AGG Capital Management Limited

Responsible Investment Policy

2023

Policy Owner: AGGCM Board
Approval Body: AGGCM Board

Introduction

Arrow Global ("Arrow") is a leading European vertically integrated alternative asset manager specialising in private credit and real estate.

AGG Capital Management Limited ("AGGCM"), as investment manager of the third-party discretionary fund management business within Arrow, is committed to delivering superior risk adjusted returns for its investors whilst conducting its business in a responsible manner towards its stakeholders including investors, clients, communities, and regulators.

AGGCM seeks to integrate an assessment of environmental, social, and governance ("ESG") factors as part of its investment evaluation and decision making, and ongoing portfolio management processes across each of its investment strategies as part of its overall mandate.

AGGCM believes that integrating ESG factors into its processes enables the delivery of superior risk adjusted returns and creates opportunities to be an agent of positive change in local communities, which is aligned with its strategy of building strong local presence in the geographies in which it operates.

ESG approach

AGGCM's approach to ESG integration across the activities of the funds it manages is driven by a range of factors including asset class, geography, industry, and investment horizon.

Arrow's investment and underwriting professionals are responsible for integrating an analysis of ESG factors into the underwriting of each investment in a manner consistent with this policy and other applicable documents, including governing documentation entered into with limited partners and applicable law.

The level of analysis and incorporation of ESG factors is tailored to individual investments. A risk-based assessment is formed at the outset of a transaction as to the appropriate ESG integration approach in relation to the relevant investment across the investment life cycle, including investment origination and underwriting, ongoing portfolio management and exit strategy.

Such analysis aligns with the principles and integration approach set out in this policy, the commitments to which AGGCM and the funds it manages have adhered to (including the United Nations Principles of Responsible Investment ("UN PRI")), and any additional strategy-specific guidelines that may be applicable from time to time.

At AGGCM, the approach to ESG is based on the principles in the table below:

ENVIRONMENT	SOCIAL	GOVERNANCE
• We are aware of our impact on the natural environment and our effort to improve it. • We believe that Climate change represents a material financial risk to the global economy. • We aim to develop a long-term plan for identifying, measuring, and managing climate-risks related mainly to CO2 emissions, waste management, and energy efficiency. • Where appropriate we seek appropriate environmental due diligence with input from expert third parties.	• We recognise the value of human capital. • We seek to understand and respond to the needs of our colleagues, customers, clients, and communities. • Focus areas: o Human capital management o Diversity, Equity & Inclusion o Value Chain o Society	• We are a responsible business and investor. • We maintain a culture of ethical business conduct, compliance, and risk management. • We maintain policies and procedures to comply with applicable law and regulation in relevant areas including: o Anti-bribery & corruption o Anti-money laundering o Anti-terrorist financing o Employment and labour laws o Whistleblowing.

ESG integration across the investment lifecycle

The way in which AGGCM seeks to integrate ESG considerations into each stage of the investment lifecycle is outlined below. These represent AGGCM's principles which are assessed and monitored by investment professionals as part of each investment, working in collaboration with Legal, Compliance, operations, and other functions, as appropriate.

AGGCM aims to manage investment activities in accordance with applicable policies and procedures, including the Group Modern Slavery and Human Trafficking Statement and Group Tax Strategy.

