assets.

In 2022 we benefitted from the success of further embedding ESG processes across our businesses. Empowering our teams to incorporate sustainability into what they do, identifying where we can drive positive impact and developing our measurement and reporting capabilities are all critical steps in our journey.

We remain proud of our track-record as an asset manager and with our disciplined investing, underwriting approach and propriety deal flow. We know we have tremendous opportunity ahead of us. ESG is at the heart of value creation, and the pandemic and other societal issues have accelerated the pace of change around ESG. When we reflect on Arrow's proven track record as a responsible business we believe our ESG framework directly supports our purpose to Build Better Financial Futures and empowers our colleagues to embed ESG factors in the investment lifecycle, whilst delivering strong risk-adjusted returns for our investors.

We strongly believe that a proportionate and robust ESG approach is a driver of long-term returns, so we examine both how we operate our business and how and where we choose to invest.

Our governance model reflects this, through our Group ESG Forum, which drives ESG implementation across our business operations, and our responsible investment approach, which drives implementation of ESG factors into all aspects of our investment activity. The latter is championed by both the board and investment committee of AGG Capital Management which is proud to be a signatory of the UN Principles for Responsible Investment (UN PRI).

This standard setting is a critical component of how ESG is cascaded through our company and places accountability in the relevant teams. It's something we continue to build on. In 2023, we're evolving our ESG Forum into an Executive Sustainability and ESG Committee of the main operating company in the Arrow Group to place ESG firmly at the heart of our governance model. Looking forward, we will enhance our environmental management activity through our Taskforce for Climate-related Financial Disclosures (TCFD) programme to further action our support of the Paris Agreement. Furthermore, we will place greater emphasis on fund structures that support ESG outcomes and continue to develop our product offering in line with the EU's Sustainable Finance Disclosure Regulation Reporting (SFDR).

As you read this report, you will see highlights on key topics such as Diversity, Equity and Inclusion (DEI), how we acknowledge and address our environmental impact at operational and investment levels and what it means to work at Arrow and give back to the communities in which we operate. Furthermore, you will see highlights from our Sourcing and Servicing platforms and the important role each of these teams plays in delivering our ESG commitments.

While we are excited about the progress we have made, we know we need to continue to scale and accelerate our efforts across our entire Firm and Arrow Global is fully committed to driving a more sustainable future.

**Zach Lewy,**  
**CEO, CIO, Arrow Global**

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# 1. Introduction to Arrow

## ITALY

- 270 PROFESSIONALS
- 4 PLATFORMS
- OFFICES IN MILAN, ROME AND SIENA



# Company overview

## Purpose

Building Better Financial Futures

## Vision

We aim to become the world's leading vertically integrated alternative asset manager, delivering attractive returns through responsible investments.

## Values

We succeed together

We do the right thing

We're trusted and valued

We're brave and creative

# 19 platforms, c. 2,300 professionals, multiple asset classes\*

## €79bn

Assets under management (AUM)

## €6.2bn

Funds under management (FuM)

## 683 CO<sub>2</sub>e

Scope 1 & 2 GHG emissions

## 5

European geographies

UK, Ireland, Portugal, Italy and Netherlands

\*With fund management offices in Jersey and Luxembourg

### Asset classes



### Partners

#### REGULATORS



#### TRADE ASSOCIATIONS



#### SIGNATORIES



# Arrow at a glance

Arrow is a leading vertically integrated alternative asset manager specialising in credit, real estate and direct lending.

Arrow was founded in 2005 by Zach Lewy, CEO, CIO, with the ambition of creating Europe's leading private credit and real estate investment platform. Today, we deliver best-in-class risk-adjusted returns for global investors across our preferred strategies: Real Estate, Direct Lending, and Opportunistic Credit. Arrow's hallmark is to invest opportunistically, moving between geographies, asset classes and positions in the capital stack as we evaluate evolving risk/return dynamics. To execute this strategy, Arrow has developed its geographic and asset-class expertise in its target markets.

We own critical parts of the European infrastructure which gives us a practical advantage. Our best-in-class asset management and servicing platforms generate differentiated and advantaged returns through disciplined investing, underwriting insight and proprietary dealflow. This vertically integrated advantage allows us to create sustainable value throughout market cycles.

## Our vertical integration

- 19 platforms across 5 countries delivers diversification\*
- Deep local knowledge delivers better asset management performance
- Strong local relationships delivers better, often off-market, deals



- Highly diversified investors enables good capital flow
- Multi-asset class opportunities from local expertise
- Multi-market exposure delivers diversification

## Our offices

Arrow's local advantage is underpinned by 2,300 talented professionals, who are deeply connected to our 5 European chosen markets. These are supported by fund management offices in Luxembourg and Jersey. We have brought together leading practitioners, both locally and centrally, in the European credit and real estate sectors, and our diverse workforce means we are able to build meaningful connections to these markets and our investments.

Our strong track record has seen us invest more than €8 billion over the last 16 years across a broad range of investment opportunities, predominantly real estate asset backed, and we service €79 billion of third-party AUM using multiple key European regulatory licences.

We operate across five European geographies with headquarters in London, and further offices across our European geographies as shown below.

## 15 office locations

deeply connected to our chosen markets

### UK

Glasgow  
London  
Leeds  
Manchester

### Ireland

Dublin

### Luxembourg

### Jersey

### Italy

Milan  
Rome  
Siena

### Portugal

Lisbon  
Porto  
Vilamoura

### Netherlands

Amersfoort



## >€8 billion

invested over the last 16 years across a broad range of investment opportunities

## 2,300

talented professionals, operating throughout five European geographies






































## €79 billion

of third-party AUM using multiple key European regulatory licences



## Our platforms

Our local advantage also extends to our unrivalled origination network, forensic underwriting, and portfolio management.

	UK	Ireland	Netherlands	Portugal	Italy
SME	 			 	
Mortgage					
Real Estate	    	 		 	  
Consumer	 	—	 		
Master Servicer/ Securitisation			—		
Speciality Real Estate Lending		—		—	—

Our teams are experts in their chosen fields, covering areas such as construction finance, non-performing loans, single-name bankruptcy, corporate restructuring, bridge and agricultural lending, and small business loans. Our local advantage also extends to our unrivalled origination network, forensic underwriting, and portfolio management.

Arrow's longstanding relationships with its investors, business partners and lenders are a testament to our success in meeting the highest standard of fairness, cooperation, transparency, and commitment to the communities in which we operate.

Achieving long-term sustainable success requires us to deliver on the expectations of the stakeholders and communities that we work alongside. That's why we integrate ESG throughout our responsible investment, loan administration and business operations. In doing so, we drive our purpose of Building Better Financial Futures for all of our stakeholders and deliver sustainable risk adjusted returns to our investors.

"Arrow's vertically integrated model combines expertise across all of our central functions and local platforms, a key differentiator for us and for our investors. Our local platforms are empowered to generate unique, local, and often off-market investment opportunities. Each platform takes huge pride in how they operate and how well integrated they are into their respective territories, so as much as investments are driven locally, so are many of our ESG activities across all the countries we operate within."

**Mark Gollin,**  
**Managing Director and**  
**Global Head of Platforms**





# 2.

## ESG at Arrow

### IRELAND

- 150 PROFESSIONALS
- 2 PLATFORMS
- OFFICES IN DUBLIN



# Evolution of ESG at Arrow

“Having joined Arrow in 2017, I was delighted to take on the role of Sustainability and ESG Director in January 2021 having previously developed the company’s ESG policy as part of our Enterprise-wide risk management framework. However, that was far from the start of Arrow’s ESG journey. Arrow has evolved and adapted since 2005, through a series of progressive ownership structures, each aligned to well-established financial market participants and subject to external scrutiny via a range of stakeholders, including multiple regulators.

This ability to learn and adapt has enabled Arrow to maintain the entrepreneurial drive for seeking out new commercial opportunities, whilst leveraging the most effective parts of governance and oversight models.”

**Paul Woods,**  
**Director ESG & Sustainability**

## Track record of responsible business practice and governance structure

### 2005-2012 Arrow Global formed

- ▶ Sallie Mae buys majority stake in 2005
- ▶ Management buyout in 2010

### 2013-2014 Maturing to UK PLC

- ▶ Arrow Global lists on the LSE with £220m bond issue in 2013
- ▶ €225m senior secured note issued in 2014

### 2015-2020 Expansion across Europe

- ▶ Regulated platforms expanded into 5 geographies
- ▶ €230m senior secured note issued in 2016
- ▶ €838m fund raised in 2019
- ▶ €1.7bn fund raised in 2020

### 2021-2022+

### Accelerating impact through private ownership

- ▶ Acquired by TDR Capital in 2021
- ▶ UN PRI signatory
- ▶ €79bn AUM



Our current position as a vertically integrated European asset manager relies upon our local teams delivering in line with regulatory expectations, with oversight from key central functions to meet the additional asset manager model governance protocols. This approach allows us to incorporate new and emerging themes into existing structures – for example, environmental challenges or reacting to the cost of living crisis – and is underpinned by our three lines of defence model, with independent risk and compliance and internal audit functions driving a consistent level of diligence across our policies and controls.

We recognise this is a process of continuous improvement and look forward to further evolving and embedding ESG at Arrow as we continue to grow our business.

“At Arrow, our purpose is to build better financial futures for our stakeholders, whilst delivering superior risk-adjusted returns to our investors. Considering a range of ESG factors allows us to identify, mitigate and manage a wider range of risks, but also identify value enhancing opportunities. Building ESG factors into our business plans for our management of investments allows us to maximise the value of our investments.”

**Monique O’Keefe,**  
**Chair of AGGCM and Chief Risk & Governance Officer**



# Key 2022 achievements

## 7,000

beneficiaries reached through  
volunteer programmes.

## 25%

reduction in our Scope 1 and 2  
emissions from 2021.

## 7.6

out of 9 customer net  
promoter score.

## 1,200

colleagues supported across the  
Group through cost-of-living crisis.

## 95%

of our data is hosted in cloud data  
centres, with plans for 100% by  
the end of 2023.

