



# Sustainability Report 2023





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# 1.

# Introduction

## ITALY

280 PROFESSIONALS

4 PLATFORMS

OFFICES IN MILAN, ROME AND SIENA



# Welcome to our 2023 Sustainability Report



Dear Investors and Partners,

It is with great pleasure that we share with you our Sustainability Report for 2023.

As a vertically integrated alternative asset manager, we have an on-the-ground network spanning 19 leading asset management and servicing platforms in Europe. We are therefore ideally positioned to assist the more than 200 financial institutions that we work with in the optimisation of their balance sheets, while simultaneously delivering attractive risk-adjusted returns for our investors. Over the past 12 months, the sustainability and climate risks and opportunities confronting our business have grown unabated. Amidst an increasingly wide range of topics and perspectives, Arrow has remained focused on the material issues affecting our asset management activities and our ever-growing set of stakeholders. This focus ensures that our activities remain aligned with our core values, comply with legal and regulatory requirements and importantly, create value for our investors, portfolio investments, platform operations and the communities where they operate.

I believe we can make the most substantial impact when we intentionally integrate sustainability throughout our business, to maximise returns to our investors and our positive influence on our employees, communities, and shareholders. Many of you will have engaged with us on various aspects of these topics over the past year. We appreciate the collaboration in those ongoing dialogues as we continue to push forwards in solving for complex challenges in line with our collective expectations. Over the next few years, I expect we will witness an expansion of sustainability data that will be available to assist Arrow and the broader industry to inform our engagement and evaluate our impact and we will keep you apprised of our progress here.

Two key takeaways will become apparent as you read this report. Firstly, you will see tangible results across the areas that we committed to delivering on last year, more of that below. Secondly, you will observe the progress that has been made embedding ESG considerations into our investment process wherever material to risk or return, which are becoming a standard part of 'business as usual' approach to sustainability within our fund structures, governance, operating procedures and reporting processes.

I am also delighted to announce two significant milestones. AGG Capital Management (our Fund Manager) received its inaugural Assessment Report from the UN Principles for Responsible Investment (PRI) where we scored above average across all investment manager signatories. Additionally, we have also published our first Group report in accordance with the Taskforce for Climate-related Financial Disclosures (TCFD).

In this report, you will see progress on many other crucial areas, including Diversity, Equity and Inclusion (DEI), climate management and community engagement. Moreover, you will also see highlights from our Sourcing and Servicing platforms, whose deep market expertise converge to uphold our sustainability commitments at every level. We hope that you enjoy learning more about our milestones achieved in the last year and I am immensely proud of the progress we have made and eagerly anticipate sharing further advancements with you in the coming year.

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



# Key 2023 achievements

## RESPONSIBLE BUSINESS

<b>&gt;200</b> volunteering opportunities supported by Arrow colleagues	<b>7,500</b> students supported through JAE activities	<b>7.6/10</b> Employee Experience Index	<b>4</b> Sustainability & ESG Committee meetings held	<b>TCFD 2023</b> TCFD report for 2023 reviewed and approved
<b>whitestar</b>	<b>VESTING FINANCE</b>	<b>SAGITTA SGR</b> PART OF ARROW GLOBAL GROUP	<b>NORFIN</b>	<b>ARROW</b> PROFESSIONAL SERVICES
<b>2023 ecovadis</b> Sustainability Rating SILVER   Top 15%	<b>2023 ecovadis</b> Sustainability Rating SILVER   Top 15% APR 2024	<b>Ranked 188</b> in Europe's 1000 Fastest Growing Companies by The Financial Times and Statista	<b>Certified as 'Great Place to Work'</b>	<b>Finalist</b> for Corporate Restructuring & Insolvency Team of the Year
<b>Best NPL and RE Servicer</b> Portugal 2023 by The European Magazine	<b>2</b> High Fitch rating of 2 for quality business servicing			<b>Finalist</b> for Law Firm of the Year at the Credit Strategy Awards
<b>Asset Management Company of the Year</b> Portugal by Global Banking & Finance review				
<b>Top Employer</b> Portugal for 5th year running				

## RESPONSIBLE INVESTOR

<b>PRI</b> Principles for Responsible Investment First PRI report submitted
<b>GRESB</b> First GRESB aligned fund launched
<b>Further embedding of sustainability into IC processes</b>
<b>46</b> investment professionals enrolled into the 2023 PRI Academy

\* See page 14 for more information.



# Sustainability at Arrow

## Arrow at a glance



# €81bn

Assets under management (AUM)



# 1700

Employees



# €9.3bn

Funds under management (FuM)



# 5

European geographies

UK, Ireland, Portugal, Italy and Netherlands

## Investment verticals

Over 20 years history Arrow has developed deep expertise, creating three best in class European investment verticals.



As a leading vertically integrated alternative asset manager specialising in credit and real estate, Arrow is committed to delivering superior risk-adjusted returns for our investors.

We believe consideration of sustainability at Arrow issues as both a responsible business and responsible investor is key to achieving this. Throughout 2023 we further embedded sustainability at Arrow and responsible investment practices into our operations.

Our unique position in owning significant parts of the European infrastructure gives us a practical and sustainable advantage. Our local platforms give us valuable local knowledge and expertise of the markets in which we operate and the regulatory requirements relevant to those jurisdictions. This gives us better foresight into, and an understanding of, both sustainability risks and opportunities at the platform, Group and fund level.



# Arrow's local advantage

Our local platforms give us an advantage through local knowledge and relationships. This also extends to our unrivalled origination network, forensic underwriting, and portfolio management.

Whilst each platform is a corporate entity with its own sustainability positioning, there is a symbiotic relationship between local teams and the central Sustainability & ESG and other governance teams working together to understand the regulatory and market horizon, considering sustainability-related risks and opportunities at the local and Group level.

The integration of these platforms into Arrow's corporate structure then enhances oversight and control over the assets owned by the funds, helping to deliver better risk-adjusted returns and ultimately achieve our vision of becoming Europe's leading vertically integrated alternative asset manager.

## 15 office locations

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

**UK**  
London  
Leeds  
Manchester

**Italy**  
Milan  
Rome  
Siena

**Ireland**  
Dublin

**Portugal**  
Lisbon  
Porto  
Vilamoura

**Jersey**

**Netherlands**  
Amersfoort  
Amsterdam



At Arrow, we integrate sustainability across our operations in a proportionate manner. By engaging experts across our processes and in our platforms, we ensure that sustainability principles are not just add-ons but are deeply ingrained in the core activities of our critical functions. This strategy reflects our commitment to responsible business practices at every level.”

Mark Gollin,  
Head of Platforms





### Our platforms

	UK & Ireland	Netherlands	Portugal	Italy
SME				
Mortgage				
Real Estate				
Consumer				
Master Servicer/ Securitisation				
Speciality Real Estate Lending			<hr/>	

1. MICA is a partially-owned platform (Arrow Global: 1/3; Other Founding Partners: 2/3)  
 2. RNHB is a partially-owned platform (Arrow Global: 18.2%, ACO I: 17.5%, CarVal Investors: 64.3%)



# Our value creation model

Arrow's value creation model brings together the best of global and local advantages.

Arrow invests through its platforms, so it is the local experts from our companies who source deals and conduct due diligence on potential investments.

A thorough review is then conducted with local teams partnering with the central investment team to ensure thorough underwriting and alignment to the investment strategy parameters. The deal then goes through a rigorous recommendation process, ultimately ending in a decision of our Investment Committee who assesses the deal against all investor requirements.

Once a deal is approved, it is the local teams who will manage the asset with oversight from the central portfolio management team. In this manner, the consideration of sustainability risks are embedded right through the process.



“

Arrow's chain between origination, due diligence and investment decision making is efficient and well controlled, because the people on the ground are Arrow team members. Together with a global perspective, this means we have clear visibility of our priority issues.”

Toni McDermott,  
CIO, Credit & Lending



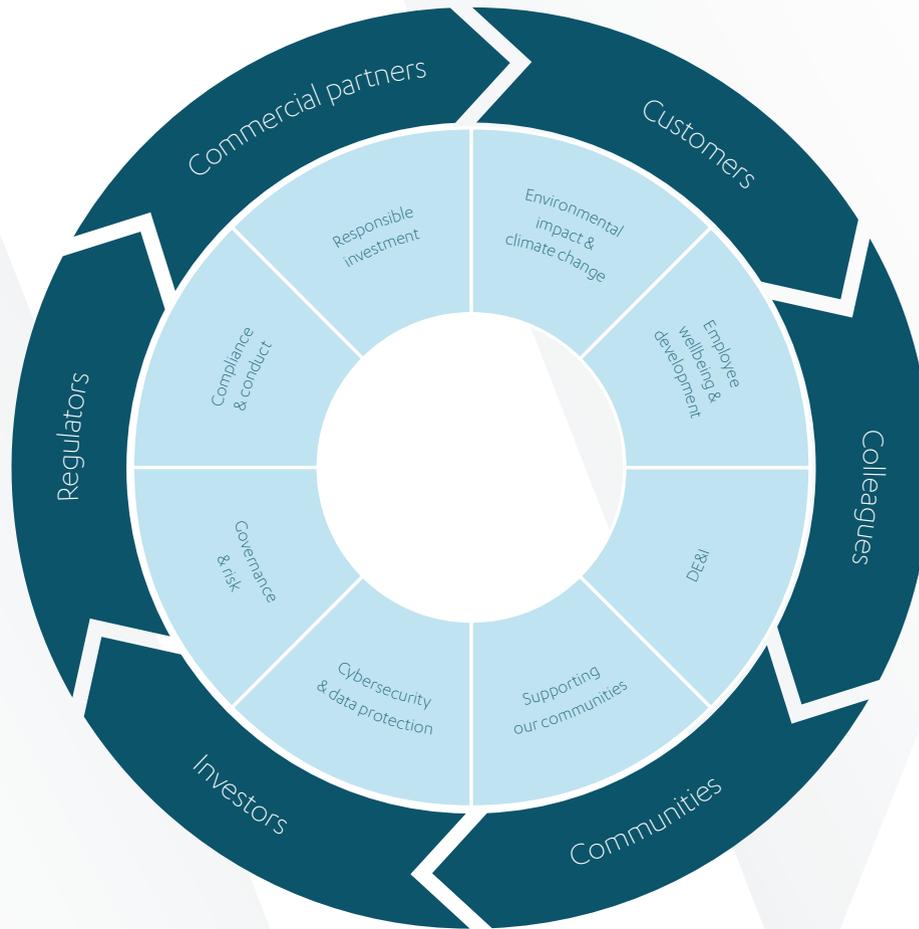


# Sustainability priorities

Our sustainability priorities are those issues that we deem most material to our stakeholders and are integral to our commitment to deliver long-term risk-adjusted returns in a responsible way.