Principles across the investment lifecycle Compliance with applicable laws to which AGGCM and the funds are subject. Compliance with obligations facing key stakeholders including regulators and investors in connection with investment activity. Conduct of business with integrity and in a manner that is consistent with Arrow's policies and procedures. Collaboration and engagement on an ongoing basis with key stakeholders including investors, regulators, investees, and suppliers.	Origination and Sourcing	• Actively evaluate to identify potential investment opportunities that are not aligned with risk appetite. For example, underlying products causing harm or counterparties with poor conduct history. • Positively and proactively engage on investments that create benefits in local communities and/or for other stakeholders. For example, affordable housing and investments where capex can reduce energy emissions. • AGGCM has due regard to the Jersey Financial Services Commission ("JFSC") Sound Business Practice Policy ("SBPP"). For reference, Appendix 1 shows, as at the date of the last review of this policy, an extract from the SBPP.
	Diligence and Underwriting	• Actively evaluate investments for potential ESG risks including reputational and applicable climate risks and identify mitigants to reduce or eliminate such risks. • Monitor investor and regulator appetite for relevant risks and consider appropriate actions to mitigate such risks where relevant. • Actively manage and consider opportunities to enhance returns for investors and stakeholders through incorporation of ESG actions into the investment plan.

	Portfolio Management	• Actively monitor investments to identify any adverse ESG risks that arise after the initial investment and develop strategies and actions to reduce or eliminate such risks. • Proactive approach to enhance return on investment through positive actions on underlying portfolio investments. • Monitor and support portfolio companies on an ongoing basis, where applicable, to encourage positive ESG integration into their activities. • Consider ESG impact of third-party operators, including suppliers, and their ability to contribute positively to integration of ESG factors into the investment.
	Exit	Where relevant, incorporate ESG factors and potential impact during ownership period into exit strategies, including seeking to maximise ESG-impacted value additive returns on investment.

Governance

Arrow's overall ESG framework and governance is defined by the Board of Directors of its parent company, Sherwood ParentCo Limited. The Executive Sustainability & ESG Committee sets the ESG strategy, framework, and standards applicable to the Group as a whole. The Committee is chaired by the Group Chief Risk and Governance Officer and comprises ESG champions from across the Group.

The responsible investing approach applicable to Arrow's discretionary third-party fund management business within that overall framework is set by AGGCM, as outlined in this policy, and any additional guidelines applicable to individual strategies that may be set from time to time.

This policy is approved and owned by the Board of AGGCM and reviewed at least on an annual basis. It is implemented by teams supporting the investment activity of AGGCM including Origination, Underwriting, Portfolio Management, advisory partners, and other key personnel involved in investment level activity, including but not limited to, Risk, Compliance, Finance, and Legal.

The following table defines roles and responsibilities for responsible investment:

Task	Role						
	AGGCM Board	Investment Committee	Origination and Sourcing	Underwriting	Portfolio Management	Investment Team Support Functions	ESG Committee
Develop AGGCM's long-term responsible investment business strategy*	A	R	I	I	I	I	C
Oversight of AGGCM responsible investment policy	A	R	I	I	I	I	C
Implementation of responsible investment considerations throughout the investment process	C	A	R	R	R	R	I
Responsible investment research and analysis e.g. changing regulation	A	R	C	C	C	R	I

**Including how responsible investment impacts capital allocation strategies*

Responsible Accountable Consulted Informed

Training and continuous learning

Arrow's employees are critical to the delivery of the ESG principles of AGGCM. Arrow seeks to hire talented professionals committed to delivering its ESG training. Employees are invited to attend ESG training annually or, if appropriate, more frequently, to better identify, evaluate and manage sustainability information.

The Board of AGGCM considers responsible investment capabilities and training needs of the relevant investment professionals and receives periodic updates on training completion rates.

Commitments

To further enhance its commitment to incorporating responsible investing principles into the investment lifecycle, AGGCM has become a signatory to the UN PRI. This policy, together with strategy-specific guidelines where applicable, have taken into account the principles outlined in the UN PRI.

AGGCM also recognises the importance of both the Paris Agreement and efforts to report against key metrics in line with other programmes such as the Task Force on Climate-related Financial Disclosure ("TCFD"). Accordingly, to the extent relevant and/or feasible in the context of underlying portfolio investments managed by AGGCM, it seeks to use the United Nations Sustainable Development Goals ("SDGs") as a measure of potential investment outcomes. AGGCM generally seeks to measure investments against the SDGs, where applicable, by following the Sustainable Development Investments Asset Owner Platform taxonomy and guidance, as applicable, as of the date hereof.

