Arcmont
from nuveen

2022 SUSTAINABILITY REPORT

JULY 2023

Contents

Letter from the Chief Executive Officer

"We are committed to enhancing our operations and investment practices to better serve our stakeholders, society and the environment."

Over the last year, despite a challenging market environment, we have continued to grow our assets under management, investor and employee base as well as our product offering. As we have grown, sustainability considerations have been integral to all decisions. As a firm, we recognise that operating and investing responsibly and sustainably is critical to our business success and longevity.

To this end, we have continued to invest significant time and resources into strengthening the sustainability of our corporate operations, investment practices and supporting governance structures. I am pleased to report that we have made definite progress in each area, the details of which are contained in this report.

In our inaugural *2021 Sustainability Report*, we provided comprehensive details of the results of our internal materiality assessment, giving readers insight into the processes and structures we have in place to support our sustainability strategy. This year, we have focused on reporting the tangible actions we have taken to improve our sustainability profile and the resulting outcomes. We have also included key performance indicators that we will look to track going forward. All data in this report is Arcmont data as of 31 December 2022 unless otherwise stated.

Looking forward, we are specifically focused on improving our approach to climate change and diversity, equity and inclusion ("DEI"). While we consider a number of ESG themes, these two have emerged as particular priorities across our operations and investment process, given their salience as issues in the world today and their contribution to greater business resilience. Although we have made progress in both of these areas to date including measuring our carbon footprint, publishing Task Force on Climate-Related Financial Disclosures (TCFD) aligned reporting, revising our sustainability-linked margin ratchet programme to focus on climate change, participating in the Private Credit Investing Potential Programme and establishing a dedicated DEI Committee, we recognise that there is continued scope of improvement. Details on how we intend to improve in these areas are contained within this report.

We believe that 2023 will be a transformational year for Arcmont as part of *Nuveen*, providing tremendous growth and learning opportunities, particularly in the areas of responsible investing and DEI, which Nuveen has been at the forefront of for many years. We anticipate that this will enable us to accelerate the positive impact our business and investments can make.

I invite readers to review the progress we have made during the year and explore some of the areas where we are looking to expand in the future.

Anthony Fobel
Chief Executive Officer

2022 Highlights[1]

Firmwide Strategic Achievements

During the year we announced our transformational partnership with **Nuveen**

see page 24 for further details

€4.7bn committed in over 67 transactions

+€4.1bn of additional capital raised during the year, increasing our total capital raised since inception to €23 billion[3]

All of the Arcmont funds that are currently investing disclose in accordance with **Article 8** of the Sustainable Finance Disclosure Regulation (SFDR), representing 73% of strategy capital[3]

Corporate Responsibility Achievements

We achieved carbon neutrality across our Scope 1, 2 and select 3 emissions[2] for the second consecutive year

see page 15 for further details

In October 2022, we submitted an inaugural Stewardship Report to the Financial Reporting Council and officially became a signatory to the **UK Stewardship Code 2020** in February 2023

see page 28 for further details

We conducted an employee DEI survey and **85%** of our employees agreed Arcmont is a great place to work

We produced inaugural climate-related reporting in line with the **Task Force on Climate-Related Financial Disclosures** (TCFD) aligned reporting guidelines

see page 16 for further details

Responsible Investment Achievements

We agreed and documented **10** sustainability-linked margin ratchets during the year, representing €1.6 billion of committed capital

see page 33 for further details

3 portfolio companies with sustainability-linked margin ratchets achieved their first sustainability performance targets

We chose to onboard a **data solution** that will allow us to estimate key environmental and social metrics for our portfolio companies

see page 40 for further details

We published a **Climate Change Addendum** to our Responsible Investment Policy to specifically highlight how climate change is addressed in the investment process

see page 36 for further details

[1]Arcmont Data as of 31 December 2022.
[2]Excludes financed emissions.
[3]For all funds except for Senior Loan Fund I, strategy capital includes separately managed accounts and estimated leverage.
For Senior Loan Fund I, strategy capital includes separately managed accounts and achieved leverage.

About Arcmont[4]

The firm was **founded in 2011** and has been a pioneer in the European private debt market, providing financing solutions to a wide range of companies, industries and markets. Since inception, Arcmont has raised more than **€23 billion**[6] of capital from more than 370 blue-chip investors and has committed over **€22 billion** across more than 290 transactions across Europe. With over **90 employees** spread across **seven offices**[5] **across the globe**, Arcmont's experienced team of professionals combines pan-European origination capabilities with long-standing relationships among private equity firms, corporates and advisers.