“The need for data and quantitative assessment of ESG characteristics is increasingly evident. This is not simply about meeting regulatory requirements, but to intelligently articulate assessment of ESG risks and opportunities – and impact where appropriate – in a meaningful way that demonstrates progress for all stakeholders.”

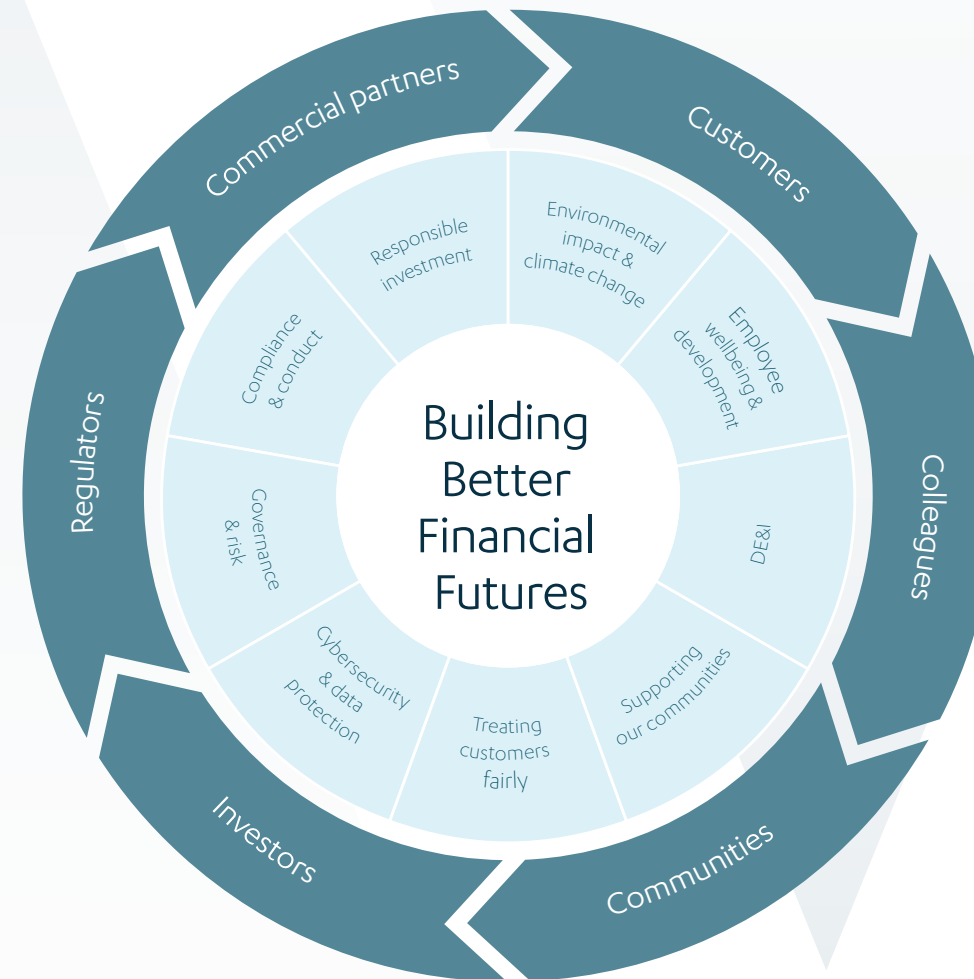
**Paul Woods,**  
**Director ESG & Sustainability**



# ESG priorities

Our ESG priorities are those issues that we deem most material to our stakeholders and those that will significantly impact our commitment to deliver long-term risk-adjusted returns. We have nine material ESG factors that span how we operate as a responsible business and a responsible investor. As a vertically integrated business, the interconnectivity of how we operate as a firm across these issues is essential to maintaining the healthy relationships we have with our stakeholders.

Furthermore, this aligns with our existing risk management oversight and governance to ensure that the relevant reputational risks are actively avoided or mitigated.



## Summary of ESG priorities

**Environmental impact & climate change** – As a vertically integrated asset manager operating across Europe, we recognise that our business has a direct and indirect environmental impact.

**Employee wellbeing & development** – Creating an exceptional colleague experience from day one, an environment that enables colleagues to grow, pays attention to our people's health and wellbeing, and allows them to share in Arrow's success is essential for recruiting and retaining talent.

**DE&I** – We recognise the importance of building an inclusive environment where colleagues can thrive.

**Supporting our communities** – We are mindful of the role we play in the societies in which we operate and seek to engage and work with those communities, helping to achieve our purpose of Building Better Financial Futures.

**Treating customers fairly** – The fair treatment of customers is core to our business because it's essential to growing strong, respectful stakeholder relationships.

**Cyber security & data protection** – Protecting our customers and investors through robust data management and security is paramount to us being a responsible business.

**Governance & risk** – A robust governance structure and approach is essential to allow us to operate as a responsible business and responsible investor.

**Compliance & conduct** – Compliance with all local and regional regulatory standards is inherent to how we operate as a responsible business and treat our customers fairly.

**Responsible investment** – Our role as a responsible investor ensures we meet investor expectation as well as wider societal needs.

# Framework

Arrow is committed to being a responsible participant in the markets in which it operates and via its business strategy. We approach this through two key perspectives. First, Arrow’s ESG policy and framework defines a Group-wide approach which enables consistent focus whilst still allowing in-country teams to adopt additional requisite local practices.

Secondly, the firm operates a Responsible Investment Policy via the Fund Manager board, whose investment committee ensures that the key principles are applied to each investment decision and portfolio management in line with Arrow’s status as signatories to the UN PRI.

## Our ESG framework

Our purpose

Building Better Financial Futures

Drives our ESG strategy

Environment

We are aware of our impact on the natural environment and are taking actions to improve it

Social

We understand and respond to the needs of our people and customers

Governance

We are a responsible business and investor

Identifying key areas

Climate Risk: Investments

Climate Risk: Operations

Customers & communities

People & culture

Responsible investment

Business conduct & risk

With our stakeholders’ interests at heart

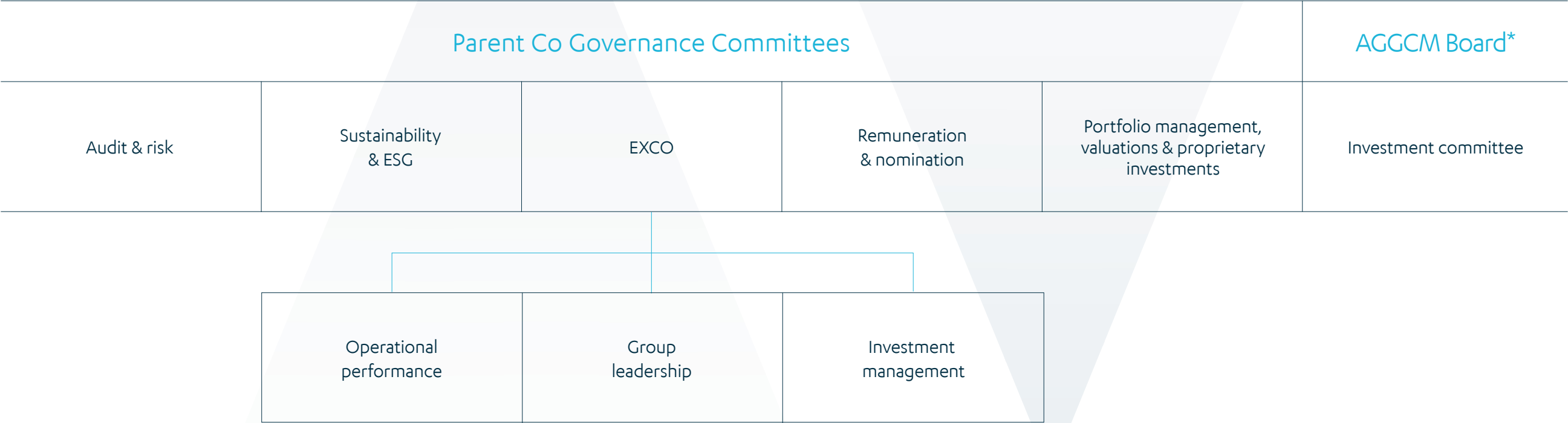
Customers, Colleagues, Communities, Investors, Regulators, Commercial Partners



Our governance structure

At the senior level of our business we have a governance structure that covers both our Group-wide operations and our investment programme, the relevant constituent parts

are shown in this diagram and are covered in the Governance section of the report (p18).



# 3.

## Governance

### UK

- 1,065 PROFESSIONALS
- 7 PLATFORMS
- OFFICES IN LONDON, JERSEY,  
MANCHESTER, LEEDS AND GLASGOW

# Governance

Strong governance is vital to keeping Arrow a well-run business. It ensures that we stay open and transparent, and defines how we manage risk. This allows us to grow safely whilst improving our reputation and building trust with key stakeholders.



Leadership team conference in Dublin

## Structure of governance model

Upon completion of the TDR acquisition of Arrow in Q4 2021, Arrow initiated a detailed strategic review of its business. 2022 was a critical year of implementing the strategic plan and embedding the new governance structure and strong risk management culture into the new operating model. As part of this review, the Group has aligned itself in a vertically integrated manner. Whilst we have a central ESG team with ultimate oversight of the Group-wide ESG strategy, we utilise the expertise of our local risk and compliance teams to monitor and assess local requirements and embed the required skills and accountability where required, for example in our investment teams to support our Responsible Investment approach.

## Oversight

A Sustainability and ESG Forum, comprising of members of our Executive and Senior Leadership team oversees the ongoing delivery of the Group's sustainability agenda and reviews, challenges and supports the Group's approach and progress on agreed ESG initiatives. The forum is supported in its role by the Director of Sustainability and ESG, plus other senior leaders as matters arise which are relevant to their functional area.

During the year, Forum members have played a key role in developing our ESG and Responsible Investment policies, implementing an ESG scorecard for the Group, updating the investment committee memorandums, moving forward with our Diversity and Inclusion agenda and leveraging insight from external experts such as the UN PRI and UN Global Compact. In 2023, we are formally constituting the Forum as an Executive Sustainability and ESG Committee to place ESG firmly at the heart of our governance model.