Reporting and disclosures

This policy is available on the Arrow website. AGGCM expects to publish this policy and applicable responsible investment reporting on an annual basis.

Real estate

In the case of AGGCM's real estate fund(s), additional ESG characteristics are considered in a manner which is commensurate with its real estate investment strategy. In line with AGGCM's stated Sustainable Finance Disclosure Regulation ("SFDR") commitments, this includes, but is not limited to, monitoring of energy efficiency improvements for applicable assets, and transparent reporting via the Global Real Estate Reporting Benchmark ("GRESB").

Appendix 1: JFSC SBPP

When integrating ESG factors into the investment lifecycle, AGGCM gives due regard to the activities covered by the JFSC SBPP. The SBPP sets out activities which the JFSC has determined potentially pose reputational risks to Jersey. Below is an extract of the SBPP containing two tables. Table 1 covers activities subject to oversight by the JFSC and which as a result fall within the scope of the SBPP; and Table 2 covers activities not within oversight of the JFSC but which are nevertheless also considered a potential reputational risk to Jersey.

Table 1 – Registered, Authorised and/or Supervised Activities

Activity	Description
1	Any financial service business as defined in Article 2(1) of the Financial Services (Jersey) Law 1998, namely: a) AIF services business b) fund services business c) general insurance mediation business d) investment business e) money service business f) trust company business.
2	Any of the following within the meaning of the Collective Investment Funds (Jersey) Law 1988: a) the business of being a functionary b) the business of a recognized fund c) the business of an unclassified fund.
3	Any deposit taking business as defined in Article 1 of the Banking Business (Jersey) Law 1991.
4	Any long-term business as defined in Article 1(1) of the Insurance Business (Jersey) Law 1996.
5	Any of the following within the meaning of the Alternative investment Funds (Jersey) Regulations 2012: a) the business of an alternative investment fund b) the business of being an AIF prescribed service provider.
6	Any activity outlined in Part B of Schedule 2 of the Proceeds of Crime (Jersey) Law 1999 - including lawyers, accountants, casinos (including internet casinos) and unregulated funds.
7	Any non-profit organization as defined in Article 1 and which is obliged to register in accordance with Article 4 of the Non-Profit Organizations (Jersey) Law 2008.

Table 2 – Activities that pose a potential risk to the reputation of the Island and are not within the scope of Table 1

Activity	Description
1	Trading activities which include the provision of goods or services that require payment in advance, where such goods or services are not subject to consumer protection or pose a risk of fraud. Examples include, but are not limited to: a) travel agents which are not 'bonded' b) container leasing c) sale or leasing of overseas property development d) time share activities. e) carbon credits (a carbon credit is a certificate or permit representing the holder's right to emit one tonne of carbon dioxide or other greenhouse gases). The JFSC recognises the legitimate role carbon credits can play in tackling climate change and therefore will permit activities where clear and appropriate steps have been taken to minimise the risk of consumer detriment. Such steps would include (but not necessarily be limited to): • Eligibility for participation in a nationally or internationally regulated emissions trading scheme; or certification by a reputable third-party service; • The offering of carbon credits to financially sophisticated investors only. Where the majority ultimate beneficial owner is not resident in Jersey, the entity will be required to appoint a Jersey Trust Company Business to administer the scheme.
2	In respect of arms, weapons, ammunitions, countermeasures or other military or defence equipment, goods, technology, and personnel (as applicable) involvement, directly or indirectly, in one or more of the following: a) manufacture b) maintenance c) sale d) supply e) delivery f) transfer g) purchase h) importation i) exportation j) transportation k) financing or financial assistance l) use of