For more information, please visit www.arcmont.com.

Business Overview

Founded in **2011** a pioneer in European Private Debt

+90 employees operating across 7 offices[5] across the globe, including 36 investment professionals

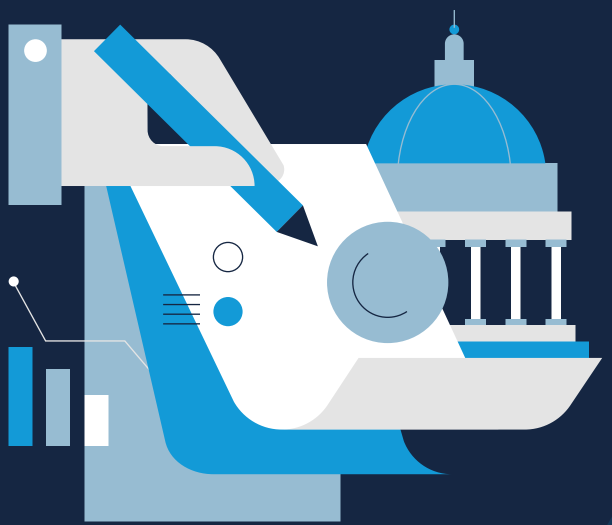
€22 bn committed in +290 transactions since inception

€20 bn invested in +155 portfolio companies across 16 geographies since inception

€23 bn entrusted to Arcmont[6] by +370 investors

Partnerships with **+70** private equity sponsors and owners

3 distinct investment strategies spanning the risk and return spectrum



Strategy Capital[6]

DIRECT LENDING

This strategy invests in a defensive, diversified portfolio consisting mainly of senior loans, as well as unitranche, second lien and subordinated loans. Although most loans are senior secured, we are also able to hold equity or warrant positions alongside those loans, providing upside potential through equity participation in select situations.

€14.0 bn

4 fund vintages

SENIOR LENDING

This strategy aims to provide senior loans where our loans are significantly protected by the value of the business. We target companies that exhibit steady, stable and cash-generative business models. The aim is to generate low-risk, attractive returns, with a focus on the preservation of capital through conservative structuring.

€8.4 bn

2 fund vintages

CAPITAL SOLUTIONS

This strategy provides funding to companies facing an economic downturn or a dislocation in their respective industry or markets. It also targets secondary trading opportunities, as well as complex situations, including investing through the capital structure, where we believe attractive risk-adjusted returns can be achieved. Arcmont will help fund liquidity or rescue financing as a collaborative and strategic source of capital with the patience to allow companies to recover, and with the restructuring expertise to help businesses navigate difficult environments.

€775 m

1 fund vintage

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[4] Arcmont Data as of 31 December 2022.
[5] Six offices in Europe, one in US; excludes the Luxembourg funds office.
[6] For all funds except for Senior Loan Fund I, strategy capital includes separately managed accounts and estimated leverage. For Senior Loan Fund I, strategy capital includes separately managed accounts and achieved leverage.