## Attestation model

In 2022 we introduced a new attestation framework to support our ESG governance. Through this, our platforms attest to the board and central risk and governance functions in relation to the implementation of the Group policies, including the ESG policy. This process also supports collation of data into Arrow's quarterly ESG scorecard.



### Risk management

At the centre of our risk management framework are our values and culture. Effective risk management is closely aligned to our goal of Building Better Financial Futures, while our three lines of defence model enables all colleagues to own and manage risk in a manner which supports well-informed decision-making.

The enterprise-wide risk management framework defines a common approach across the whole organisation. This framework includes:

- ▶ Embedding the three lines of defence throughout the Firm
- ▶ Clarity of roles and responsibilities
- ▶ Establishment of risk appetite
- ▶ Risk management aimed at understanding risks and enabling proportionate risk mitigation plans
- ▶ Controls to address new and emerging risks
- ▶ Recognition and maintenance of operational risk and resilience plans
- ▶ Escalation and risk reporting

The framework is frequently monitored and reviewed to ensure it remains suitable for the size and complexity of the Group's business. For example, in 2022 we saw the addition of a more granular ESG taxonomy to our risk framework to support risk and control self-assessments and incident management.

### Assurance & audit

Beneath the Board sits an audit and risk committee whose purpose is to provide oversight of the financial reporting process, the audit process, the Company's system of internal controls, the effectiveness of its risk management framework and compliance with laws and regulation and guidance, and any material internal audit matters.

### Whistleblowing

Arrow aims to maintain the highest standards of openness, integrity and accountability in its work. All employees and consultants employed by Arrow are encouraged to be vigilant for signs of wrongdoing or criminal activity by individuals or organisations working with Arrow, and are encouraged to report such behaviour using our dedicated anonymous whistleblowing reporting line, which is managed by independent ethics and compliance specialist, Navex Global.

### Human rights & modern slavery

Arrow operates in accordance with all relevant laws and regulations, including those relating to human rights, which are specially addressed through a range of colleague-facing policies. In addition, each year the Board reviews and approves the Group's Modern Slavery and Human Trafficking (MSHT) Statement. The existing MSHT Statement was approved in May 2022 by the main operating board of the Arrow Group. The Board considers the actions being taken by the Group to identify and/or address any potential modern slavery or human trafficking within its supply chain continue to be appropriate. It is pleased to report that to date no instances of modern slavery or human trafficking have been identified.

### Supplier management

Through our supplier management framework, we identify supply chain risks and monitor accordingly. The oversight process includes reviews on regulatory requirements, financial status and ESG factors (including modern slavery). Outputs from these reviews form part of our overall governance and risk management protocols feeding into relevant risk committees or other forums as required.



As well as risks, our supplier management framework also reveals high performers in environmental and social practices. Adare SEC Limited – a critical supplier of communication solutions for Arrow, is a supplier with a robust and well documented ESG Strategy.

A great deal of paper correspondence is handled and issued via Adare on behalf of Arrow, which naturally has an environmental impact. For that reason, Adare's environmental practices are of high interest to Arrow, and we're pleased that their progress on sustainability is strong, as evidenced by their gold EcoVadis rating and Science Based Targets.

Alongside factors such as financial results and performance, it is important to Arrow that ESG factors such as those described above are considered when selecting suppliers.

### Financial crime

Arrow is committed to the prevention of financial crime such as money laundering, the funding of terrorist activity, bribery and corruption, sanctions breaches, fraud and market abuse. Through risk-based internal procedures, policies and systems and controls, we strive to ensure that high standards of financial crime prevention and awareness are maintained by all employees and consultants, whether under a contract of employment or otherwise.

Our procedures include the screening of new and existing counterparties against sanctions and PEP watchlists and monitoring of them through a risk-based monitoring regime, which ensures timely and immediate reports of any potential instances. These activities are supported by annual financial crime training, which is mandatory across the Group for all new and existing employees. Arrow also engages external third parties to assist and oversee our anti-money laundering and financial crime policies and procedures.

“The success of our vertically integrated model is enabled through our suite of Group policies which allows open dialogue between key individuals at the centre and local leads. Policies are attested to by each platform on a quarterly basis ensuring all policies are implemented at the local level, allowing for a consistent governance model that supports our culture.”

**Deniz Erkoc,**  
**Group Head of Risk**





# 4. Responsible business

## THE NETHERLANDS

- 250 PROFESSIONALS
- 2 PLATFORMS
- OFFICE IN AMERSFOORT

# Introduction

The way we deliver on ESG at Arrow aligns with our purpose of Building Better Financial Futures. At its core, this means that to deliver sustainable risk-adjusted returns for our investors, we operate as a responsible business that invests time and careful thought into creating successful, long-term, outcomes to the satisfaction of all our stakeholders. Our business model depends on local relationships that give us strong commercial advantage. Like any relationships, these flourish when people act with integrity and responsibility, with shared long-term interests in mind.

This is why we operate a local strategy, whereby each platform has established long-term relationships with regulators, banks and clients in its geography; strives to identify and then ultimately achieve the most viable commercial resolution given the individual customer's current financial capabilities and furthermore treating these individuals fairly, respectfully, with absolute transparency and with their most sound and economically feasible financial interests in mind; recruits and supports individuals from the communities it operates within and considers our impact on the surrounding environment.

As a responsible business, we take our legal responsibilities seriously, including the duties of directors under Section 172 of the Companies Act, maintain the highest standards of business conduct and risk management and act on issues of sustainability that may impact our stakeholders. As such, embedding sustainability principles within the culture and conduct of our business is of paramount importance.

“Arrow’s approach to ESG and sustainability is aligned to its purpose of Building Better Financial Futures. We are aware of our responsibility to reduce our impact on the natural world, whether that be our use of offices and travel or the products and services we provide to clients, and increasingly assess the environmental risks that may face our business today and over a long-term horizon. Under our social programmes we aim to understand and respond to the needs of all our customers and colleagues, but we also extend this responsibility to the communities in which we operate. Achieving our ESG goals is perfectly aligned with our track record of operating as a responsible business and investor, helping to reinforce our high standards of business conduct and risk management and guiding the next steps in our journey.”

**Helen Morgan,**  
**Senior Associate Sustainability & ESG**



“Our relationship with the Central Bank of Ireland, our core regulator, has been a key tenant of our market engagement. Openness and transparency on our Consumer Protection and our customer treatment approaches has been an essential part of this engagement. We welcome frequent communication and a strong relationship with the regulator as an important part of our business and are keen to develop and enhance that rapport.”

**Joanne Harvey,**  
Chief Risk Officer, Mars Ireland



Underpinning our operational approach is a robust governance structure, with key members of the senior leadership attending a quarterly Sustainability & ESG Forum. The Forum is responsible for supporting the business in driving and measuring the delivery of the Group’s ESG initiatives and ensuring broader awareness of ESG topics across key members of the leadership team. The Forum also monitors key metrics across Arrow’s platforms via a scorecard. These cover environmental metrics such as carbon emission and energy consumption; social metrics covering wellbeing, diversity & inclusion, health & safety, staff development, customer treatment and supporting local communities; and governance metrics such as reportable cyber security incidents and the existence of certain internal policies. 2023 sees the Forum being formalised into an Executive Sustainability & ESG Committee.

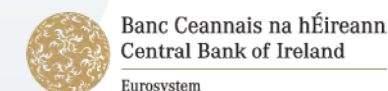
As well as our internal monitoring we welcome external benchmarking wherever possible. A recent example includes Whitestar’s completion of the EcoVadis assessment in which they achieved a silver medal for the first time.

The following sections explain each of our key focus areas with case studies and testimonials from our platforms to demonstrate the uniqueness of the Arrow offering.

## UK



## Ireland



## Portugal



## Italy



## Netherlands





# Environmental impact & climate change

As a vertically integrated asset manager operating across Europe, we remain mindful of climate risks, our impact on the environment and our efforts to mitigate that.

Whilst we are not an operationally carbon intensive business, we recognise that climate change is one of the greatest risks of our time and as such it is our duty as a responsible business and responsible investor to reduce our impact on the environment. This is a key area of focus for the business for 2023, especially as we prepare our inaugural Taskforce for Climate Related Financial Disclosures (TCFD) Report. We have also committed to being net zero in our operations by 2030, seeking to reduce emissions first and foremost and then offset using high-quality carbon credits.

As a Group we always seek to leverage best practice from others so we're proud of our colleagues from Maslow who have begun their journey to net zero by offsetting carbon emissions from their operations via Carbon Neutral Britain, supporting sustainability projects both in the UK and abroad.

Carbon emissions KPIs	KPI unit	FY 2021	FY 2022
Scope 1	CO <sub>2</sub> e (tonnes)	487.1	318.5
Scope 2	CO <sub>2</sub> e (tonnes)	436.7	364.0
Scope 3*	CO <sub>2</sub> e (tonnes)	332.1	694.3
GHG emissions per employee	CO <sub>2</sub> e/FTE	0.5	0.6

For Arrow Group as a whole we continue to focus on reducing our emissions and as part of our TCFD programme we will further embed senior management oversight of de-carbonisation across our business, only using carbon offsets where necessary.