	m) provision of brokering services n) training or technical assistance.
3	Manufacture, marketing or sale of pharmaceutical goods or devices which are not licensed or have not received marketing authorisation in the jurisdiction where they are manufactured, marketed, sold or supplied.
4	Conduct of scientific research.
5	Involvement, directly or indirectly, in the exportation or importation of goods or technology, which would require an authorisation or licence under Jersey 'dual-use' legislation.
6	Investment in or purchase of 'debt' as defined in the Debt Relief (Developing Countries) (Jersey) Law 2013
7	Involvement, directly or indirectly, in mining, drilling or quarrying for natural resources.
8	Involvement, directly or indirectly, in initial coin offerings or crypto exchanges or providing other services relating to cryptocurrencies.
9	The sale or facilitation of sale of citizenship/ citizenship by investment (which includes the administration associated with citizenship and/ or arranging for citizenship).
10	**Where an activity is regulated in Jersey and not in the target market:** Where an activity is regulated in Jersey and not in the 'target market', the JFSC has the right to decline the incorporation/establishment. In addition, the JFSC has the right to decline an incorporation/establishment if, in particular, the jurisdiction appears on the JFSC's published list of countries, and the country in which the business is being carried out has an indicator against it (Appendix D2 - countries and territories identified as presenting higher risk), unless the applicant can show that the indicator overstates the risk profile, in which case the JFSC will be willing to consider the incorporation/establishment designation as 'high risk activity'. For example: Where an application for a COBO consent is being made to the JFSC by a Jersey Trust Company Business (TCB) to set up a Jersey Holding Company (JHC) to hold shares in a separate company incorporated in another jurisdiction, and the separate company engages in activity that is not subject to regulation in that jurisdiction, but would be regulated if it were carried out from or within Jersey (e.g. Trust Company Business), the starting point is that the JFSC will decline the incorporation, even though that activity is not being conducted in Jersey itself. • The JFSC has identified a reputational risk with the above type of incorporation • The JFSC is concerned primarily about incorporations of this type involving jurisdictions which do not have a trust company services law or jurisdictions which do have a trust company services law, but do not have a trust company services regulatory regime.

	Possible mitigation of risk 1. Requiring a director from the JHC to be placed on the board of the separate company incorporated 2. Identify if the separate company has been incorporated in a higher (yellow) or lower risk jurisdiction (white): Appendix D2 - countries and territories identified as presenting higher risk 3. If the ultimate beneficial owner (UBO) is well regarded international financial institution/ other institution 4. If the UBO is itself a TCB operating in a regulated environment. If the above mitigation is present, the JFSC will designate the activity as a 'high risk activity' thus increasing the obligations of the Jersey TCB.
11	**The cultivation, production, supply, use, export or import of cannabis or any of its derivatives.** The cultivation, production, supply, use, export or import of cannabis in Jersey will be lawful if licensed under the Misuse of Drugs (Jersey) Law 1978. Where a licence has been granted by the Minister for Health under the Misuse of Drugs (Jersey) Law 1978, and an application for consent is being made to the JFSC that is restricted to Jersey, consent under COBO is likely to be given. The production, supply, use, export or import of cannabis elsewhere in the world would, even if it otherwise falls into the definition of criminal conduct under the Proceeds of Crime (Jersey) Law 1999, be removed from that definition if the activity – (i) is lawful where and when it occurs, and (ii) occurs in a jurisdiction outside Jersey that the Minister for External Relations and Financial Services has specified by Order under the Proceeds of Crime (Jersey) Law 1999. Where an application for consent is being made to the JFSC and the activity falls outside of the definition of criminal conduct in the Proceeds of Crime (Jersey) Law 1999, consent under COBO is likely to be given. Among the factors underpinning this approach are: • Focus on securing the reputation of the island as a well-regulated centre which does not support illegal activity • Difficulty with funds derived from businesses investing in cannabis and its derivatives where legality is uncertain • Dealing with jurisdictions where cannabis production may be legal but not regulated This is a developing industry and as regulations develop internationally the approach may be subject to review in the future.