The interconnected nature of our vertically integrated business – throughout the investment lifecycle, from origination and due diligence to investment decisioning, portfolio management, and ultimately exit – makes maintaining healthy stakeholder engagement essential. Doing so enhances our ability to identify, assess, and manage risks and opportunities.

Our governance framework is tailored to reinforce this holistic approach, embedding sustainability considerations into our risk management processes. This not only aligns with our strategic objectives but also safeguards against reputational risks, ensuring our activities resonate with our stakeholders' expectations and contribute positively to our communities and the environment.



## Sustainability priorities summarised

**Environmental impact & climate change** – Our business has a direct and indirect environmental impact that we are responsible for managing.

**Employee wellbeing and development** – Creating an exceptional colleague experience, an environment that enables colleagues to grow, share success and which considers their health and wellbeing is essential for discharging our duty as a responsible employer, and 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.

**Cybersecurity & data protection** – Protecting our customers and investors through robust data management and security is paramount.

**Governance & risk** – Robust governance and risk management is essential to allow us to operate as a responsible business and investor.

**Compliance & conduct** – Compliance with all local and regional regulatory standards is inherent to being a responsible business.

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



# 2.

# Responsible business

## UK

390 PROFESSIONALS

6 PLATFORMS

OFFICES IN LONDON, JERSEY,  
MANCHESTER AND LEEDS



# Governance/Attestation model

Sustainability at Arrow is aligned with our vision of being Europe’s leading vertically integrated alternative asset manager. We invest in creating successful, long-term, outcomes to the satisfaction of all our stakeholders. This is underpinned by a robust governance structure, and we were pleased to see this affirmed by our UN Principles of Responsible Investment (PRI) results.



## Oversight

In 2023, Arrow formalised its Sustainability & ESG Forum into a Sustainability & ESG Committee, further embedding sustainability into our governance model. The Committee is comprised of members of the Group’s Executive Leadership team and chaired by Monique O’Keefe, Chair of AGG Capital Management (AGGCM) and Chief Risk & Governance Officer.

The committee is attended by senior members of the executive team and the leaders of Arrow’s investment fund strategies and Portfolio Management. The committee is responsible for supporting the business in driving and measuring the delivery of the Group’s sustainability initiatives and ensuring broader awareness of sustainability topics across key members of the leadership team.

In addition, the AGGCM Board plays a crucial role in governing Arrow’s funds, setting the strategic direction for the Company’s investments. By overseeing the investment strategy, the AGGCM Board ensures that Arrow’s investment approach aligns with its broader sustainability strategy and investment objectives. This governance ensures that investments are made with a clear understanding of the associated sustainability risks and opportunities.

## Attestation model

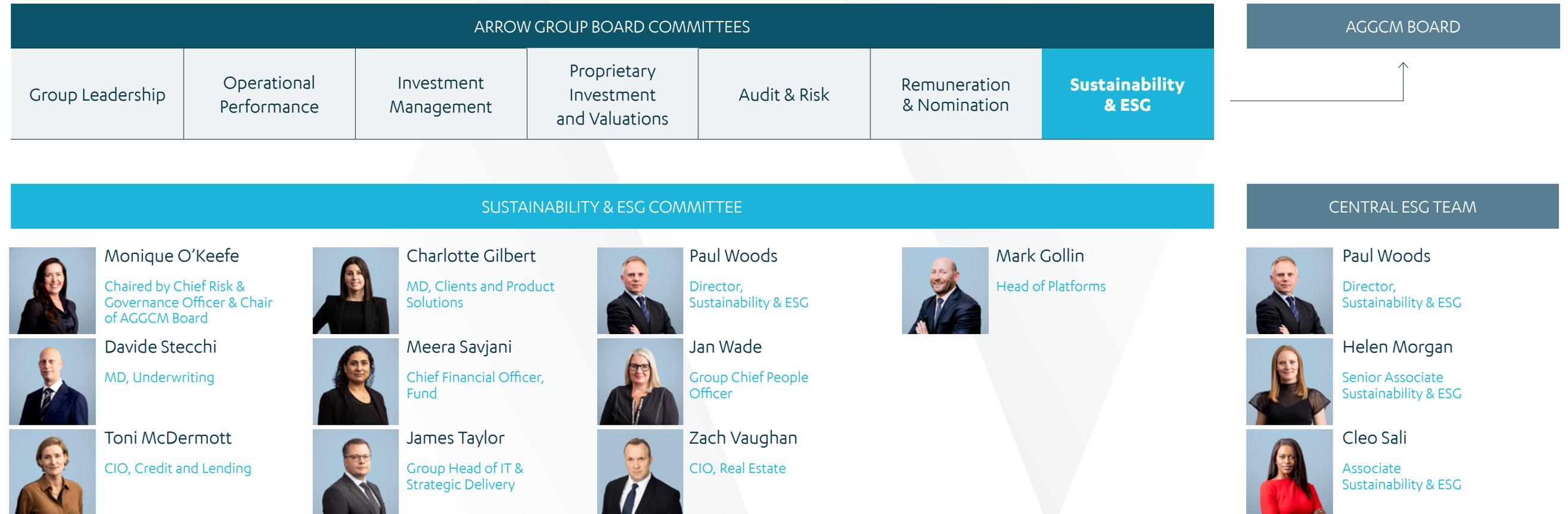
We continue to operate our policy attestation process, a key pillar of our Group-wide governance framework. This process expands to cover new businesses as they join Arrow. Through this, our businesses attest to the Board and central risk and governance functions on the implementation of the Group’s policies, including our Group ESG Policy. This process also supports data collection for a variety of reports to internal and external stakeholders.



## Our sustainability & ESG governance structure

The diagram below provides a summary overview of our governance structure for the oversight of sustainability factors, with the Sustainability & ESG Committee ultimately reporting to the Board of Sherwood Parentco Limited,

the main operating company at Arrow, as well as feeding into the AGGCM (Fund Manager) Board, ensuring that sustainability factors are firmly embedded in the company's and fund manager's strategy and operations.





## Governance continued

### Sustainability ratings

While the central Sustainability & ESG team have oversight of the Group-wide sustainability strategy, our local risk and compliance teams monitor, assess and are accountable for local requirements. This is demonstrated by two of our platforms, Whitestar and Vesting, who have been awarded Ecovadis Silver scores in 2023 and 2024 (for 2023 activity) respectively. Five more platforms are due to complete a pilot assessment with Ecovadis in 2024. This exemplifies how Arrow’s platforms are empowered to review and monitor their own material sustainability issues, putting in place second line oversight to ensure transparent and sound business practices which are supported by Group-level policies on the most material topics.

**+5** Platforms piloting Ecovadis assessment in 2024



The recent evolution of Whitestar’s Ecovadis score, moving from the 74th to the 88th percentile, is a testament to the dedication and efforts of the local and central teams at Arrow Global. This significant improvement mirrors our commitment to doing the right thing and our proactive stance towards sustainability in our operations. I am pleased to support the pilot evaluation process of other Arrow platforms in 2024, helping to drive our commitment to excellence and responsible business conduct across the Group.”

Nuno Trezentos,  
Chief Risk & Compliance  
Officer, Portugal





# Risks and risk management

At the centre of our risk management framework is the Group's vision, values and the culture embedded within our business. Effective risk management supports our vision of being Europe's leading vertically integrated alternative asset manager, while our three lines of defence model enables all colleagues to own and manage risk in a manner which supports well-informed decision-making with a view to managing and mitigating risks.

## 2023 risk management highlights

- Enhancing our operational **risk management system**, an automated risk management and reporting tool, across the business to embed our risk management framework, monitor various risk metrics and deliver timely reporting.
- Enhancing our **risk taxonomy** with sustainability factors to ensure risk and control assessments and Group risk register reflect our sustainability commitments.
- Regularly monitoring and reporting a Group level **risk appetite** with quantitative metrics in key areas such as financial crime, conduct, regulatory compliance.
- A comprehensive **Group policy suite** consistently applied covering key risk areas including sustainability, Responsible Investing, Financial Crime, Whistleblowing and Supplier Assessment.
- **Local and Group-level risk & audit committees** supporting leadership oversight, with 2nd line and 3rd line reporting for well-informed decision making.
- Evaluating our **investments** for specific risks and sustainability factors during underwriting.

## 2024 risk management focus

- Further embedding sustainability factors into our **risk taxonomy** with a particular focus on environmental risks.
- Further evaluation and revision of our **risk appetite metrics** with quantitative sustainability risk factors with particular focus on environmental risks.
- Further evaluation of investments for **climate change risks**.
- Further embedding and evolving sustainability themes into our **risk management activities** with particular focus on risk and control self-assessment and incident management processes and reporting.



Risk management continued

Culture & values

A strong Group-wide risk culture is a key element for effective risk management and the Group promotes a culture of risk awareness, openness and incentivisation of correct behaviours. A number of activities are undertaken to ensure consistency of message and appropriate cultural reinforcement, examples include:

1. Group quarterly reporting
2. Internal communications and briefings
3. Mandatory training
4. Whistleblowing policy
5. Remuneration policy and incentive schemes
6. Conflict of interest policies
7. Portfolio monitoring

## Group risk management framework

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





## Risk management continued

### Compliance and conduct

Arrow operates in regulated investment and consumer markets and ensuring that we comply with these requirements is fully embedded across our business. We believe in engagement with our regulators and complying with both the intention as well as the specific requirements set by each of them. Fundamental to this approach is our vertical integration model where regulatory engagement and delivery are managed by our platform teams ensuring that there is both a clear understanding of the regulatory environment and alignment with local culture, values and expectations.