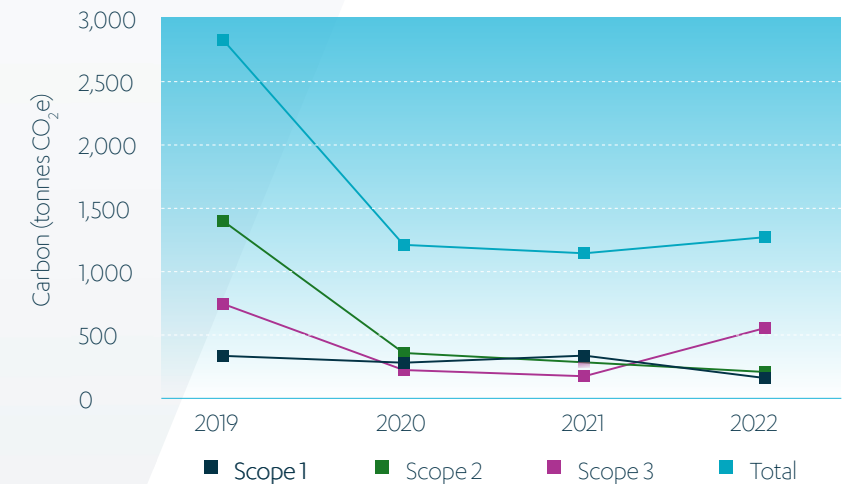
Despite Covid restrictions having eased in 2022 allowing a return to normal working patterns, as a business fully endorsing a hybrid-working model we have seen our operational carbon emissions halve since Covid (FY 2019 vs FY 2022). This is largely driven by a reduction in office space in 2022, with our Portuguese and Italian platforms combining into one office space each, the exit from a non-core platform and improvements in data collection. Whilst we have seen our Scope 3 emissions rise this year, mainly as a result of an increase in business travel, this again, is less than half of our 2019 Scope 3 emissions demonstrating the shift to opting for digital meetings where possible.

Due to the nature of our offices being purely leased property, we ensure we occupy spaces owned and managed by top-tier landlords and managing agents to ensure we work together towards the best possible solution for our people and the environment. Our managing agents are all working towards providing 100% renewable energy, using the correct supplier for waste disposal and working with all suppliers on their operational procedures.

“Our attention to sustainability was a main driver in the choice of the new Sagitta SGR and Zenith offices in Milan. In addition to being energy class A, the building is equipped with a sensor lighting system and an air recirculation system, allowing for clean air and adequate absorption of CO<sub>2</sub>. In addition, the building has the LEED Gold and Well Silver certifications. We also made sure to reuse the furniture and IT equipment from our old offices minimising the waste generated in the moving process.”

**Stefania Lovino,**  
Head of Compliance & ESG, Sagitta SGR

## Carbon emissions



We've reduced overall Group energy consumption from 2021, this is reflected in the reduction of our Scope 2 emissions. We continue to work with landlords and managing agents to identify the best solutions for our people and the environment.

Where we are able to control improvements within the offices, initiatives have sprung up across the Group. Examples include: Europa Investimenti introduced water machines in the office and provided all colleagues with reusable water bottles, saving an estimate of 6,250 plastic water bottles since July 2022; implementing LED bulbs across our offices; increasing the number of recycling points and decreasing the number of printers to reduce the likelihood of printing at our Lisbon office; plants have been introduced across the office floor at our Manchester and Lisbon offices; and our Manchester office has made the change from plastic to glass milk bottles which can be returned to the dairy, sterilised and reused.

## Energy consumption

## Unit

## FY 2021\*

## FY 2022

Group natural gas

Kwh (1,000's)

399.9

498.3

Group electricity

Kwh (1,000's)

2,059.8

1,871.1

Group energy consumption

Kwh (1,000's)

2,459.7

2,369.4

Group energy consumption

CO<sub>2</sub> (tonnes)

533.7

463.5

Energy use per employee

(Kwh/FTE)

963.5

1,031.5



We also encourage our colleagues to use low-carbon emitting commuting methods. UK, Irish and Dutch colleagues have access to a cycle-to-work scheme, colleagues who travel to work by public transport in The Netherlands are reimbursed the cost of their travel, the Portuguese car fleet increased its number of electric and hybrid cars by 20% in 2022 and Drydensfairfax no longer provides parking facilities at the office to encourage employees to consider an alternative means of travel.



“We continue to operate a hybrid working model and to consider the physical footprint of our business operations, strengthening relationships between facilities teams and various landlords to ensure we’re doing everything we can to operate in a sustainable fashion. This has been bolstered by recent moves to new offices in both Italy and Portugal. We will continue to look for the right opportunities and look forward to further quantifying our approach via the TCFD programme.”

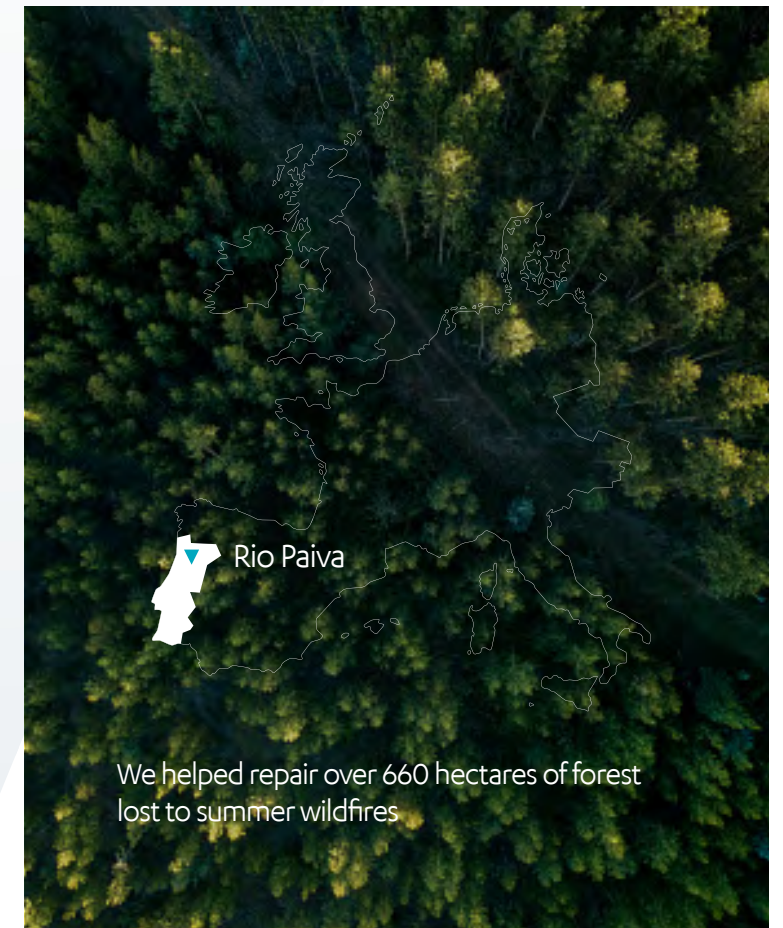
**Andrew Grimditch,**  
**Chief Finance Officer**





“Arrow Portugal is committed to the environment. This year, we’ve seen a 65% reduction in CO<sub>2</sub> emissions from 2021 through hybrid working and combining our Portuguese platforms into one office building. In October 2022, we hosted our annual investor event in Lisbon. We knew it would have a CO<sub>2</sub> impact. To help mitigate this we worked with a partner to help deliver two initiatives on repairing over 660 hectares of forest lost to summer wildfires, caused by extreme heat. The first was sponsoring a local environmental rehabilitation project reintroducing native species and drawing down carbon naturally. We also partnered with ‘Plant a Tree’ and planted 100 trees in different areas of the country. It is really inspiring to see our business support initiatives that make a significant difference.”

**Joao Bugalho,**  
**CEO, Arrow Portugal**



# People & culture

We and our stakeholders have a shared expectation of how we will act ethically and responsibly in line with our purpose of Building Better Financial Futures. This is at the heart of how we conduct our business and our Group-wide values support this approach.

Our People strategy aims to answer three key questions:

- How can we attract the exceptional talent we need?
- How can we retain our valuable people?
- How can we create a great colleague experience and environment where our people can do their best work?

We have a number of initiatives which focus on these elements, which when combined, play a key role in cultivating a positive work environment, with a diversity of perspectives, ultimately leading to the continued success of our Group performance.

## Our values

### We succeed together

We take ownership and ensure a positive outcome for both our customers and the Group. We're collaborative and support each other.

### We're trusted & valued

We earn trust from our customers by treating them as individuals. We learn and change based on our customer feedback. We take our corporate responsibilities seriously. We will act as an example to all in our industry.

### We do the right thing

We keep our promises. We help our customers repay their debts in a timely and affordable way. We empathise with our customers and treat them fairly.

### We're brave & creative

We thrive on positivity, flexibility and challenge. We share ideas and have the courage to lead – we're not afraid to do things differently. We use insight to lead change and innovation.

“Being a responsible business is important to both long-term commercial success and the ability to attract and retain key talent. Not understanding and acting on social issues is more than likely going to result in the manifestation of some reputational risk for the business or the portfolio. Looking at how the Company has performed over time, and recording that change, demonstrates the right culture and management controls.

A great approach is to seek external input as part of shaping internal thinking – it is easy to think you are doing a great job and it can be difficult to open up to scrutiny from a third party. However, if done correctly it can enhance understanding, develop collective leadership commitment and drive real change across an organisation.”

**Paul Woods,**  
**Director of Sustainability & ESG**



## Diversity, equity & inclusion

Our DE&I strategy recognises the importance of building an inclusive environment where colleagues can thrive. Having commissioned external DE&I consultants 'The Clear Company' to conduct a Group-wide audit of our people practices in relation to DE&I, the results have enabled us to develop a roadmap to drive long-term improvement.

We have a target to achieve

# 40%

female leader representation across the Enterprise by the end of 2025.

## Commitments

### Building an inclusive culture

By fostering an inclusive environment where we recognise the value of diversity.

### Diverse talent

We commit to conduct fair and unbiased recruitment development and talent management.

### Developing inclusive leadership

We commit to developing diverse leadership who are positive role models and demonstrate inclusive leadership.



## Approach

### Audit benchmarking

Identify priorities and map progress against best practice standards.

### Awareness & education

We offer inclusive learning opportunities, identifying opportunities to build awareness and celebrate diversity.

### Engagement

We engage with the business through Peakon and engagement events to enable open communication around DE&I.



## Partnerships

### The Employers Network for Equality & Inclusion (ENEI)

To support us in building diverse teams and inclusive cultures, we have partnered with The Employers Network for Equality & Inclusion (ENEI) who provide training and consultancy services. ENEI are a valued strategic partner who are driven by the belief that a world where workplaces are truly inclusive is possible.