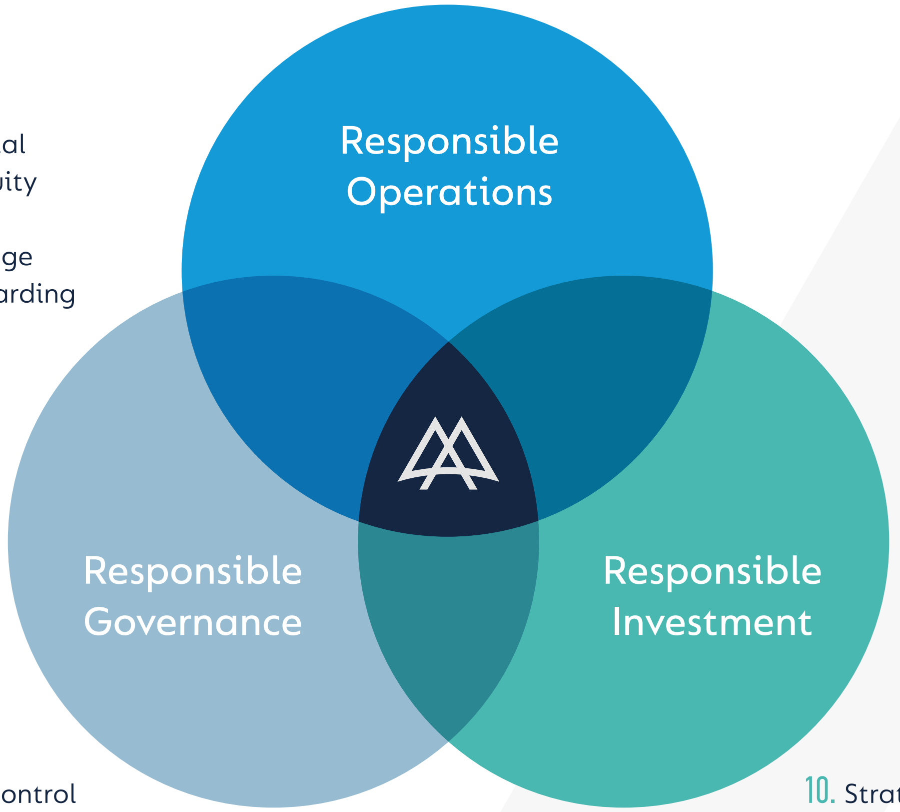
Corporate Sustainability

We established our sustainability focus nearly a decade ago when we became a signatory to the UN Principles for Responsible Investment ("PRI") and implemented a dedicated ESG Policy. Over the years, we have continued to enhance and develop our approach, integrating leading sustainability practices into our operations and investment practices to better serve our stakeholders, the environment and society.

We have a formal sustainability strategy that builds on our responsible operations, responsible investment practices and supporting governance structures. Our strategy was devised based on the results of our internal materiality assessment and focuses on the most material issues that are critical to our long-term business performance and those that are most important to our stakeholders. Our strategy is reviewed on an annual basis to ensure that sufficient and appropriate resources are devoted to the right areas.

To reflect our increased focus on diversity, equity and inclusion, it was added as a separate pillar for 2022. The below, therefore, represent our priority areas for 2022 and form the structure of this report.

1. Human Capital
2. Diversity, Equity and Inclusion
3. Climate change
4. Data Safeguarding and Systems
5. Investors
6. Communities

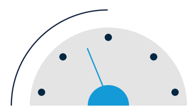


7. Ownership, Control and Governance
8. Business Ethics and Integrity
9. Management of the Legal and Regulatory Environment

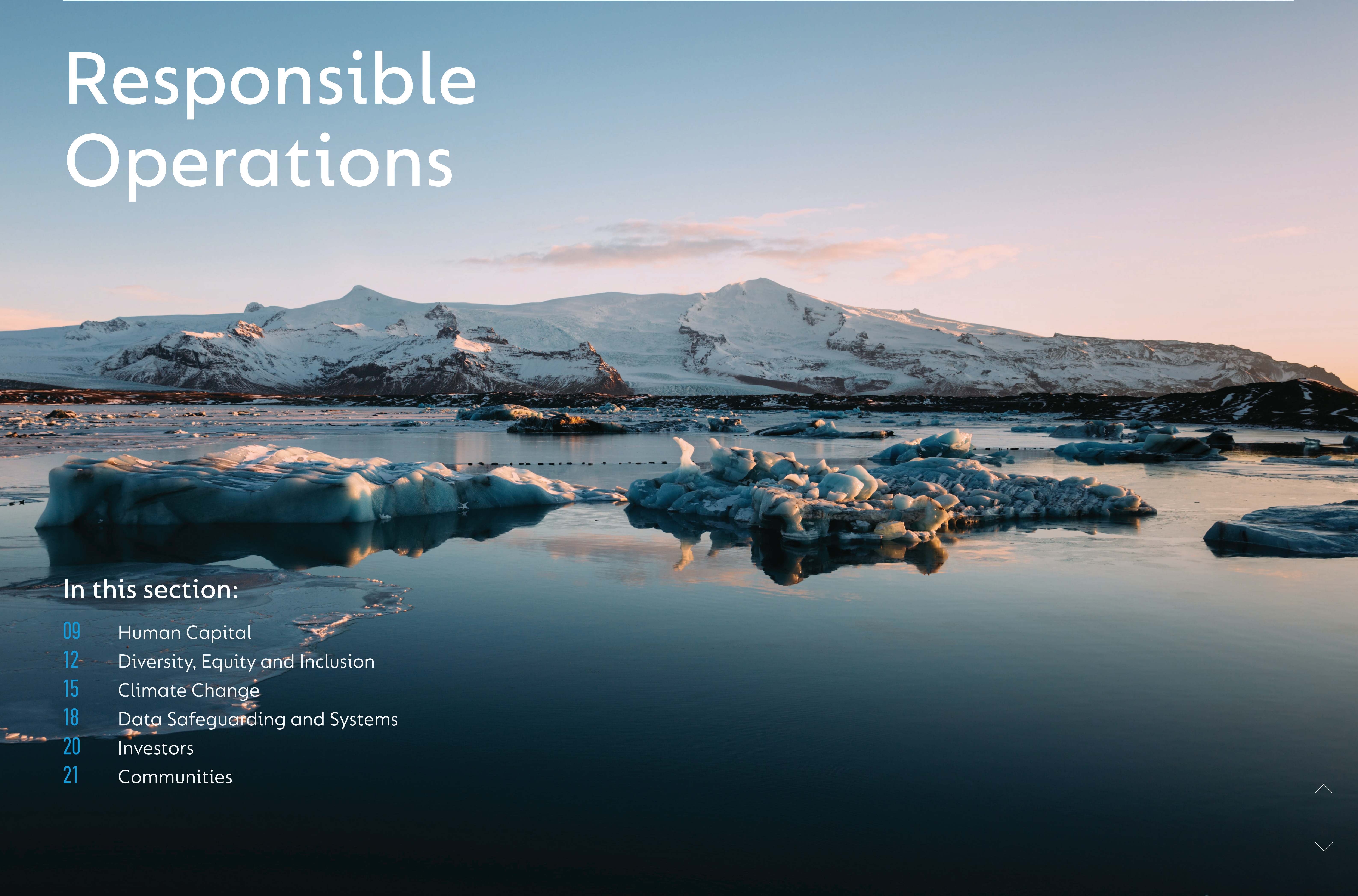
10. Strategy
11. Governance
12. Process
13. Advocacy