Enhancing this model are well-defined Group-wide frameworks and policies that ensure consistent standards are applied but allow flexibility in local implementation. This is supported by both local, and where appropriate Group-wide, regulatory horizon scanning and the management of regulatory change as well as comprehensive oversight and monitoring programmes. Our programmes are designed to ensure good outcomes for all our stakeholders based on their specific circumstances, objectives and the underlying regulatory requirements. This includes providing financial solutions that treat customers fairly and ensures that the interests of our clients and investors are protected and aligned to the Group's broader corporate objectives.

### Whistleblowing

Arrow aims to maintain the highest standards of openness, integrity and accountability in its work. All employees or consultants who work for or with 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 specifically addressed through a range of 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 June 2023, by the Sherwood Parentco Limited board. The board considers that 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.

We are pleased to report that the assessments undertaken in respect of the Group's supply chain to date have not identified any modern slavery or human trafficking activity.

## Spotlight on assurance & audit

At Arrow we use independent assurance to support our approach to responsible investment, our core sustainability principles, and to ensure we are focused on a process of continuous improvement. We achieve this primarily through our Internal Audit function which is mandated across all operating jurisdictions.

In 2023, AGGCM submitted its first annual report as a PRI signatory. Coordinated through our Central Sustainability & ESG team, Internal Audit provided independent assurance throughout the process, validating the responses given, and identifying opportunities for continuous improvement for the business to take forward.

Going forward, Internal Audit will continue to provide this same assurance and will extend this across other reporting, such as 2024 GRESB reporting for our first Real Estate Opportunities fund.



## Risk management continued

### 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 sustainability practices and policies, (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. In 2024, we plan to implement a Risk Analytics solution to help us monitor prospective and current suppliers ESG & financial performance and potential risks in real time.

As well as risks, our supplier management framework also highlights suppliers who display robust and well documented environmental and social practices.

### Financial crime

Arrow is committed, in the jurisdictions in which it operates, 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 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 risk management framework is frequently monitored and reviewed to ensure it remains suitable for the size and complexity of our business. More recently, we have added more granular sustainability taxonomy, including climate-related risks to support risk assessments and incident management. During 2024, we look to further embed climate-related risks and opportunities within the Group's overall business strategy and work with teams to develop action plans and risk management strategies to manage and reduce our impact on the environment, whilst encouraging accountability at each business line."

Deniz Erkoc,  
Group Head of Risk





# Cybersecurity & data protection

## Strengthening our digital defences

In 2023, Arrow has not only sustained but also amplified its commitment to cybersecurity and data protection, pivotal components of our sustainability strategy. This year saw consistent embedding of data management and security initiatives aligned to our understanding of our unique threat profile and our risk appetite. Examples include:

- **Cybersecurity incident response simulation:** Building on our strong governance model, we conducted comprehensive simulations to test and refine our incident response capabilities, ensuring preparedness for potential cyber threats.
- **Targeted phishing campaigns:** Complementing our mass phishing campaigns, we introduced targeted campaigns, tailored to specific departments and roles, enhancing our defence against sophisticated phishing attacks.
- **Cyber awareness programmes:** Our innovative approach to cyber awareness, including quizzes and incentives, has been instrumental in fostering a culture of cybersecurity mindfulness among our employees.

## Advancing our IT infrastructure

Reflecting our focus on leveraging technology for sustainability outcomes, we have made significant strides in our IT landscape:

- **Cloud capabilities:** We have expanded our cloud infrastructure, leveraging advanced security features. This shift has not only enhanced our cybersecurity but also made our IT environment more agile and resilient to outages.
- **Strategic IT partnerships:** We have established key partnerships with IT providers, facilitating seamless integration of new businesses and bolstering our overall IT security framework.



By embracing cloud technology and forging strategic partnerships, we're not just upgrading our systems; we're future-proofing our business against the evolving landscape of cyber threats."

James Taylor,  
[Group Head of IT & Change, Arrow](#)





# Arrow cybersecurity Q&A

## With

Tommaso Natali,  
Group Head of Information Security



**Q: Why is cybersecurity critical in the context of asset management?**

**Tommaso:** Cybersecurity is critical in asset management. Our investors entrust us with their capital and commercially sensitive data that, if compromised, could have serious financial and reputational consequences. We employ state-of-the-art security measures to protect these assets, thereby reinforcing investor confidence and ensuring the integrity of their investments.

**Q: What makes Arrow's approach to cybersecurity unique?**

**Tommaso:** Our approach is proactive and employee-centric. We believe in empowering every team member with the knowledge and tools to recognise and respond to cyber threats. This makes every employee an active participant in safeguarding our digital assets. It's this collective vigilance that sets us apart.

**Q: How does cybersecurity tie into Arrow's sustainability strategy?**

**Tommaso:** Cybersecurity is a technical, ethical and social imperative. It directly impacts our clients, employees, and broader stakeholders, so our actions protect their interests, privacy, and financial wellbeing. In today's interconnected world, a cyber incident at our firm could have ripple effects on the broader society, so our efforts also support broader financial stability and resilience.

Cybersecurity is also part of our investment processes. When evaluating potential investments, we assess the cybersecurity posture of target companies and consider the potential impact of cyber risks on investment returns. This is part of our sustainable and responsible investing practices so it supports creating long-term value.

**Q: How does your team approach integrating cybersecurity into sustainability strategy?**

**Tommaso:** We collaborate with various departments, including IT, compliance, risk management, and sustainability. We conduct regular assessments to identify risks, vulnerabilities, and threats, then put in place proactive measures to strengthen our cyber defences.

We also engage our clients and stakeholders through educational initiatives, training programmes, and thought leadership. This helps them protect themselves against cyber threats.

**Q: Looking ahead, what are Arrow's priorities in cybersecurity for the next year?**

**Tommaso:** We will keep focusing on continuous improvement of our cyber defences, particularly in user awareness, cloud security and cyber incident response.



### Cybersecurity & Data Protection continued

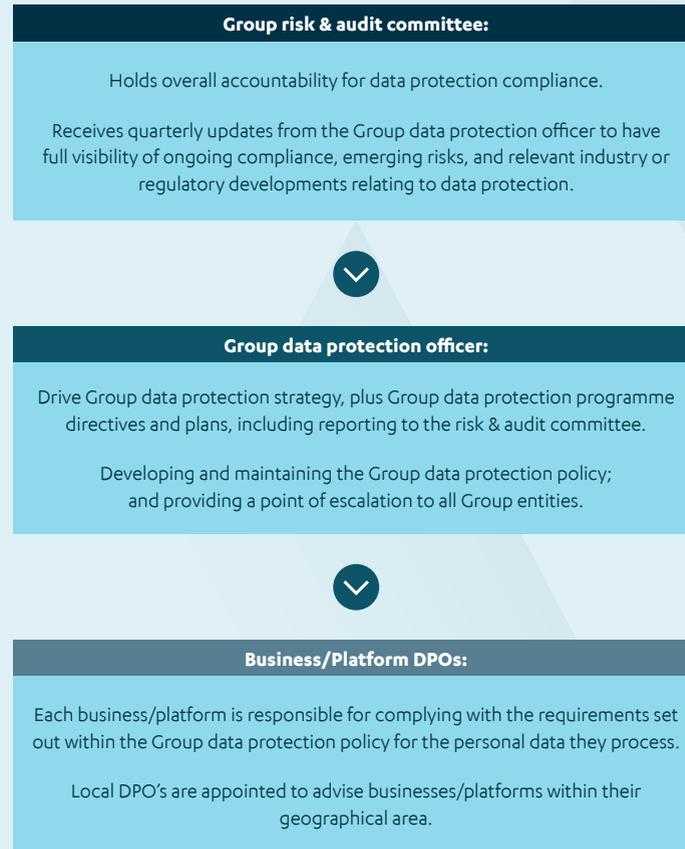
## Implementation of the Data Protection Control Framework (DPCF)

The Data Protection Control Framework implemented during Q1 2023 standardises our expectations across the Group in how all AGG businesses demonstrate compliance against GDPR.

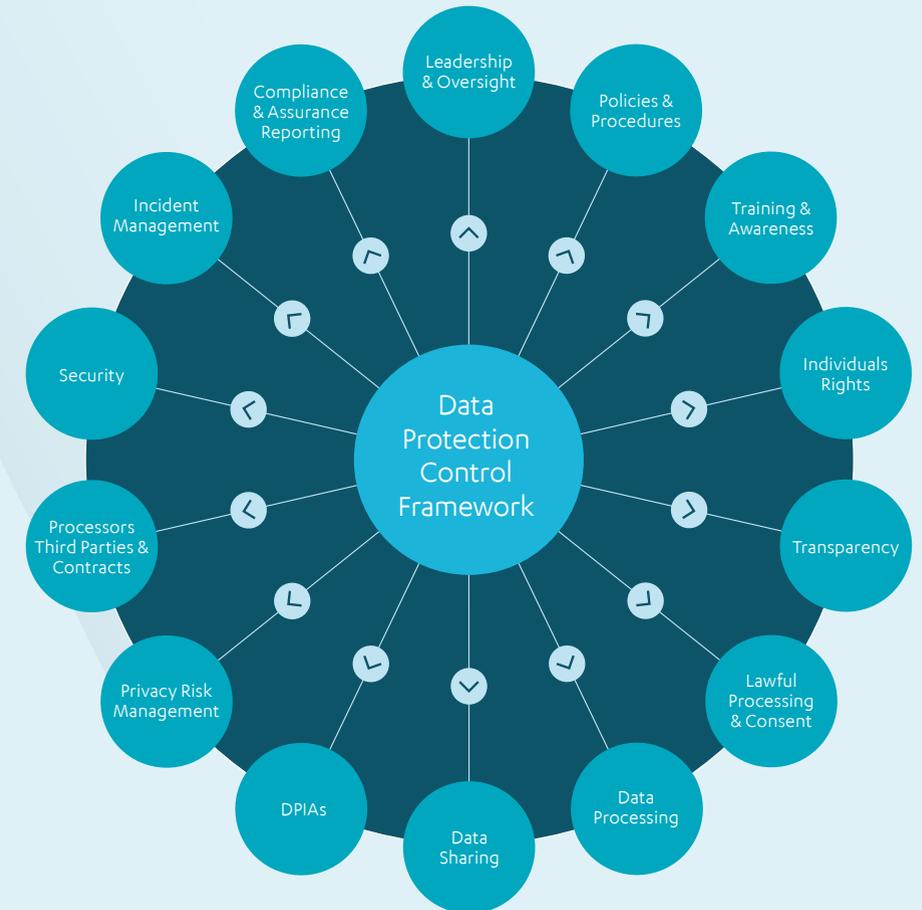
Within the DPCF, we set out expected evidence, which platforms may choose to adopt or is flexible enough and allows platforms to demonstrate compliance through suitable alternatives.