Arrow is aiming to submit its first TIDE (Talent Inclusion and Diversity Evaluation), ENEI's self-assessment evaluation and benchmarking tool, in 2023. The TIDE report will feed into our DE&I strategy and plan, and the overall score will show us where our organisation sits on the ENEI road map.

### 10,000 Black Interns

We are very proud to be actively participating in the 10,000 Black Interns initiative.

This scheme provides opportunities for young black people in England and Wales through paid internships with Arrow and others across many different sectors. Having been involved for a number of years we have seen the value with interns staying with us longer than their initial placements. We are aiming to have two further interns, joining us in July 2023.

### My journey

"I started at Arrow Global on a 12-week internship with the Fundraising and Investment team. I thoroughly enjoyed learning how the team interacted with investors and was fascinated with the dynamic fast-paced nature of the work. I had never been in a role where I had so much exposure to senior management. Paul Woods (Director, Sustainability & ESG) asked me to stay on and work with the team and 10 months later I am enjoying the learning and the opportunities that are constantly afforded to me."

**Cleopatra Sali,**  
**Associate - Sustainability & ESG**

#10000  
BLACK  
INTERNS



### Girls Are iNvestors (GAIN)

We aim to encourage more young women into the investment sector, taking part in the GAIN scheme. The scheme encourages and engages young women through inspirational talks, career support and opportunities for intern schemes.

### DE&I census

As part of our DE&I strategy, we are collecting colleague data across sexual orientation, ethnicity, disability, religion and belief. This is in addition to the age and gender information currently collected. This is taking the form of a voluntary colleague census to capture these important information points, conducted through our colleague engagement platform Peakon. With a diverse colleague group across multiple countries, we want to understand and improve representation within our local communities.

### Employee networking groups

We are incredibly proud of our DE&I colleague networking groups, including colleagues from across the enterprise. Over the past year each networking group have been driving forward awareness and improvements across Age & Gender, LGBTQIA+, Neurodiversity and Race & Religious Beliefs.

**A DIFFERENT PERSPECTIVE**  
MEMBERS & ALLIES

**BREAKING THE BIAS**  
MEMBERS & ALLIES

**CULTURE INCLUSIVE**  
MEMBERS & ALLIES

**TOGETHER WITH PRIDE**  
MEMBERS & ALLIES

“As the ‘Together with Pride’ Group Chair, I am immensely proud of the work that we do. Personally, the Group is important to me as I passionately believe that all colleagues should be supported and encouraged in bringing their true selves to work. Last year one of our events saw colleagues from across the Group take part in our Aids & HIV lunch and learn session as well as sharing their own stories and increasing the education and awareness of LGBTQIA+ topics throughout the business.”

**Our journey by Steph Carr,  
LGBTQIA+ Chair**



## Supporting & developing our colleagues

We aim to create an exceptional colleague experience, an environment that enables colleagues to grow, develop, share in the success of our organisation and one that pays attention to the health and wellbeing of its people.

### Onboarding

A key area of focus is ensuring new colleagues joining this great team are supported to meet their full potential and contribution. In their first weeks, we believe integrating them into our organisation and familiarising them with our culture, strategy and team goals is key to help them begin a successful career.

### Engagement

We pride ourselves on colleagues having a great experience at work and pay considerable attention to the relationship between engagement and performance. We use the colleague pulse survey platform Peakon to give managers the real-time insights they need to engage and empower their teams. Our Peakon engagement score remained consistent this year at 7.4 out of 9. To support our managers, HR Business Partners spend time coaching them and providing a host of resources to enable them to create a positive working environment for our colleagues.

## Talent development

As Arrow builds assets under management, we are also building a scalable business and talent practices. We develop talent towards our future business capability needs while seeking the very best external talent.

Arrow Global maintains a strong talent philosophy and clear talent management approach to identify, develop and build succession strategies effectively. We promote from within and have a strong track record of providing growth and career opportunities at all levels of the organisation – from entry level through to senior leadership.

With a vertically integrated structure we have capability and opportunities across our geographies. Our model also provides high levels of accountability at a local level with the accompanying empowerment. This is a positive foundation for strong succession pipelines. We have a deep bench of professionals who have worked together for many years and have a diversity of thought given the breadth of experience and varied backgrounds.

“I was invited to participate in an Executive Program for women, focused on promoting female talent and helping to reduce the gap in gender equality in top management positions. The experience was amazing, and I am very thankful for this opportunity to take part in a group of highly-qualified women who desire to become inspiring leaders with the capacity to develop their careers.”

**Rita Duarte,**  
**Risk & Compliance Director, Portugal**



### Learning

Our Group learning platform LinkedIn Learning helps us create a culture of continuous growth and learning. We provide all employed Arrow Global colleagues access to over 16,000 courses and videos to support their development.

Locally, there is strong appetite for ESG education. Led by Europa Investimenti, our businesses in Italy combined to provide an ESG training opportunity for c. 80 colleagues across the Italian platforms in association with the highly regarded Bocconi University. The Italian businesses continue to look for the most appropriate training opportunities for colleagues.

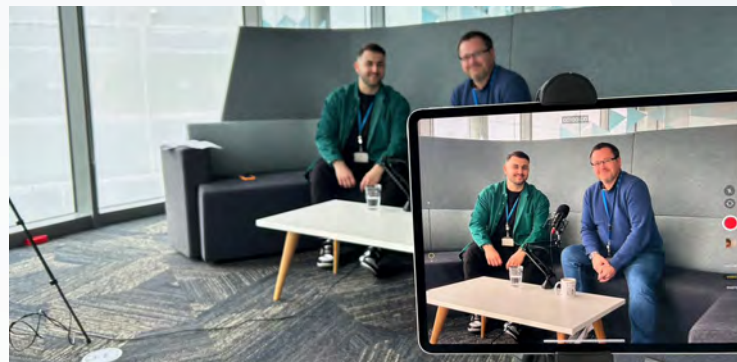
### Flexible working

We believe that our hybrid and flexible working environments supports and retains colleagues, enhances wellbeing, increases motivation, promotes a healthy work/life balance and attracts new talent to the organisation.

While protecting business needs, we have found it possible to enable colleagues to manage their working patterns while consistently delivering high quality outcomes for all of our stakeholders. We believe in this approach of empowerment and collaboration in creating an environment our colleagues can be proud of.

### Wellbeing

Arrow place significant value in colleague wellbeing with a suite of policies in place to support our people. One of our company values is “we do the right thing” and colleague welfare is at the centre of this. We have recognised the significant impact the cost of living crisis has placed on our people. On the back of this we have implemented an initiative which saw our lower-earning colleagues receive financial assistance, in the form of a non-repayable Arrow financial payment package. This is just one of many initiatives that we provide in order to do the right thing by our people, who make Arrow the successful business it is today.



Recording a podcast series, which showcases ongoing ESG activities we're doing for colleagues and customers

“The cost-of-living payment was so unexpected, it will make such a big difference to me and so many colleagues, it will ease some financial pressure and boost morale. Very well received.”

**Lisa Munnings,**  
**Financial Care Assistant, Capquest**

## Reward

We recognise that it is important to attract, retain and engage people who have the skills, values and expertise to implement Arrow Global's strategy and ensure all of our stakeholders are serviced to the best of our ability. Over the course of 2022 we've reviewed our colleague reward proposition to provide a compelling Total Reward structure that combines short- and long-term compensation, benefits, colleague recognition and personal and career development opportunities.



"ESG has become the lens through which responsible investments are now made. Having ESG expertise in-house to advise investment professionals is essential, as is the upskilling of origination, underwriting, portfolio management and servicing teams to ensure a sustainable approach to investments is pervasive throughout an organisation's DNA. However, it is not just investment teams; the need for ESG talent has embedded itself in departments where employee welfare and learning is now a key priority with the associated benefits of increased productivity, reduced sickness, increased employee retention and engagement. Employees are also looking for companies where ESG is strongly rooted, avoiding businesses that neglect this important area."

**Jan Wade,**  
**Chief People Officer**





# Customers & communities

## Customers

The fair treatment of customers is core to our business, not only does this mean we adhere to regulatory requirements fostering relationships with the regulators and clients, but it enables us to improve the financial lives of our customers which is directly in line with our purpose of Building Better Financial Futures.

Our consumer-facing platforms' approach to managing non-performing loans is to work with our customers to find an amicable and practical solution, typically a payment plan and/or a restructuring of the loan. We often find we are able to take a more flexible approach to finding a solution to the customer's circumstances than the banks, which involves a detailed assessment of the customer's financial circumstances to help guide a sustainable and affordable payment plan, from which we see long-term adherence and ultimately, we strive to do this in the most economically sound, transparent and compassionate way possible. Arrow's approach to customer experience is reflected in our customer satisfaction scores, which are consistently above 7.6 out of 9 and a reduction in our customer complaints upheld year on year from 31% to 25%.

We run a number of initiatives across our consumer platforms to ensure we are always doing the right thing by our customers, especially the most vulnerable amongst them.

capquest

One of our UK businesses, Capquest, partnered with a social enterprise firm, IncomeMax, on a pilot project whereby 100 vulnerable customers are referred to IncomeMax to receive expert support to determine if they are eligible for further government benefit payments.

The cost of this service is covered by Arrow, but Arrow has no direct access to additional income identified. To date over 200 customers have been referred, 85 have completed checks with c. 70% of those individuals having extra income identified as available to them, at an average of c. £6,000 per individual.

 **whitestar**

8.1

Customer satisfaction score

 **VESTING  
FINANCE**

8.4

Customer satisfaction score

capquest

4/5

Trustpilot score



Whitestar in Portugal has launched a #SharingisCaring initiative in 2022 as a means to identify and support vulnerable customers by connecting them with local support services.



“Our Customer Sharing is Caring project has become a way to interact with our customers at a totally different level. Hearing what’s going on with them, mostly the ones in serious need, trying to find ways to improve their living conditions made us realise that being a socially responsible company can improve our image and build a recognised brand. Socially responsible companies, like Whitestar, can stand out from the competition and improve the engagement with its customers.”