Stakeholder Engagement

Employees, investors, communities, regulators and industry bodies are just a few of the many Arcmont stakeholders. To better understand the issues that are important to them and our business, we regularly engage with, listen to, and learn from our stakeholders and their insights then feed into our sustainability strategy. Below we list a few of our stakeholders and provide details on how we engage with them.

Stakeholder Group	Ways we engage
 EMPLOYEES	We actively promote employee engagement via employee surveys, firm-wide social gatherings, training and development programmes, employee mentorship programmes and Arcmont's Lunch and Learn series. see the Human Capital section for further details
 INVESTORS	We take great pride in our client-centred approach and are committed to providing outstanding investor experiences. In addition to our annual general meetings and extensive reporting, we regularly engage with our investors via calls, in-person meetings and video updates with live Q&A sessions. see the Investors section for further details
 COMMUNITIES	We use our resources and expertise to engage and uplift communities. see the Communities section for further details
 REGULATORS	To stay well informed on legal and regulatory changes, we keep a regulatory developments tracker and actively engage with experts. see the Management of the Legal & Regulatory Environment section for further details
 INDUSTRY BODIES	As a pioneer in the private debt asset class in Europe, it is our responsibility to drive positive change in the market. Arcmont and its employees support and participate in various initiatives to promote sustainability. see the Advocacy section for further details

Responsible Operations



In this section:

2022 Progress Review

Priority Area	2022 Objectives	Status	Details
Human Capital	Roll-out the Arcmont Lunch & Learn Series	✓	Seven sessions were held during the year. Please refer to the spotlight ***here*** for an example of one of the sessions.
	Roll out a new centralised learning and development platform	✓	Employees have unfettered access to non-mandatory technical and soft-skill training, tailored to their individual needs, as well as all relevant compliance and regulatory training. The portal also links to bi-annual formal reviews and objective setting.
Diversity, Equity and Inclusion ("DEI")	Establish a DEI Committee	✓	A DEI Committee was established at the end of 2022. Please refer to the spotlight ***here*** for further information.
	Complete a DEI audit	✓	A DEI audit was completed in 2022. The results highlighted areas for improvement which we have already started to address. Note that the results have fed directly into the DEI Committee's roadmap for the year ahead.
	Roll out an enhanced DEI survey and begin tracking wider metrics	✓	During 2022, we trialled a more enhanced DEI survey to gain feedback from employees and assess participation rates. Subsequently, after improvements were made to the survey and process, a formal DEI survey was rolled out at the start of 2023. Please find the results ***here***.
	Strengthen our DEI policies and procedures	▲	Although not completed in the year, this is on the DEI Committee's agenda for 2023.
	Increase the frequency of DEI Training	▲	Although not completed in 2022, 100% of Arcmont employees participated in a Respect in the Workplace workshop in Q1 2023. The DEI Committee is also exploring rolling out mental health training and unconscious bias training in 2023.
Climate Change	Produce climate-related reporting that is aligned with the Task Force on Climate-Related Financial Disclosures (TCFD)	✓	Please refer to the spotlight ***here*** for our TCFD-aligned disclosures and also find a supporting TCFD appendix ***here***.
	Improve efforts with external collaborations and regulatory bodies to promote positive change	●	During the year, we did not engage with regulatory bodies. Instead, we focused our efforts on assessing the feasibility of joining the Net Zero Asset Managers Initiative (NZAMi). For details on this assessment, please see the spotlight ***here***.
	Publish a comprehensive GHG emissions reduction strategy that aligns with the Paris Agreement	▲	Due to the Covid-19 pandemic, our FY2021 GHG emissions were atypical. Because of this, we put our carbon reduction plan on hold until our FY2022 GHG emissions were measured. With the measurement completed, we are pleased to report that a GHG emissions reduction strategy is in the progress of being created.
Data safeguarding and systems	Improve automation and further enhance system capabilities	✓	During the year we continued to automate our processes as well as enhance and develop our systems capabilities. Please find more information ***here***.
	Obtain the Cyber Essentials Plus qualification	✓	Please refer to the spotlight ***here***.
Communities	Establish a Charity Committee	✓	Rather than establish a dedicated Charity Committee, the DEI Committee has been tasked with spearheading our philanthropic efforts. Please refer to the spotlight ***here*** for further details.
	Roll out the Arcmont Charitable Matching Scheme	✓	We are pleased to report that this has been successfully implemented. Arcmont will now match every charitable donation an employee makes in a year, up to £1,000.
	Offer employees a volunteer day	▲	This has not yet been rolled out; however, is an initiative that the DEI Committee is currently exploring. The Committee is specifically seeking to select one charity to support each year. Employees will be offered a paid day of leave to support the chosen charity.
	Utilise a carbon offset scheme that generates wider environmental and social benefits	✓	Please refer to the spotlight ***here***.

Achieved: ✓ Partially achieved: ● Deferred: ▲

Human Capital

Our employees are at the heart of our business, differentiating and driving our industry-leading practices. We are therefore committed to supporting our talented, diverse workforce with the resources required to enable the firm to achieve outstanding results for our investors, portfolio companies and other stakeholders, and aim to sustain a culture where our four corporate values are exemplified by all.

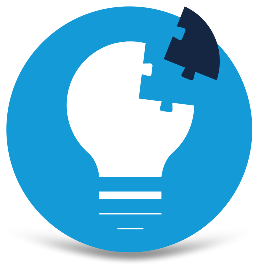
We recognise that Arcmont's success relies on our ability to attract, retain and develop intellectually outstanding and diverse individuals. We have therefore invested in a Human Capital function to drive forward initiatives that elevate the employee experience.

INTEGRITY

We are committed to the highest standards of personal and professional ethics, demonstrating accountability for our actions through transparency.

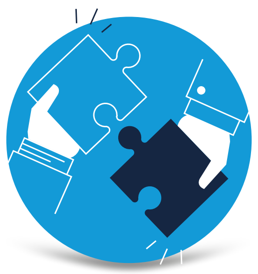
EXCELLENCE

We foster a high-performing environment where our employees strive to deliver outstanding results for our investors, portfolio companies and other stakeholders, and understand that there is always continued scope for improvement.



INNOVATION

We seek to anticipate and adapt to the needs of our investors and portfolio companies to deliver positive outcomes.



COLLABORATION

As a firm, we share our knowledge, experience and ideas, working towards a collective goal.

"We believe that strong employee engagement and close integration of our staff provides better outcomes for our people and our investors."

Fred Nada
Investment Partner and Co-Head of Human Capital

Attraction

We continue to build and strengthen the Arcmont team, adding resources across all areas to support the growth of our business. During the 12-month period ending 31 December 2022, on a net basis, we welcomed **20 new joiners**, increasing the Arcmont team to over **90 employees**[7].