Ongoing management of risk is monitored on a quarterly basis through ongoing 1-2-1 discussions with platform DPO's, during which they update us on progress and enhancements. Results are then discussed during ongoing, quarterly DPO Forums, in which we invite all platform DPO's to a single forum to also discuss local risks/issues as well as communicate Group initiatives.

### Data protection governance structure



### Data Protection Control Framework





# Environmental impact & climate change

Arrow recognises that climate change is one of the most significant risks facing our generation and poses a substantial financial risk to the global economy. It's our objective as a responsible business and investor to understand, mitigate, and reduce our impact on the environment in a thoughtful and proportionate manner. As global attention increasingly focuses on the implications of climate change, we aim to be proactive in understanding and addressing the associated risks and opportunities.

To enhance our organisational understanding of these challenges and in preparation of publishing our first TCFD report, in 2023 we partnered with an independent sustainability consultant, Rio ESG.

## Climate risk

By identifying climate-related risks and opportunities, our Sustainability & ESG committee members were able to consider both the physical and transitional impacts of climate change and to consider their relevance over the short, medium and long term in a manner commensurate with Arrow's typical investment holding periods.

We have included more granular sustainability taxonomy, including climate-related risks, to our enterprise-wide risk management framework to support risk and control self-assessments and incident management.

This collaborative approach ensures that climate considerations are embedded throughout our operations. Results of the risk assessment processes are reported into the Audit and Risk Committee, highlighting material issues and action plans. Further emphasis in climate considerations is driven through the AGGCM board agenda, ensuring a focus on how this topic influences investment and portfolio management teams.



2023 has seen strong progress on understanding the climate-related risks and opportunities the business faces. Activity has included updates to our risk taxonomy and further embedding within our risk management framework and culminated in the publication of our first TCFD report which was facilitated through senior leadership engagement in climate risk workshops. Moving forwards, we have a clear action plan on how and where to enhance our climate-related strategies and look forward to bringing more key stakeholders onboard as we continue this journey."

Helen Morgan,  
Senior Associate,  
Sustainability & ESG





Environmental impact & climate change continued

Operational emissions

Arrow is not an operationally carbon intensive business due to it offering professional and business services, not having a complex supply chain, not investing in research and development, and having the ability to operate a hybrid approach to working from various locations. We operate from leased offices across Europe. Our managing agents are all working towards providing 100% renewable energy, using the best supplier for waste disposal and working with all suppliers on their operational procedures. In recent years we have taken steps to combine platforms into one office location in both Portugal and Italy, significantly reducing our carbon emissions.

In 2023, we were pleased to see a further reduction in our Scope 1 and 2 emissions from 2022, a result of consolidating office spaces in Portugal, Italy, Ireland and the UK as well as due to the sale of one UK platform.

We have seen an increase in our Scope 3 figures, a natural side effect of business growth and development as well as improved data capture. As the business continues to grow, we continue to monitor how this impacts our overall carbon footprint. Additionally, we are pleased to continue to host c.95% of our data in cloud data centres.

Carbon emissions KPIs	KPI unit	FY 2022	FY 2023
Scope 1	CO <sub>2</sub> e (tonnes)	318.5	282.3
Scope 2	CO <sub>2</sub> e (tonnes)	364.0	290.8
Scope 3	CO <sub>2</sub> e (tonnes)	694.3	1,326.9
GHG emissions per employee	CO <sub>2</sub> e/FTE	0.6	1.0

Energy consumption	2023	2022
Group natural gas <i>Kwh in thousands</i>	461.5	498.3
Group electricity <i>Kwh in thousands</i>	1,372.7	1,871.1
Group energy consumption <i>Kwh in thousands</i>	1,834.2	2,369.4
Group energy consumption <i>Total CO<sub>2</sub> tonnes</i>	396.0	463.5
Kwh per employee <i>Using average number of employees for the year</i>	962.5	1,031.5



We recognise that our financed emissions are likely to have greater impact and are working to understand the carbon footprint of our investment activities. As we continue to grow both our number of platforms and our AUM, we plan to develop realistic targets for 2030 and 2050. To further understand the potential impact of climate-related risks we are commencing scenario analysis work to evolve our insights and support ongoing reporting in accordance with TCFD.”

Paul Woods,  
Director, Sustainability & ESG





## Environmental impact & climate change continued

### Environmental initiatives

We encourage our colleagues to conduct meetings virtually wherever possible reducing the requirement to travel between our offices and adopt a hybrid-working model in all platforms enabling people to work from home.

When commuting, we encourage the use of low-carbon emitting methods with cycle-to work schemes in the UK, Ireland and the Netherlands, reimbursement of public transport cost in the Netherlands and electric and hybrid car fleets in Portugal and Italy, with 72% of Europa Investimenti's fleet now being electric or hybrid.

Initiatives to make improvements within the offices continue to be fully embraced across the Group. For example, Mars Capital ran a waste segregation educational programme with the aim of maximising recycling efforts and colleagues are encouraged to print only where required to reduce paper consumption.

Our Milan office, which accommodates colleagues from Sagitta and Europa Investimenti, has replaced plastic water bottles with reusable water bottles and shared water dispensers, as well as selecting a supplier of compostable coffee pods.

Vesting has also replaced all plastic cutlery and crockery with bamboo and glass equivalents and provided all colleagues with a thermal travel mug. Proper recycling is also encouraged in Portugal, with the Lisbon office taking part in the 'Eletrão' campaign, an electric equipment collection campaign which sees the recycling of obsolete electronic equipment. Through this campaign funds are also raised which support the purchase of new fire engines for local fire services.

In 2023, Vesting introduced a branded PETman recycling bottle for the collection of plastic bottles and aluminium cans, for which in the Netherlands a deposit is paid at the point of purchase.

Through the deposit return system, the deposit for each drink container is refunded to recyclers once the empties are returned to collection points.



We were pleased to introduce a PETman recycling bottle into the office in 2023, encouraging colleagues to recycle their drinks containers and having the added benefit of the returned deposit being donated to the Princess Maxima Centre, a centre dedicated to improving care of and finding cures for paediatric cancer.”

Reza Atighi,  
CEO, Netherlands



# Investors' meeting in Italy

Claudio Nardone,  
CEO, Sagitta SGR



We were delighted to host 2023's annual investor event in Milan and continue the tradition of mitigating the CO<sub>2</sub> impact of the event.

In 2023 we saw extreme examples of climate change in Italy, with severe flooding in regions such as Emilia Romagna and wildfires during the summer months accompanying extreme heat. With an existing partnership in place with Biorfarm, an Italian social marketplace that distributes local farm produce to communities in need, we thought it only appropriate to extend this and establish an 'Arrow Forest' utilising Biorfarm's 'Adopt a Tree' scheme.

Furthermore, this initiative enables us to give back to the communities in which we operate as produce from the 'Arrow Forest' will be donated to CAF Onlus, an Italian non-profit organisation that assists children and families affected by abuse. I am proud of Arrow's Italian platforms dedication to sustainability and look forward to supporting more great projects in the years to come.

# 100

Native trees planted including walnut, chestnut and olive

## Italian farms supported by Arrow Global





# People

We appreciate that our long-term success is built on our ability to foster a high-performing and diverse workforce that is the best in our sector. Our People Strategy is key to us delivering on our ambitions and a key part of this overall people strategy is our commitment to people, diversity, community and culture.

Our inclusive approach is based on three key areas of focus:

- attracting exceptional and diverse talent;
- enhancing our culture and environment to retain and empower existing talent; and
- developing talent from within to ensure everyone can reach their potential.

We dedicate time to progress each of these elements, which when combined, play a key role in cultivating a positive work environment, with diversity of perspectives, ultimately leading to the continued success of our Group.

## Culture, purpose and values

With a dynamic and diverse team, we are connected by shared expectations of how we will operate in a business that embraces empowerment, accountability and drive. We work collaboratively across our international network of business, to achieve exceptional results for all stakeholders. This is at the heart of how we conduct our business and has been a cornerstone of Arrow's history.

We know the importance of being a trusted partner to our clients. We therefore foster a culture where we do the right thing – making ethical and responsible investment and business decisions. We have an entrepreneurial mindset, which values achieving great outcomes, and a unique business model, which embraces creative solutions to local assets and opportunities.

We respect the differences in our local markets and embrace both the diversity in our portfolio of assets and in our people. This combination is a unique mix which we are proud of. In a year which has seen important growth, we have paid attention to build out our team not only to add the best talent in the market but also that we culturally nurture the team as it grows.

### We succeed together

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

### We're trusted and valued

With an integrated business model we operate collaboratively and towards long-term partnerships. We take pride in being trusted in our delivery and standard of execution.

### We do the right thing

Our team are empowered and accountable for doing the right thing, ensuring we evaluate risks and act with integrity.

### We're brave and creative

We are proud to be a team that is resilient, creative and driven to deliver results. 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.



## People continued

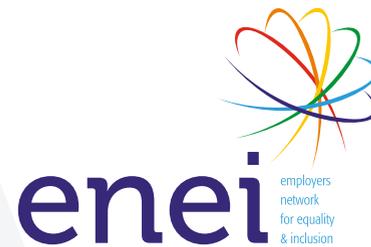
## Diversity, Equity And Inclusion

Our diversity, equity and inclusion (DE&I) strategy puts in place the strategic framework, success measures, leadership commitments and goals that recognise the importance of building an inclusive environment where colleagues can thrive. Building on the multi-year recommendations from external DE&I consultants ‘The Clear Company’, last year, we have defined and launched a plan and calendar to drive long-term improvement. We continue to strive for 40% female representation in senior roles and continue to explore opportunities to increase representation of other minority groups across the business.

## Partnerships

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

Our continued strategic partnership with The Employers Network for Equality and Inclusion (ENEI), who provide training and consultancy services, provides us with support to review and relaunch our policies and relaunch our Employee Network Groups, driving equality within our workplace. ENEI are a valued strategic partner who are driven by the belief that a world where workplaces are truly inclusive is possible.