**Ricardo Candeias Filipe,**  
**Business Support Director, Whitestar**





At Mars Ireland, we require our customer support executives to be highly skilled with the ability to understand and raise sensitive issues relating to our vulnerable customers to a specialised team known as our Customer Advocacy team. Once a customer is identified as high risk, the account is removed from the normal operating model and assigned to a dedicated Customer Advocate who will then work with the customer to find a satisfactory resolution for all parties and is appropriate for their circumstances.

“At Mars Capital, customer centricity is incredibly important to us. We are continuously striving to help customers, particularly our most vulnerable by “Doing the Right Thing”, and by being “Brave and Creative”. We have a dedicated, and specialist, vulnerable customer team with a comprehensive suite of options available to ensure the best possible outcomes. This has ensured that Mars Capital are well recognised within the industry as one of the leading exemplars for the management of vulnerable customers. Mars Capital rightly takes great pride in these successes, and they are evidence that we are living and breathing our customer culture goals and the Arrow values.”

**Martin Dowdall,**  
**COO, CIO, Mars Capital Ireland**







We have seen digitisation across many of our consumer platforms as part of improving the customer journey. Vesting Finance launched its new customer portal at the beginning of January 2022.



“This new portal makes it much easier for the customer to contact Vesting, make payments, including partial payments, and find out information about their account, at a time when it suits them best. Importantly, these portals are designed with data security requirements at the core”

**Reza Atighi,**  
**CEO, Vesting Finance**



## Awards and recognition

# 1

Mars Ireland is the servicer of choice in Ireland, being awarded the NPL Servicer of the Year 2022 at the Global Capital European Securitisation Awards.



# 2

Whitestar certified Top Employer Portugal, for the 4th consecutive year.



# 3

In the UK, we were thrilled to see colleagues win for 'Women in Credit – Business Leader 2022' and 'Best Outsourced Partnership 2022' at the Credit Strategy Awards and Collections and Customer Services Awards.



# 4

Arrow Global Portugal recognised for furthering economic links between Portugal and the UK by the British Embassy at the Department for International Trade Business Awards.



# 5

In-house UK legal platform, Drydensfairfax Solicitors, ranked as Tier 1 in The Legal 500 for Debt Recovery in the Yorkshire and Humber Region for the 11th year running.





Volunteers enjoying delivering financial literacy training to school children as part of the JAE programme

### Communities - Group

Our local approach is integral to how we operate as a business, we are mindful of the role we play in the societies in which we operate and seek to engage and work with those communities. All Arrow employees are entitled to one day volunteering leave per year, to use as they choose giving back to the community.

As a Group we partner with Junior Achievement Europe (JAE), a charity we feel is synonymous with our purpose. JAE is Europe's leading non-profit provider of educational programmes for financial literacy and entrepreneurship and has a track record

of partnering with public and private organisations to equip young people with work readiness skills. Junior Achievement Worldwide, which represents all Junior Achievement organisations globally, has been nominated for the Nobel Peace Prize 2023 for its work with young people across the globe, the second successive year. Partnering with JAE allows us to work with young people in the communities we operate in, helping to equip them with vital employability and financial literacy skills, working towards building that better financial future.

In 2023, we reached over 7,000 beneficiaries as part of our JAE programme, an increase on our 2022 number, with 130 Arrow employees volunteering across the year. We saw a record number of volunteers in Ireland with one event 'JA Inspires' reaching over 100 students. We also organised a European activity 'Global Money Week' for the first time which enabled 22 volunteers from across the Group to come together with 55 students from Italy, Ireland, Portugal and the UK for a 'speed learning' event whereby students could explore the variety of careers available within the financial sector by directly speaking with Arrow professionals.

"The perspective gained from taking a day away from the corporate environment is invaluable and hopefully we've played a role in energising the next generation of adults to go out and achieve their dreams."

**Ben Turner,**  
**Strategic Transactions Director, Arrow Global**





Two of our colleagues helped organise a toy appeal in the Manchester office and then spent the day at Wood Street Mission packaging toys up to be given as Christmas gifts to children of low-income families

### Communities - Local

Arrow colleagues are also invited to spend their volunteering day supporting a cause close to their heart. 2022 saw colleagues volunteering across a range of causes, such as delivering essential food items to babies and children in Lisbon, redecorating a centre for children with disabilities, running in the Pittarosso Pink Parade in Milan and taking part in the 'big canal clean up' supporting Sealife Manchester.

The business also supports charities chosen by colleagues, such as Dogs Trust in Ireland, Ajuda de Berço in Portugal, Associazione Edela in Italy, the CliniClowns Foundation in The Netherlands and The Honeypot Children's Charity in the UK. Sagitta launched the "Adopting a tree" initiative for its colleagues whereby the Company has paid for each colleague to adopt a fruit tree from a farmer certified as being compliant with environmental standards in Italy to compensate for emissions produced as a result of using email. Colleagues are able to check their tree's growth and receive the fruits of its adopted tree. In addition, Drydensfairfax has its own foundation which has made over £89,000 donations across 124 charities since its inception, inviting colleagues to put forward nominations of donations of up to £500 to the Trustees.

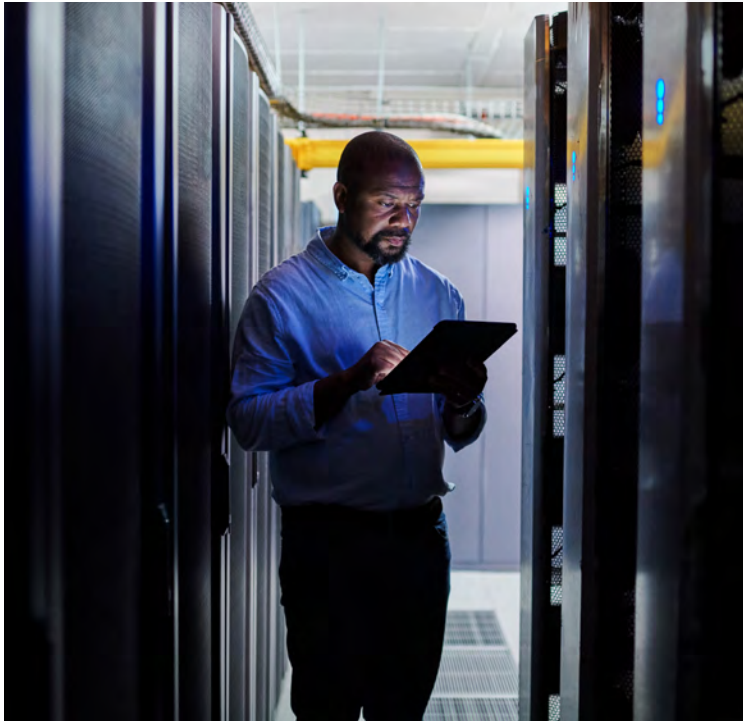
Teams from across Arrow have supported Marie Curie Cancer Care in the UK with Richard Roberts (Principal, Head of Origination and M&A) being a Fundraising Patron of the charity and both Richard and Zach Lewy sitting on fundraising committees. Alongside our Arrow leaders, we encourage many of our clients and professional service providers to support through events such as a charity quiz night that has become a major event in the London credit sector calendar.

"I nominated 'Andy's Man Club' to receive a donation from the Foundation of £500. Andy's Man Club is a UK charitable organisation described as 'a talking group, a place for men to come together in a safe environment to talk about issues and problems they have faced or are currently facing'. Sadly, I became aware of a male friend who took his own life and none of his friends and family had any idea he was struggling. If only he knew he could talk to someone without feeling embarrassed. The £500 donation that the Foundation made helped towards creating new groups including advertising and awareness materials."

**Gareth Riggs,**  
**HR & Communications Manager, Drydensfairfax**

# Cyber security & data protection

Protecting our customers and investors through robust data management and security in line with Arrow's ESG Framework.



As a financial institution, we recognise the critical importance of good data management, protection, and security in safeguarding the confidential information of our customers and investors. Proper data protection and security allows us to manage the growing cyber risk our company is facing, while proper data management ensures that we can efficiently and effectively collect, analyse, and report accurate information to our stakeholders. All our data management practices are in line with the ESG framework to provide our customers and investors with confidence in our data handling processes.

At Arrow we keep investing in robust data protection and security measures to mitigate the cyber risk and have developed a robust information security framework aligned to industry-leading security standards – e.g., ISO 27001, which is commensurate with a group of our size and the highly regulated sector in which we operate.

## 360 approach to data security

Over the past year, as part of our continuous improvement plan, we have strengthened a number of cyber security measures which are designed to protect our IT systems, the data they store and process, and the people that access it.

- ▶ We invested in new and enhanced cyber threat detection and response capabilities which have allowed us to effectively detect and block over 6 million potential cyber threats; including the active response to 35 of them.
- ▶ We have also bolstered our user awareness and training programme which, on top of the regular annual cyber training, now encompasses regular cyber awareness posts and videos, cyber quizzes, and phishing simulation campaigns which resulted in an overall 9% decrease in click rate. This is to ensure that our colleagues are aware of the importance of cyber security and actively play their part in handling customer data safely.

### Recognising the opportunity to reduce our carbon footprint associated with computing

At Arrow we now host 95% of our data in cloud data centres and expect to be at 100% by the end of 2023. We recognise that not only does this provide opportunities to store large quantities of data, reduce overall cost of ownership of IT, and increase our ability to be an agile business but also helps reduce our IT infrastructure associated carbon footprint. At Arrow we use secure cloud storage facilities within Microsoft Azure which has been shown to be up to 93% more energy efficient than traditional data centres. Furthermore, partnering with Microsoft as a host platform ensured we are working with a reputable and trustworthy business in terms of its wider ESG commitments.

“As a multi-country business, we recognise the importance of adhering to local regulations and laws. Our use of Microsoft Azure data centres allows us to comply with local data protection laws in each of the five European countries where we operate. Azure is designed to help organisations comply with a range of data protection and privacy regulations, including GDPR and HIPAA. By using Azure, we can demonstrate to regulators and clients that we take data protection and privacy seriously. Azure data centres are highly secure, with a 99.9% availability guarantee and industry-leading compliance certifications, including GDPR and ISO 27001, which gives us confidence in our ability to protect our clients’ data.”