In recent years we have been working to make DE&I more than a statement. In 2023 we launched our local Portuguese DE&I strategy and three-year plan braced around three main pillars that we believe are key to our development and sustainability – Inclusive Leadership, Inclusive Culture and Inclusive Talent. Inclusive Leadership to foster a more gender balance in Leadership roles, Inclusive Culture to embrace diversity in all its extensive aspects and Inclusive Talent to open to broader experiences and competencies. Several initiatives are already in place to allow us to continue to sustainably grow our business, as a Group, in Portugal.”

João Bugalho,  
CEO, Arrow Global Portugal





People continued

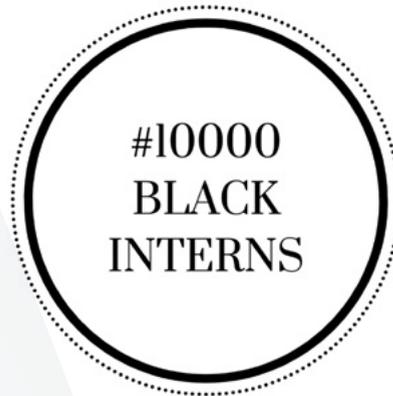
### Employee networking groups

This year, we revitalised our global colleague networking groups to enhance our workplace culture and foster an environment that celebrates diversity, equity, and inclusion. These groups create a sense of belonging for everyone and empower individuals to reach their full potential through dedicated support and networking opportunities. The new groups cover five broad workstreams:

1. Culture and ethnicity
2. Disability and neurodiversity
3. Gender
4. LGBTQ+
5. Life stages (e.g. mental health and wellbeing, financial wellbeing, colleagues with caring responsibilities)

### 10,000 Black Interns

We continue to proudly participate in the 10,000 Black Interns initiative, providing 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 continue to see the value when our interns stay with us longer than their initial placements. We aim to welcome two additional interns in July 2024.



The significance of our colleague networks in fostering a culture of diversity, equity, and inclusion cannot be overstated. I've consistently been impressed by the tangible and positive impact our colleagues have brought to our organisation. As we continue on our journey to be Europe's leading vertically integrated asset manager, the role that our colleagues play is key. With a renewed focus and a fresh start, our colleagues are positively influencing our diversity ambitions and shaping our networks to create an even more diverse and inclusive workplace."

Charlotte Gilbert,  
Managing Director,  
Client and Product Solutions





## People continued

### Arrow group networking events – ‘Talks at Arrow’

Talks at Arrow is an internal events programme that brings a diverse array of speakers to share their expertise, insights, and experiences with colleagues across Arrow. These talks cover a wide range of topics from inspiring speakers, linked to topics that include Black History Month, Mental Health Awareness and International Women’s Day.

### Supporting and developing our colleagues

We aim to create an exceptional and unique 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. We believe the first weeks of integrating new colleagues into our organisation, familiarising them with our culture, values strategy and team goals is key to a successful career. Mars Capital are leading the way with a refreshed approach to onboarding, including a welcome book and HR & CEO induction session for all new colleagues, sharing the history and future vision of the organisation and new manager guidance to ensure managers feel equipped to support their new colleagues.

### Engagement

We pride ourselves on colleagues having a great experience at work and pay considerable attention to the relationship between engagement and performance. We utilise Peakon, a staff pulse survey platform which gives managers real-time insight needed to take action to engage and empower their teams. Our managers recognise the value of this ongoing dialogue with colleagues to create a work environment that we can be proud of and with this deliver high quality outcomes for all of our stakeholders.



My onboarding experience was excellent. My manager had a wonderful approach of continuous contact through email and phone before my start date. I felt like it gave me the knowledge to hit the ground running, knowing what to expect from my first day. Being the new person can be overwhelming, but I felt quite the opposite, I was excited to get stuck in.”

Jennie Doherty,  
Facilities Management



## People continued

## Talent development

As Arrow grows funds and assets under management, we are building a scalable business and a talented team. We develop our teams for future business capability needs alongside also 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 who also have a diversity of thought given the breadth of experience and varied backgrounds.

We believe in developing a culture where learning, collaboration and innovation happen every day. To support this, colleagues across the company have access to a breadth of different training opportunities, from mandatory regulatory training and our Group-wide learning platform LinkedIn Learning, which provides access to over 16,000 courses and videos to support continuous learning to bespoke coaching platforms, Responsible Investment training and 1:1 presentation skills.

## Flexible working

We believe that our hybrid and flexible working environments supports and retain 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.



Talks at Arrow provides a forum for thought-provoking discussions, to inform, inspire and challenge colleagues to think differently. They provide an opportunity for colleagues across the Group to hear from and engage with leading experts and gain new insights that can inspire creativity, spark curiosity, and drive meaningful conversations within our workplace.”

Donna Kaznowski,  
HR Manager, Arrow Global



## People continued

### Wellbeing

Arrow places significant value in colleague wellbeing with a suite of policies in place to support our people and colleague welfare is at the centre of this.

All colleagues have access to employee assistance programmes, offering confidential, specialist support and advice on a broad range of topics from mental health to financial advice.

In the Netherlands, Vesting Finance recently held a health and wellbeing day, where colleagues could take the time for relaxation and to focus on their own wellbeing, enjoying healthy refreshments, massage chairs and sound therapy.

Zenith, Europa Investimenti and Sagitta in Italy, continued its commitment to the employee Welfare Plan introduced in 2022. Colleagues benefit from an improved work life balance, support with children's education, family healthcare, sports and entertainment and other social elements.

Italy has, year-by-year, improved its commitment to wellbeing. All colleagues can, today, not only benefit from a generous welfare program (allowing access to a variety of healthcare, wellbeing and training opportunities) but also focus more of their life-balance by having the opportunity to work in a well structured hybrid environment.

### 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 that we delivery for our stakeholders. Over the course of 2023 we've continued to build 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.

Our annual salary review focused on giving a greater percentage increase to colleagues at the lower end of the salary scales. This proposition is aligned with our Purpose, Vision and Values, delivering a strong attraction and retention proposition. We continue to recognise the significant impact the cost-of-living crisis has placed on our people and to consider its impact and make decisions to support those most impacted.



We're committed to building a thriving workplace that fuels the development and growth of our people. Our platforms share a core commitment to actively listen to our colleagues. Regular opinion surveys, manager feedback and, colleague networks give us insights to develop our policies, simplify processes, offer training and cost-of-living support, and enhanced work-life balance and benefits. We cultivate a culture of inclusion, building a diverse workforce and fostering positive colleague interactions which strengthens our delivery for investors, clients, and each other."

Jan Wade,  
Chief People Officer





# Customers & communities

## Customers

The Group’s licence to operate relies on how the business is perceived by its stakeholders. Of particular importance to our consumer-facing platforms are customers, regulators and clients, to whom we endeavour to go above and beyond for.

Our local relationships with regulators are key to us being perceived as a business that not only adheres to regulatory requirements but also one which helps set the standard of fair customer treatment, therefore making us a more trusted partner for clients.

Ensuring the fair treatment of customers is core to our consumer-facing platforms. Our approach is to work with customers to find an amicable and practical solution enabling us to improve the financial lives of our customers.

We are often able to take a more flexible approach than the banks to finding this solution, often a payment plan and/or restructuring of the loan by taking a detailed assessment of the customer’s financial circumstances in a transparent and compassionate way. In this manner we see long-term adherence to repayment plans and high customer satisfaction.

Arrow’s approach to customer experience is reflected in our customer satisfaction scores with a Group weighted average of 7.6 in 2023.

## Customer satisfaction score



8.4



8.1



6.9

## Spotlight on Mars Capital

Mars Capital collaborated with the Central Bank of Ireland, through the Banking and Payment Federation of Ireland, regarding industry feedback on two significant consultations in 2023.

The Individual Accountability Framework which commenced in December 2023, aims to enhance executive responsibility within the Irish Financial Services sector by fostering transparency between Regulated Financial Services Providers and the Central Bank of Ireland.

The new Consumer Protection Code in Ireland is under review, with the Central Bank of Ireland soliciting input from all stakeholders in 2023 regarding the direction to be taken on several crucial topics. The review’s objective is to ensure the Consumer Protection Code remains fit for purpose and that consumers remain protected in light of ongoing developments in the financial services landscape.



## Customers &amp; communities continued

We consistently learn from our experiences and work to improve our customer journey through a variety of forums and governance meetings. As well as reviewing customer feedback and customer satisfaction scores, the teams review KPIs from within each country's operations. This allows positive change to be implemented where it is most effective and helps to deliver consistent customer treatment using data and experiences that guide future strategies and service enhancements.

In 2023 we saw continued improvements in processes that benefit the customer to ensure we are always doing the right thing, especially for the most vulnerable.

In June 2023, Vesting Finance joined the Schuldenknooppunt, which is an initiative aimed at improving debt assistance in the Netherlands. Joining the Schuldenknooppunt allows Vesting to serve its clients even better as data can now be shared more efficiently with other organisations involved in the debt assistance process, including municipalities, debt assistance providers and administrators.

Mars Capital's approach to treating customers fairly is a crucial factor which separates it from competitors in the Credit Servicing market. Accordingly, having a highly skilled Customer Advocacy Team dedicated to handling sensitive cases of the most vulnerable customers is extremely important.

In 2023, the Customer Advocacy Team re-launched the customer success story for colleagues to celebrate the differences that Mars makes in the lives of customers by going above and beyond to assist them in managing their financial circumstances.

Equally, Whitestar places treating customers fairly at the centre of its business. In 2023, recognising the increasingly challenging economic times, Whitestar identified a number of vulnerable customers to whom it could support through the delivery of essential food goods.

As part of Drydens dedication to treating vulnerable customers correctly, key stakeholders attended a training session held by the Money Advice Trust. In addition, the Financial Conduct Authority introduced the Consumer Duty standards, which has been fully embraced by Drydens. This led to a full review of contact strategies and the monitoring of customer outcomes, resulting in an improved focus on the way customers can communicate with the business.

We continue to pursue further digitisation as part of improving the customer journey. In Portugal for example, we have implemented the use of a virtual assistant to support speech and voice recognition features in outbound calls, and in the Netherlands we have seen expansion in the number of departments able to offer an SMS with payment link to customers.



I'm extremely proud of the work we do at Mars, in particular the focus we have in doing the right thing by our customers. Sharing examples of best practice via our customer success story initiative is vital in highlighting the effort made by the Customer Advocacy Team to treat our customers with empathy when dealing with difficult or sensitive situations, helping find additional support as required, and ensuring a permanent suitable resolution is achieved."

Colin Maher,  
CEO, Ireland





Customers & communities continued

## Communities

At Arrow, our local approach is integral to how we operate as a business and so we are conscious of the role we play in the societies we operate and are committed to engaging and working with those communities, a key stakeholder, to foster greater financial wellbeing. All Arrow employees are entitled to one day volunteering leave per year to use as they choose giving back to the community.

### Junior Achievement Europe

Recognising the crucial role that financial education plays in developing responsible and informed decision-makers among young people, Arrow has established a strategic partnership with Junior Achievement Europe (JAE) enabling us to work with young people in the communities we operate in.

JAE is Europe's leading non-profit provider of educational programmes for financial literacy and entrepreneurship.

In 2023, we reached almost 7,500 beneficiaries as part of our JAE programme with over 100 Arrow employees volunteering across the year.



Notable activities include, successful 'Dragons Den' style events hosted in our London and Dublin offices, providing students the opportunity to pitch their business ideas to a panel of judges in a corporate setting.

In Italy, a virtual business planning masterclass was delivered reaching 700 students and in Portugal a new activity was launched which seeks to help develop saving habits.

“

Delivering a masterclass to more than 700 students was an amazing chance to increase awareness of entrepreneurial topics, open students minds to new perspectives and help prepare them for the future. Being able to help shape future generations through our partnership with Junior Achievement is a motivating and interesting experience for all of us at Arrow Global.”

Marco Grimaldi,  
CEO, Italy





Customers & communities continued

## Communities continued

### Volunteering

Arrow colleagues are also invited to spend their volunteering day supporting a cause close to their heart. 2023 saw more than 80 colleagues volunteering across a range of causes, such as escorting children from an underprivileged school to the Chester Zoo, canal cleans, refurbishment of Casa da Praia in Lisbon – institutions supporting children and families in vulnerable situations and more.

The business also supports charities chosen by colleagues, running a series of fundraising events throughout the year. Examples include The Jack and Jill Foundation and a food and toy drive in Ireland seeing the sponsorship of 120 children and 53 crates of food at Christmas, the Alzheimer Society and MacMillan Cancer Support in the UK with a coffee morning and raffle.

In Portugal, colleagues covered 3,400km in a charity challenge raising funds for Norrie Syndrome and raised funds for Just a Change in a charity padel tournament.

In Italy, Europa Investimenti colleagues donated to two charities, one supporting people with autism and one supporting single mothers and their children living in sheltered housing, and Sagitta continued to adopt a fruit tree for each colleague through Biofarm extending the adoption to the board of directors and auditors, contributing to the absorption of around six tonnes of CO<sub>2</sub> annually.

Vesting colleagues contributed to two toy appeals throughout the year, and support the Princess Maxima Centre in fundraising activities throughout the year and through the deposit return scheme recycling plastic bottles and aluminium cans.

The Drydens Foundation, established in 2017, is a registered charity that offers Drydens colleagues the chance to nominate any UK registered charity to receive a donation. To date, it's contributed over £133,000 on behalf of colleagues to support numerous local, national, and international charities.





# 3.

# Responsible investment

## THE NETHERLANDS

260 PROFESSIONALS

4 PLATFORMS<sup>1,2</sup>

OFFICE IN AMERSFOORT  
AND AMSTERDAM

1 MICA is a partially-owned platform (Arrow Global: 1/3; Other Founding Partners: 2/3)

2.RNHB is a partially-owned platform (Arrow Global:18.2%, ACO1: 17.5%, CarVal Investors: 64.3%)



# Introduction

At Arrow, we believe that integrating sustainability considerations into our investment processes is not only part of our commitment of being a responsible investor but also a means through which we may achieve long-term value creation for our investors and stakeholders.

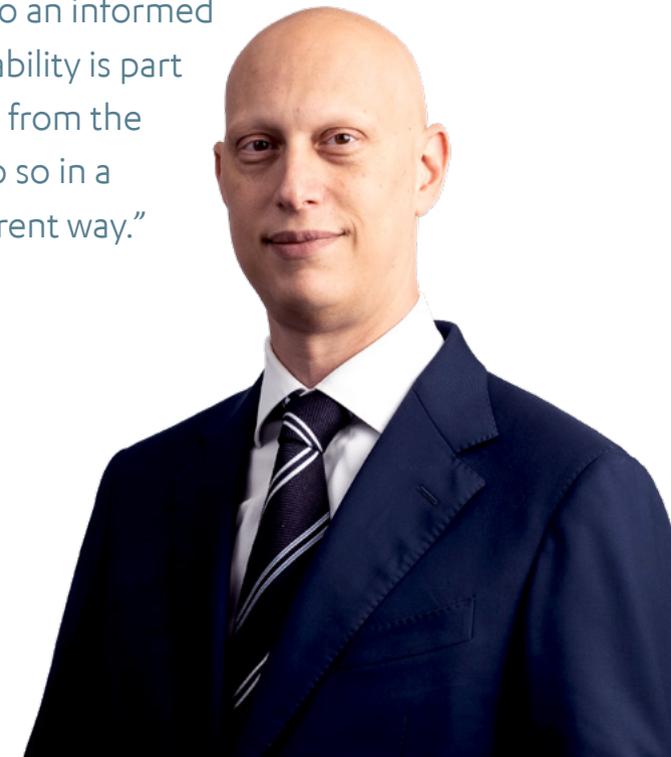


Our approach to responsible investment is built on the conviction that sustainability issues may directly influence the performance and resilience of our investments and so need to be understood at the outset and continuously monitored. In this manner we are able to navigate potential challenges and opportunities early and by doing so, we not only safeguard our assets against unforeseen risks but also capitalise on emerging opportunities that align with a sustainable future. Moreover, our vertical integration, characterised by deep market knowledge and strong relationships in each of our jurisdictions, plays a critical role in delivering our investment strategy. It enables each vertical strategy to understand and react to local market conditions including those of a societal or environmental nature. For example, issues relating to local housing supply, the energy efficiency ratings of buildings or the decarbonisation of transport. The investment teams are then empowered to make informed decisions that reflect the unique sustainability challenges and opportunities within each market we operate.

“

Sustainability considerations are a strategic benefit in line with all the other criterion assessed when conducting due diligence of a project that we have to consider when exploring a potential investment to help us come to an informed decision. Sustainability is part of what we assess from the outset, and we do so in a clear and transparent way.”

Davide Stecchi,  
MD, Underwriting



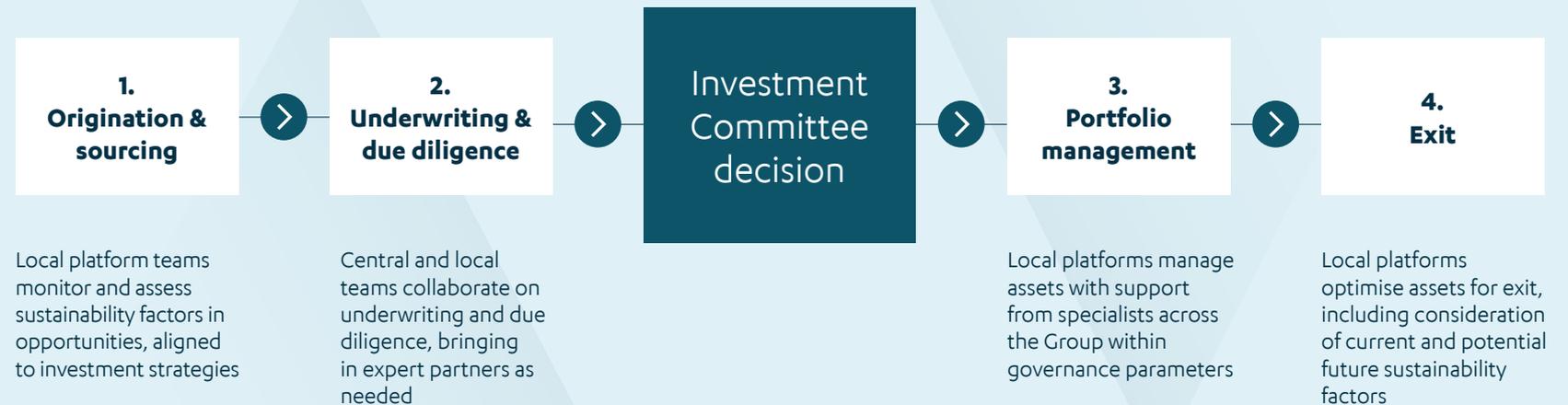
# Strengthening responsible investment

Central to our responsible investment strategy is a robust framework that integrates sustainability considerations throughout the investment lifecycle.

This comprehensive approach mitigates risks and enhances sustainability performance of our investments, thereby contributing to their overall success.

Arrow is also unique in the way that it is our local teams on the ground that are responsible for the investments right through their entire lifecycle, from initial screening to exit, so they are naturally incentivised to identify and manage the material issues in the short and long-term of the investment.

## Responsible investment framework





# Spotlight on PRI

with

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



Arrow completed its first PRI report in 2023. To do this, we followed a structured and rigorous process which was internally assured by Sarah Barrass, Group Head of Internal Audit and overseen by Monique O’Keefe as Chief Risk & Governance Officer and Chair of AGGCM Board. We were proud of the feedback with the scores confirming that our investment processes and accompanying governance frameworks are robust. The report now puts us in a strong position to prioritise areas for improvement and align that activity to the sustainability matters that are most material for Arrow as a business, our stakeholders and our assets.

Following the Group’s approach to responsible investment, Sagitta became a signatory to the PRI in April 2023 and will complete its inaugural report in 2024.



It was hugely commendable to see such positive results and feedback from our first PRI report, providing external validation to the strength of our responsible investment processes and governance oversight.

These results validate our hard work in recent years to firmly embed Responsible Investment practices into the investment process.

We now have some clear priority areas to focus on making improvements, and I look forward to seeing us learn and develop further.”

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



## Responsible investment framework continued



## 1. Origination & sourcing

The strategic direction of each vertical across our credit & real estate capabilities is set by vertical leads, providing the local origination teams with the guidance and parameters required to embark on deal sourcing.