**John Pellew,**  
Principal and Group Head of IT & Change





# 5. Responsible investment

## PORTUGAL

- 570 PROFESSIONALS
- 5 PLATFORMS
- OFFICES IN LISBON, PORTO  
AND VILAMOURA

# Introduction

As part of Arrow’s transformational journey into a vertically integrated European asset manager, we have continued to focus on further integrating core ESG principles into all aspects of our business.

To deliver on our commitment to being a responsible investor, we work collaboratively across multiple functions to assess key ESG considerations as applicable to each investment opportunity. From the initial stages of a deal, we carry out screening to determine whether the risks related to the transaction (including environmental, social and governance factors) are consistent with the risk appetite and core ESG principles of Arrow and its investors. Identifying and assessing these considerations, and maintaining transparency, is a core part of our long-term view on delivering value and return to our investors.

The alignment between our internal approach and the six key principles of the UN’s Principles for Responsible Investment means we were delighted to become a signatory in Q4-2021. In 2022, we have enhanced investment committee and Fund Management Board oversight of responsible investment, introduced a formal Responsible Investment Policy which describes the framework outlined below and have started using the PRI Academy resources to support the growth of our investment professionals. In 2023, we look forward to our inaugural PRI reporting.

“We aim to see the ESG profile of an investment as part of the overall delivery of risk adjusted return for our investors. We have actively opted out of investments where there is potentially high return but where our investment and legal professionals consider that there is a material ESG risk related to an investment. This could include potential sanctions risk or risks relating to the potential counterparty’s approach to compliance practices.”

**Samyuktha Rajagopal,**  
**General Counsel, AGGCM**





# ESG influence on investment decision making

1

Origination  
& sourcing

ESG considerations represented when investment opportunity presented to senior management.

2

Underwriting & due  
diligence

ESG profile and assessment generated as part of the underwriting and due diligence phase and summarised in investment committee memo.

3

Portfolio management

Central function experts and local platforms collaborate to ensure a common culture and standards across asset management and supplier management.

4

Exit

As part of any exit process, due consideration is given to ESG factors which could apply after the investment holding period.

Alignment of investment and operational aims support our consistent approach to ESG through the lifecycle of an investment opportunity



# 1. Origination & sourcing

Investments are screened at an early stage to ensure alignment to the risk appetite and core ESG principles of Arrow and its investors.

“Our investment programme needs to deliver investors the ESG attributes they expect in the portfolio. Investors are increasingly wanting to see transparency as to how ESG factors actually impact investment decision-making: both in terms of whether we make an investment or not, and then in terms of any follow-on portfolio management activities.”

**Marc Fuhrmann,**  
Principal, Real Estate

# 2. Underwriting & due diligence

A rigorous due diligence process is followed including consideration of ESG factors. In addition, the impact of various criteria is assessed to determine whether any restrictions are applicable as part of Arrow’s risk appetite or that are specifically excluded by our investors pursuant to their ESG requirements.

From an investment perspective, we acknowledge that environmental impact plays an important role in successfully delivering risk-adjusted returns. We are particularly aware of the long-term risks posed by climate change in real-estate investments and expanded the strength of our Real Estate team in 2022, bringing deep domain expertise and up-to-date knowledge of the intersection between real estate and ESG. Tackling the climate crisis will require innovative and bold solutions and quantifying the GHG emissions associated with our supply chain and portfolio is a foremost priority for the Group. We shall continue to enhance this in support of our Taskforce for Climate-related Financial Disclosures programme. Looking forward, we will also develop an approach consistent with the Taskforce for Nature-related Financial Disclosures, commencing with the inclusion of two biodiversity metrics in our ESG scorecard from 2023.

“We are pragmatic enough to recognise that ESG risk cannot be eliminated completely, but that it can often be avoided, well mitigated and accurately priced. This can be done in a number of ways from excluding the asset, employing contractual protections, resolving the problem if owned, or addressing it through good pricing.”

**Davide Stecchi,**  
Principal and Managing Director,  
Underwriting



## 3. Portfolio management

Our portfolio management activity includes the asset management of the underlying assets we have invested in and also our interactions and partnerships with other third-party suppliers ensuring that each of these uphold the operational standards we expect. We are proud of these relationships built by our central team and our local platforms, and the huge benefit this has for their teams and, subsequently, our investments.

### Valuing relationships



Vesting Finance services loans on behalf of the Dutch Bank RNLB, which offers clients a sustainability mortgage with lower rates for properties with a minimum energy rating of B. By virtue of being the servicer, Vesting Finance colleagues can also offer this mortgage to RNLB clients, encouraging customers towards more energy efficient buildings.

“As a leading financial institution in the Netherlands, Vesting Finance is one of the most accredited credit management organisations in the Netherlands, from a wide range of perspectives. These include biannual ratings by Fitch, regular audits by the Dutch credit management association NFI, and annual audits focusing on the quality of our processes. As part of all these review processes, there is a specific focus on customer interaction, and the policies in place to underpin that. We also regularly measure and track customer satisfaction and use this feedback to improve our processes. Additionally in early 2023, Vesting Finance has joined the Schuldenknooppunt, which is an initiative aimed at improving debt assistance in the Netherlands, which will help us serve our customers even better. Additionally, Vesting Finance has a dedicated sustainability rating in place through EcoVadis.”

**Reza Atighi,**  
**CEO, Vesting Finance**



“Mars Capital has, over the last number of years, established itself as one of the main Credit Servicing firms within the Irish Market. This sustained growth has been greatly assisted by the relationships the firm has built with some of the key pillar banks within the state. The view by these organisations is that Mars Capital is a company which, in all its activities, lives by its mission statement: ‘Mars Capital will always seek to understand the circumstances of its customers and help them, using all reasonable means available, return to long-term financial stability’. We continue to look to strengthen these relationships while always remaining mindful that the customer must be placed at the centre of everything we do.”

**Colin Maher,**  
**CEO, Mars Ireland**



## UN SDGs

We are fully aligned to the ten principles of UN Global Compact. In 2022 we began conducting Sustainable Development Investment (SDI) analysis across our AGGCM funds using the SDI Asset Owner Platform methodology. Inclusion of SDI analysis now forms part of every investment committee memorandum. Under this treatment c. 20% of these investment portfolios’ revenue is aligned specifically to solutions addressing the UNSDGs.

Maslow Capital aims to demonstrate alignment to six out of the 17 UNSDGs in its initial credit underwriting process.



“We feel as though we can have the most meaningful impact focusing on the green building, renewable energy, energy efficiency, social value, biodiversity enhancement and circularity principal aspects of each development opportunity. This allows us to influence real systemic change in the built environment and partner with like-minded professionals at all stages of the construction lifecycle that share a similar vision.”

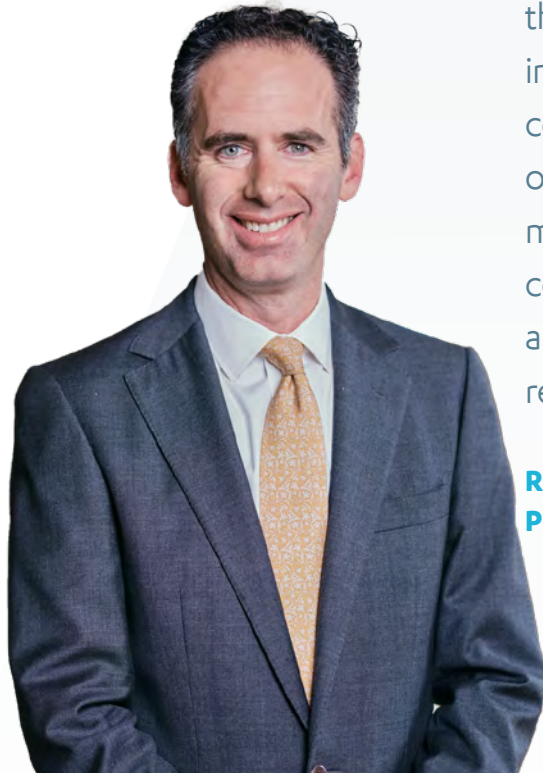
**Ben Colling,**  
**Director Portfolio Management**  
**& ESG, Maslow Capital**





## 4. Exit

For a responsible investor in non-core, stressed or distressed assets, exiting an investment in the right way can take many forms.



“In the process of exiting an investment in its ideal form, we will have been able to work with the underlying borrower to rehabilitate their credit position such that we can be refinanced out on terms which are better for them. Amicable settlements are not only the right course of action for Arrow, but frequently the economically best result too. Where we have invested in an asset as opposed to a loan, our exit would come from the sale of that asset to a responsible new owner, committed to own and develop the asset in the medium to long term. In both examples above, the exit counterparty will have undergone ‘know your customer’ and anti-money laundering, compliance and other relevant checks.”

**Richard Roberts,**  
**Principal & Head of Origination and M&A**

For further information on our Responsible Investment framework and an explanation of how ESG is considered at each stage outlined, please see the [ESG & Sustainability](#) section of our website.

Presented in the next few slides are examples of deals where ESG considerations have been a main driver of investment and our portfolio management activities.



## CASE STUDY

## Cambridgeshire, UK



The financing of a 33-unit residential development in Cambridgeshire.

This attractive investment opportunity is delivered via a reputable developer with strong ESG credentials including its accreditation with Safecontractor and SafecontractorPlus, as well as a transparent CSR Policy.

As part of the development, 10 of the units will be classified as affordable housing and pre-sold to a local Housing Association. The majority of the remaining units qualify



for the Government Help-to-Buy scheme, further supporting the need for new and affordable, good quality accommodation in the UK market.

The development also encompasses sustainable construction methods such as underfloor heating, air-source heat pumps, low energy pendant or downlighting in all rooms, integrated solar PV panels and passive windows. All of these initiatives add up to ensure that the end product delivers on sustainability in real-world, practical ways that provide benefit to the environment and the ultimate occupier of the property.

The development has been registered under the Considerate Construction Scheme and to further the social sustainability characteristics, large green spaces are incorporated into the design which will be for use by occupants and the local community.



## CASE STUDY

## Glasgow, UK



During 2023, Eagle Street aims to integrate smart technology to monitor the usage of water in real time across all the buildings in its office portfolio.

In 2022, a pilot project was undertaken at a multi let city centre office in Glasgow with Smartvatten to monitor water usage and flow rates across the building. Smartvatten technology measures the flow of water being supplied to the building using an electric device that takes pulse readings. This allows the accurate monitoring of water usage throughout the day, tracking when usage is high e.g. when the building opens up and showers and



canteens are used, to when there is little water demand overnight. This ability to monitor and track water demand in the building therefore enables the management team to be alerted to a possible issue or potential leak if there is higher than normal usage during out of hours.

During the project period overall water usage year on year was reduced by 52.9%.

In addition, Smartvatten provides a water consumption CO<sub>2</sub> calculation that takes into account the emissions of the water utility company's clean water production and waste-water processing, as well as emissions caused by heating water inside the building. For this same building the associated CO<sub>2</sub> emissions were halved during the pilot.



## CASE STUDY

## Italy



Zenith Service has completed the first securitisation of green car loans in Europe with Toyota Financial Services for €538.6 million. These loans enable the purchase of hybrid, plug-in or electric vehicles with a zero CO<sub>2</sub> emission target – the first transaction in Europe with such characteristics.



Zenith fulfils the roles of corporate servicer, master servicer, calculation agent, back-up servicer facilitator and bondholders' representative to enable this financial service, positioning Zenith as an innovative player in this new carbon reduction focused segment.

"The transaction was especially appreciated by investors who want to allocate some or all of their portfolios to assets with specific sustainability characteristics."

**Umberto Rasori,**  
CEO, Zenith



## CASE STUDY

## Milan, Italy



In the summer of 2022, ACO1 invested, through the Sagitta Fund with Europa Investimenti as advisor, to acquire a former light industrial site in central Milan with an aim of replacing the existing obsolete structures with a modern 13-storey residential building.



The new development will comprise 35 apartments, all with generous outside balconies and various other amenities including basement parking and storage, a communal garden, resident's gym with swimming pool, and possibly some co-working/meeting space. The design is also cognisant of the development's energy efficiency and environmental footprint.

"This is a pivotal project for the Real Estate business run by Sagitta in its approach to designing sustainable solutions to environmental and social issues we consider the most important as a business. We are using local materials for the structure, the latest energy efficient technology, facilitating water reuse and providing a calm space where residents can escape the noise and intensity of the city, to ensure we are having a positive impact on the local community and surrounding."

**Claudio Nardone,**  
CEO, Sagitta SGR





## CASE STUDY

## Lisbon, Portugal



Oriente Green Campus is an office development in a suburb of Greater Lisbon that intends to attract large international occupiers, not only by its design, working environment and experience, but also by the wellness features that embody this unique and sustainable building. The €63 million project will transform an existing three-storey structure (which was designed as a shopping centre before construction stalled in 2012) into a world-class, people centred, tech office campus.

€63m

project

41,000sq m

construction area above ground

71

parking spaces reserved for green vehicles

30+

e-vehicle charging points

200

bike parking spaces



Once completed, the project will accommodate up to 3,500 people, providing employment opportunities within Lisbon by attracting international talent to a city that is becoming one of Europe's leading tech destinations. There will be an auditorium, food court and gymnasium to support those working on the campus who will also benefit from an amazing 18,700 sq m fully landscaped outdoor area accessible to all the building's users.

OGC is targeting WELL and LEED Platinum certifications. Achieving these will make it the first building of this level in Lisbon. Planned measures include:

**Materials:** The reuse of the existing concrete frame will reduce the overall embodied carbon footprint by about 25%. The materials used will have LCA information and environmentally, economically, and socially preferable lifecycle impacts will be specified.

**Ecology:** Redevelopment of a brownfield site reduces pressure on undeveloped land. In addition, the building will have a green roof made of native or adaptive species to support biodiversity, reduce irrigation needs and mitigate the urban heat island effect.

**Operational energy:** Roof-mounted photovoltaic panels will reduce demand on the energy grid (to cover c. 60% of lighting for parking, c. 30% of lighting in common areas and 40% of elevator operation). Natural ventilation will be possible for about 127 working days per year. Low-energy lighting will reduce lighting power density by 30% against the benchmark.

**Water:** Potential for future storage and reuse of rainwater and greywater.

The project is under strict governance measures, being developed through a closed-ended fund managed by Norfin SGOIC, a management company regulated by CMVM (Portuguese stock market regulator) which is obliged to comply with the best governance practices.



## CASE STUDY

## Vilamoura, Portugal



A c. €125 million debt to equity deal to develop and reposition one of the largest golf and beach-front resorts in Europe, located in the Algarve's Golden Triangle in Portugal, made up of over 1,600 hectares with c. 10,000 permanent residents.

€125m

debt to equity deal

1,600

hectares with c. 10,000 permanent residents

1,000

residential and touristic units planned

€22.5m

of extra infrastructure

125,000sq m

of potential development area



Its coastal location, high number of golf courses and significant green areas require extra care during development to respect the local biodiversity and make the existing resort more sustainable.

More than 1,000 residential and touristic units and 140 hotel rooms are planned. This plan also commits to €22.5 million of extra infrastructure and public services to be funded by our investor group in agreement with the local council, including potential renovations of schools, fire service departments, and creation of new green spaces.

The project is protecting green space by not building on over 125,000 sq m of potential development area.

The first phase provides 2,000 MWh of renewable energy a year, enough for over 1,000 families and reducing CO<sub>2</sub> by 450 tonnes. An additional Renewable Energy Community (CER) project, with 60,000 sq m solar panels will produce an estimated 5,000 MWh to Vilamoura by 2035. This will avoid about 10,000 tonnes CO<sub>2</sub> a year, the same as planting 80,000 trees per annum.

"The Vilamoura project is very interesting from an ESG perspective. Due to the significant scale of the project, we have the chance to significantly impact across all three components. Even the social aspect, which is sometimes more difficult to achieve, resonates in our strategy as it touches two of our main strategic goals: the strengthening of the sense of local community and our seasonality reduction initiatives, which will help to create a more stable business environment for the local community. Environmental issues have been very dear to us for many years and Vilamoura Marina and Beaches both host a blue flag and benefit from an environmental quality certification under ISO 14001 (ambiente) for over 20 years."

**Francisco Sottomayor,**  
CEO, Norfin and Board Member, Vilamoura



# 6.

## Looking forward



# Looking forward

As you will have seen throughout this report, there continues to be a huge amount of endeavour across our business to push ahead on sustainability and ESG – and we recognise how much there is to do.

“The expectations we set for ourselves continue to grow rapidly, as do the requirements of our regulators and the insights and reporting needs of our investors. The ability to learn and share good practice is critical as businesses, and the societies in which they operate, strive to play a role in solving fundamental issues of environmental sustainability and social equity. At Arrow, the means to successfully deliver against those ambitions has the support of our Directors, executive management and key governance bodies. As we develop our operating model to enable more focus on ESG performance, this will naturally mean greater ownership and accountability across the Firm. As evidenced in this report, I am delighted at the manner in which colleagues across the Group are aligning themselves to the ‘non-financial’ components of what Arrow must deliver to remain relevant, to deliver the risk-adjusted returns required of the business and to bring together the best practices that drive successful performance and help to Build Better Financial Futures.

Underpinning this progress is an ever-increasing need for data. Our ability to capture greater amounts of information in thoughtful ways to deliver on reporting requirements and drive management insight in an efficient manner is of paramount importance. We already benefit from a quarterly ESG KPI review process overseen by our Sustainability & ESG Committee. Looking ahead, we move onto improved climate and carbon-related data capture through a combination of internal technology enhancements allied with external tools where appropriate. I am excited about what lies ahead, not least our TCFD journey which has already begun to engage a network of internal stakeholders to drive transformational changes in key areas of our operating model. This is further supported by training for key team members who are integral to our investment programme. Combining the focus areas of operating a responsible business alongside our responsible investment programme adds up to a powerful combination that allows Arrow to continue to identify accretive investment opportunities whilst ensuring the long-term integrity of our approach.”

**Paul Woods,**  
**Director, ESG & Sustainability**

# Important Information

This Report includes information on Arrow's program for incorporating ESG considerations across Arrow's operations, strategies, and funds. Such program is subject to Arrow's fiduciary duties and applicable legal, regulatory, and contractual requirements and is expected to change over time. Additionally, the act of selecting and evaluating material ESG factors is subjective by nature, and the criteria utilized or judgment exercised by Arrow may not align with the views, internal policies, or preferred practices of any particular investor or other asset manager or with market trends. There are a variety of ESG principles, frameworks, methodologies, and tracking tools; Arrow's adoption and adherence to those discussed herein or to any others is expected to vary over time as ESG practices evolve.

While Arrow intends to include ESG as a component of its investment process, as described herein, there can be no assurance that Arrow's ESG initiatives, policies, and procedures as described herein will be applied to a particular investment. Arrow is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives, policies, and procedures based on cost, timing, or other considerations; such ESG initiatives, policies, and procedures are not necessarily (and are not purported to be) deployed in connection with each investment. Statements about ESG practices related to portfolio companies also do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an ESG initiative to or within the portfolio company; the nature and/or extent of investment in, ownership of, or control or influence exercised by Arrow with respect to the portfolio company; and other factors as determined by investment and operation teams and/or portfolio company teams on a case-by-case basis.

Additionally, ESG factors are only some of the many factors Arrow considers with respect to investments, and there is no guarantee that Arrow's implementation of its ESG program, which depends in part on qualitative judgments, will enhance long-term value and financial returns for limited partners. To the extent Arrow engages with portfolio companies on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance of the investment. Additionally, there can be no assurance that Arrow or its investments will be able to achieve any ESG-related objectives (in the time or manner set forth herein or at all), that their actions will not result in outcomes that could be viewed as having a negative ESG effect, or that any historical trends will continue to occur. Actual results may be significantly different from the forward-looking statements herein.



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