Sustainability plays an important role in scoping the landscape of our investments because it is part of the macro-economic conditions that determine investment strategies. For example, the undersupply of housing and the scale of retrofitting required in Europe provides opportunity for our Real Estate Lending fund, whereas the requirement for more energy efficient buildings is creating opportunities for our Real Estate Equity fund.

As an opportunistic fund manager, Arrow can take advantage of these macro-themes and the dislocation within the market that this creates, generating not only strong risk-adjusted returns for investors but a positive sustainability impact too.

What is considered a transition risk to one asset manager can be viewed as an opportunity for Arrow and with the support of on-the-ground, local experts with strong client relationships we are able to capitalise on these, often off-market, opportunities.

## 2. Underwriting & due diligence

Once a potential deal is identified by a local platform, a rigorous due diligence process is followed as a joint effort between the central and local teams to ensure alignment to the vertical strategy.

Sustainability factors are considered explicitly as part of the overall risk assessment and strategic alignment from the outset and included transparently in investment committee memos.

With sustainability considerations being embedded from this early stage it enables us to account for any ongoing management and/or investment at underwrite.



When looking at our real estate fund opportunity, especially considering office assets, the market is continuously moving, and regulations are changing thereby accelerating the risk of obsolescence. Asset owners are experiencing pressure from changing regulations as well as from tenants or purchasers who want greener assets and will pay a premium for them. Whilst for some asset owners this is a transition risk which could potentially leave them with a stranded asset, this presents an opportunity to Arrow where we can purchase assets at an attractive price. We have the capital to bring these inefficient building up to standard and exit the assets at the right time and value.”

Zach Vaughan,  
CIO Real Estate





# Arrow lending opportunities Q&A

with

Toni McDermott,  
CIO Credit & Lending

Ben Colling,  
Director, Portfolio  
Management and ESG,  
Maslow



**Q:** What's driving sustainability in the Lending sector?

**Toni:** Sustainability is central to our lending product as the very purpose and nature of the vast majority of the funds we lend are either to build new houses to help ease the housing crisis or to refurbishing existing stock so that it can be rented and fit for purpose from an energy efficiency perspective. As a lender we must put money into projects where we have maximum certainty that the project is going to be successful and that you see a return. This means we must ensure projects are forward-thinking in terms of sustainability to take into account transition risks.

**Q:** It seems you're adapting to both immediate changes and long-term sustainability goals?

**Toni:** Whether for a credit or lending deal, from day one our due diligence is alive and screening for sustainability-related risks or opportunities. It is embedded within our due diligence process and so it becomes another element we consider at this stage and in investment committees, just as we consider financial or reputational issues for example. Ultimately, we want to back projects that end up delivering high quality assets as these will be the most successful, both in being able to withstand regulatory changes in the short and long-term and that will be the most appealing to future purchasers.

**Q:** Can you give a specific example of how you screen for sustainability issues and opportunities?

**Ben:** We consider factors such as whether the asset we're financing to be built will provide affordable homes, will be energy efficient and aligning to standards such as the Future Homes Standard in the UK, the overall sustainability impact of the construction process and the technologies and materials being used in the design.

**Q:** Can you tell me how you are improving the screening of sustainability issues and opportunities?

**Ben:** In 2023 we enhanced our existing qualitative sustainability risks and opportunities assessment by engaging a Real Estate Sustainability consultancy to create quantitative ESG scorecards for each of the ALO products. These scorecards will assess a range of sustainability characteristics to produce a score for each potential deal. The scorecard will be included in IC papers and discussed at investment committee forming part of the overall investment decision. Ultimately this quantitative score will help us better track and monitor over the lifetime of the loan the initial inputs received as well as planning or design requirements.



Responsible investment framework continued



### 3. Portfolio management

Once an investment has been approved at investment committee, it is then the responsibility of the specialised local platform to manage the asset, whether this be a portfolio of consumer non-performing loans, a bankruptcy position, hotels, offices or a development loan.

Arrow is proud to have experts in the markets it operates as part of the Group, so these assets are serviced by the leading platforms in each industry and geography with oversight from the central portfolio management team as required.

This corporate structure enhances oversight and control over the assets under management ultimately driving enhanced risk-adjusted returns.

Arrow’s vertical integration across five geographies makes us an agile investor because we can respond quickly to changes in market conditions, find fast solutions to challenges through local networks, and transfer knowledge and insights between teams. For example, our Real Estate Sustainability Working Group meets monthly to share updates and best practice across all of our geographies. Our Eagle Street platform is active in exploring the use of smart property technology in the UK and Ireland where issues like energy performance and water management are of greater interest. Through the working group, learnings about the use of this technology are shared with the teams in Portugal and Italy where, although there isn’t the same regulatory pressure to enhance building sustainability yet, we can use the experience of colleagues elsewhere in the Group to stay ahead of the market.



As a strategic part of our Vilamoura resort investment in Portugal, Arrow is responsible for the management of five golf courses. Sustainability is part of our optimization plans for these courses, especially for irrigation given they are in areas of low water resource. Collaborating with our local team we’ve developed a range of solutions for each course, like planting more drought-resistant grasses and switching the irrigation water sources from fresh to recycled water. Managing environmental impact, while reducing costs, is always a key focus for operating assets across all our portfolios.”

Alexander Slinger,  
MD Portfolio Management





## Responsible investment framework continued



## 4. Exit

Arrow's vertical integration allows us to continually add value from the Group-level to investments through the ownership period with active portfolio and investment management. It also means we can leverage local knowledge to manage assets through to realisation or exit when opportunities arise.

Due to the nature of the assets we invest in, the exit strategy for each of our vertical strategies differs. For credit portfolios, we expect that the majority of asset classes such as non-performing loans would typically realise their full collection forecast during the Fund life, with specialist local teams working with customers to rehabilitate their credit position to enable repayment of the loan. Where divestment of the portfolio is the preferred option, we have extensive experience in selling, restructuring or securitising portfolios, ensuring we do the right thing by our stakeholders in the process.

Similarly, from a lending perspective, given the focus on quality assets and projects we lend against, a substantial majority of them are expected to be sold or refinanced prior to contractual maturity. Potential exit paths are assessed at the time of underwrite, with particular attention being given to local market conditions, including sustainability factors.

From a Real Estate perspective we seek to generate opportunistic returns by acquiring granular properties with meaningful value-add and repositioning potential which we will seek to sell to larger, well-known organisations such as hotel groups. With sustainability KPIs being tracked for reporting purposes to GRESB, achieving these targets is expected to have a positive impact on the value of the asset at the point of exit.

“

Through our vertical integration, we harness local insights and active management to enhance asset value up to the point of advantageous exit or realisation. Whether through the rehabilitation of credit positions in our credit portfolios, ensuring the integrity of divestments, or the refinancing or strategic sale of real estate, sustainability considerations continue to be part of our decisions, reflecting our dedication to doing right by our stakeholders and enhancing asset worth at exit.”

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



# Case study

## Viriato Receives FSC® and PEFC® Certification



Viriato, a Portuguese business owned by Arrow funds specialising in fitting out fixtures and fittings across the hospitality sector, received certification from the Forest Stewardship Council (FSC®) and the Program for the Endorsement of Forest Certification (PEFC®) in 2023.

This achievement is testament to Viriato’s strong commitment to sustainable business practices, emphasising responsible forest management and alignment with the United Nations Sustainable Development Goal 12, connected to responsible consumption and production.



By securing this certification, Viriato affirms its ethical stance, pledging not to use or supply wood from categories that breach ethical standards. This includes wood from illegally harvested timber and forests being converted to plantations or non-forest land uses, consistent with international labour principles.”

Jorge Morgado,  
CEO Viriato

# Case study

## Dublin, Ireland



Business Park being upgraded by Eagle Street to meet tenant ESG requirements.

This particular asset in Dublin is a perfect example of how a dated 1990’s office building can be re-energised and made relevant for years to come.

The tenant liked the building and its location, but it had an EPC/BER rating of D and risked becoming a devalued asset. Eagle Street worked with its advisors to formulate a plan to bring the asset to an EPC/BER A rating, within a workable budget, whilst also meeting the tenant’s future ESG targets.

Planned environmental upgrades include:

- Removing gas**
- Solar PV installed**
- Electric lift replacing old hydraulic model**
- New, more efficient glazing**
- Heat pumps**
- Variable Refrigerant Flow (VRF)**
- LED lighting**
- Real time energy and water monitoring**

This was all possible thanks to Eagle Street’s excellent working relationship with the tenant which allowed the works to take place with the tenant in situ, on schedule and within budget.

Looking forward, Eagle Street is seeking to understand and share the benefits of biodiversity with occupiers across the office park. An ecologist and botany researcher has been engaged to analyse the park and share their findings through tenants and stakeholder events. The findings will also influence the management and maintenance of the park, with a focus on educating all stakeholders on the benefits of biodiversity and the need to develop and grow the different habitats within.



# Case study

## London, UK



Maslow financed the complete refurbishment of an outdated Purpose-Built Student Housing asset. Once completed, the building will comprise of 352 rooms. The intended works include replacement of the windows and the roof. The internal refurbishment will significantly upgrade the quality of accommodation, expand the number of bedrooms as well as introduce new social spaces for students. London has a chronic undersupply of dedicated student housing facilities. As such we are proud to have supported this project that will contribute to the increase in both supply and quality of student accommodation.

In addition, we believe this project presents strong environmental and social benefits including:

### Environmental commitment:

**BREEAM Excellence:** Designed to achieve a BREEAM 'Excellent' rating, reflecting high environmental performance.

**Robust EPC rating:** Expected high 'B' EPC rating, demonstrating the energy efficiency and an upgrade compared to the previous EPC score.

**Significant carbon savings:** Post refurbishment, the building will boast 72% lower carbon emissions, exceeding both UK Building Regulation requirements and London Plan targets.

**Renewable technology:** The building was designed with four air source heat pumps, solar panels, heat recovery technology, and passive design measures.

**Mobility support:** Expansion of cycle parking spaces from 7 to 87, promoting sustainable transport.

### Social impact:

**High quality living:** Amenity-rich environment with social spaces, dedicated study areas, fitness suite, and wellness rooms.

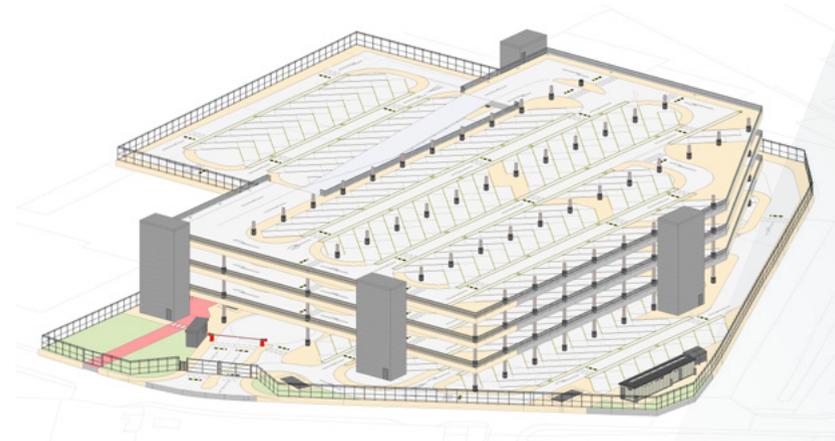
**Inclusive space:** Multiple bedrooms designed for wheelchair users, with fully-fitted wet rooms and manoeuvring spaces.

**Community engagement:** Registered under the Considerate Construction Scheme, aiming for 'Beyond Best Practice' scores.



# Case study

## Blue Current Capital, Europe



Blue Current Capital is developing dedicated, 100% renewably powered and BREEAM Excellent standard EV charging hubs.

Founded in 2020, BCC is set to become Europe’s largest provider of electrification infrastructure to last-mile fleet operators, targeting delivery of over 50,000 electric charging bays across Europe by 2030. Decarbonising last-mile logistics is central to delivering on environmental commitments of corporates and countries.

This investment allows Arrow to access a rapidly growing market as an early adopter in the delivery of scaled EV charging infrastructure designed for major fleet operators.

### Environmental performance:

**BREEAM Excellence:** All infrastructure assets targeted at excellent status by using efficient construction techniques, minimising waste and optimising contingency in the use of building materials.

**Renewable energy:** Selecting green tariffs with 100% traceable to renewable energy sources.

### Social performance

**Neighbourhood impact:** BCC enables the centralisation of electric parking, reducing the number of commercial vans parked in residential areas using on-street charging facilities.

**Energy grid impact:** Charging will occur overnight, utilising off-peak tariffs, reducing pressure on strained power networks and pushing up energy prices for retail customers.



In an era where major fleet operators are committed to electrification, charging infrastructure must keep pace. We are expanding this mission-critical infrastructure to ensure fleet operators can meet their electrification targets, paving the way for a greener future for logistics.”

Nickolas Blackburn,  
CEO & Co-Founder, BCC



# Case study

## Algarve, Portugal



A new 5-star Golf Club and luxury residences development set in 16,000m<sup>2</sup> aiming to achieve BREEAM certification.

Arrow Funds have invested in a site in the Algarve, next to a golf course. Once completed, the asset will consist of a golf club house and 16 touristic apartments equating to c.4,800m<sup>2</sup> GFA. The development of the site is being managed by our Portuguese platform, Norfin.

Sustainability considerations have been embedded into the development of the site, for instance the designs were adapted to the local site topology, reducing excavation needs and preserving existing ecological features.

Norfin has also engaged CBRE to support the design team's ambition to achieve BREEAM certification. Steps to achieve this will include:

**Specifying low-impact materials and building systems, such as heat pumps**

**Encouraging low-carbon transport for users by installing charging points for all cars**

**Employing water efficiency technologies, such as low flow taps**

**Implementing biodiversity measures**

Furthermore, designing energy-efficient building solutions, systems, and equipment underpins the project's commitment to reducing energy use and carbon emissions.

“

We engage ESG consultants on the majority of our real estate investments to support our project teams, and particularly our architects, to ensure we're designing projects that are adopting sustainable technologies and environmental best practices. We are working hard to develop assets that leverage leading sustainability practices.”

Charlie Scragg,  
Director, Portfolio Management,  
Real Estate



# 4.

# Looking forward

## IRELAND

210 PROFESSIONALS

2 PLATFORMS

OFFICES IN DUBLIN



# Looking forward



As you will have seen throughout this report, Arrow's approach to Sustainability is focused on the material issues that allows us to be a better business and a successful investor. Our unique vertically integrated model allows us to develop consistency in our core processes, policies and governance whilst also harnessing the deep domain expertise that exists in each of our markets and asset classes via our platform teams in each location. This continues to be further supported through training such as the PRI Academy with another Arrow cohort enrolled for 2024 alongside a pilot of a broader suite of sustainability training across a wider group of Arrow colleagues.

It is clear that the need for better, more timely and granular data is at the forefront of our thinking, as is the development of strategic third-party relationships to bring best-in-class external knowledge, tools and information into the firm in a way that is cost-effective and value accretive. Forming internal centres of excellence through which to share knowledge and upskill teams facing similar challenges, presents further opportunities for collaboration and sharing of sustainability best practices across Arrow.

We were pleased to produce our first TCFD report earlier this year and look forward to updating you on the improvements we are currently working on to better understand and manage the climate risks and opportunities facing the business. Furthermore, we

include Sustainability Accounting Standards Board (SASB) tables in the following section for the first time. As we consider implications of upcoming regulatory reporting demands across Europe, notably via the International Sustainability Standards Board (ISSB) and Corporate Sustainability Reporting Directive (CSRD), we will focus on growing this list of disclosures whilst still staying true to the purpose of reporting information that adds greater detail to your understanding of our business.

Finally, we have highlighted the Arrow advantage from our Sourcing and Servicing platforms. We look forward to additional growth in this area to support our investment and servicing plans across Europe, not least with immediate focus on our evolution into opportunities located in Spain. To support consistency of approach and best practice sharing we have begun to expand our use of EcoVadis as a means through which to objectively assess our progress relating to the environment, working practices, ethics and vendor management. Whilst in pilot phase for 2024, we look forward to building on the experiences of our colleagues in Whitestar and Vesting Finance and sharing progress with you as we enrol more platforms into the EcoVadis assessment tool.

Paul Woods,  
Director, ESG & Sustainability



# 5.

# Data tables



## PORTUGAL

560 PROFESSIONALS  
5 PLATFORMS  
OFFICES IN LISBON, PORTO  
AND VILAMOURA



# SASB content index

Disclosure #	Disclosure title	Description	Index & information
FN-AC-270a.1	Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	To the best of our knowledge, in 2023, there were no known covered employees with records of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.
FN-AC-270a.2	Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	To the best of our knowledge, in 2023, there were no known: monetary losses as a result of legal proceedings, incidents of non-compliance associated with marketing and communications of financial product related information to new and returning clients.
FN-AC-270a.3	Transparent Information & Fair Advice for Customers	Description of approach to informing customers about products and services	<p>Arrow communicates with customers in an open and transparent manner to ensure that:</p> <ul style="list-style-type: none"> <li>• They understand the role of Arrow and what activity it is undertaking on their account.</li> <li>• They understand the status of their account and where to go if they need help and support and/or make a complaint.</li> <li>• They are made aware of any changes in the status of their account and/or actions they need to take on it.</li> </ul> <p>These communication programmes are delivered through a variety of media including inbound and outbound telephony, SMS and written letters as well as email and are managed by the Group's operational teams in line with their operational practices.</p> <p>The specific communications cover a broad range of topics including confirmations of loan acquisition and/or servicing activity, monthly and annual statements, missed payment alerts, arrears information and letters, early settlement advice, account repayment proposals, changes in interest rates and confirmation of changes in customers' personal circumstances. The exact nature, mix and timing of these communications is dependent upon the underlying products, customer engagement, local regulatory requirements and the collections strategies being deployed.</p> <p>From an investor perspective, regular, timely and transparent communication and interaction with existing and prospective clients is ensured by Arrow's Client and Product Solutions team. Information about products and services is disclosed in strict compliance with applicable laws and regulations and undergoes review in accordance with Arrow's compliance procedures. All investors in Arrow Funds receive quarterly performance reports. Arrow hosts an annual Investor Day where we provide an overview of Arrow Funds' performance and key developments and create a forum to interact with clients and answer their questions.</p>
FN-AC-330a.1	Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	<p>As at 31 December 2023:</p> <p>Arrow Directors: 25% female, 75% male</p> <p>Senior Management: 40% female, 60% male</p> <p>All employees: 52% female, 48% male</p> <p>We do not record ethnicity data of our colleagues due to legal and other restrictions in some of the jurisdictions we operate in.</p>



## SASB content index continued

Disclosure #	Disclosure title	Description	Index & information
FN-AC-410a.1	Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing and (3) screening	Arrow's Responsible Investment Policy covers both ESG screening and integration of ESG issues. As at 31 December 2023, 0% FUM linked to sustainability themed investing.
FN-AC-410a.2	Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment or wealth management processes and strategies	Please see our Responsible Investment Policy <a href="#">here</a> and Responsible Investment section p.32-39
FN-AC-410a.3	Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Description of proxy voting and investee engagement policies and procedures	N/A
FN-AC-410b.1	Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	
FN-AC-410b.2	Financed Emissions	Total amount of assets under management (AUM) included in the financed emissions disclosure	As at 31 December 2023, we do not collect this information. Please see our TCFD report <a href="#">here</a> for further information on our approach to financed emissions.
FN-AC-410b.3	Financed Emissions	Percentage of total assets under management (AUM) included in the financed emissions calculation	
FN-AC-410b.4	Financed Emissions	Description of the methodology used to calculate financed emissions	N/A
FN-AC-510a.1	Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	To the best of our knowledge, there are no known monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations in 2023.
FN-AC-510a.2	Business Ethics	Description of whistle-blower policies and procedures	Arrow aims to maintain the highest standards of openness, integrity and accountability in its work. All employees or consultants who work for or with 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.
FN-AC-000.A	Activity Metrics	Total assets under management (AUM)	EUR 81bn AUM as at 31 December 2023
FN-AC-000.B	Activity Metrics	Total assets under custody and supervision	EUR 9.3bn funds under management (FUM) as at 31 December 2023

# 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 utilised or judgement 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 judgements, 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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