To cultivate a talent pipeline and promote careers in finance, we have established a work experience programme and participate in the *Private Credit Investing Potential Programme*. Through both these programmes, we engage students early in their academic careers allowing them to gain insight into our firm, private debt and financial markets in general.

Key Performance Indicators[8]	2021	2022
Employee base	72	92
Net joiners	12	20
Number of work experience students hosted	1	4
Number of individuals hosted through the Private Credit Investing Potential Programme	2	2

[7] In our 2021 Sustainability Report we reported 90+ FTE. This figure represented the number of employees as of 30 June 2022 and included certain fund employees.
[8] Arcmont data as of 31 December.

Retention & Development

We strive to make Arcmont a great place to work and are committed to upskilling employees, improving their well-being as well as encouraging collaboration.

During the year we:

- Further enhanced our induction programme, ensuring new joiners are able to immediately integrate with their peers and are armed with appropriate cross-firm knowledge from the outset.
- Successfully implemented the Arcmont Lunch and Learn series where an employee is selected to present a specific topic to educate the wider team. Topics include role education, technical discussions as well as internal systems education. These sessions both educate employees and provide a forum to explore potential solutions to internal challenges, ultimately improving cross-team efficiencies.
- Increased the number of internal and external training sessions provided to employees at all levels to ensure they are continuously developing their technical skillset and are well-informed about market trends, best industry practices and evolving market rules and regulations.
- Implemented a new and improved employee review platform to improve the quality of feedback cycles, providing clearer communication on development pathways.
- Increased the frequency of firm-wide social events to encourage cross-team engagement. We believe that strong team spirit and close integration of our employees provide better outcomes for all stakeholders.
- Increased the frequency of our firm-wide update calls and meetings to ensure that employees are kept well informed on the business, market and other internal initiatives.
- Rolled out the Arcmont Mentorship Programme to all employees on a voluntary basis to ensure that every individual is supported in their career development with senior touchpoints across the business.
- Enhanced our DEI employee survey to gauge satisfaction levels across the firm.

Key Performance Indicators	2021	2022	2023 Target
Lunch and Learn sessions held	N/A[9]	7	7
External training sessions provided to employees	N/A[10]	53	N/A[11]
Proportion of employees receiving annual performance and career development reviews	100%	100%	100%
Firm-wide social events	2	12	12
Proportion of employees participating in Arcmont's mentorship programme	N/A[9]	29%	35%
Regrettable voluntary turnover[12]	6%	9%	<10%
Percentage of employees agreed that "Arcmont is a great place to work"	N/A[10]	85%	90%

Lunch and Learn

SPOTLIGHT

In a recent Lunch and Learn session our Head of Corporate Sustainability and Responsible Investing presented to the firm. She educated the team about Arcmont's responsible investing strategy and process, with a particular focus on how ESG factors are integrated into the invesment process, the reasons for doing so and Arcmont's responsible investing ambitions for the year ahead.

[9] Initiative implemented in 2022.
[10] Not historically tracked.
[11] Provided as required.
[12] Regrettable voluntary turnover = # regrettable voluntary terminations during the year / average headcount (starting and ending headcount).

Mentorship Programme

SPOTLIGHT

At the start of 2022, we established a mentorship programme that was progressively rolled out across the business following strong initial feedback. The objective of the programme is threefold. Firstly, to provide an informal and regular channel for more junior employees to discuss progress and development, benefiting from the knowledge and experience of senior members of the firm. Secondly, it gives employees a voice to speak with leadership, thus breaking down communication barriers. And finally, to support the development of a broad encompassing internal network for employees which, running hand-in-hand with other initiatives and social events, encourages closer integration and collaboration with colleagues.

Overarchingly, the mentorship program is successfully building on our commitment to provide a professionally supportive work environment, allowing us to attract talent and experience greater levels of employee retention.

2023 Objectives

OBJECTIVES

The below objectives were established collaboratively via discussions with leaders, managers and employees across the firm. We plan to action the following to improve employee engagement, well-being and development as well as retention:

- Strengthen and upskill the growing management layer through an extensive and dedicated external management training programme which will be run over the course of the year.
- Promote further cross-team integration with dedicated initiatives to discourage a 'silo mentality.'
- Establish a dedicated Social Committee to drive forward employee engagement as the firm continues to grow as well as to broaden our employee event offering to make them more inclusive.
- Complement our existing learning and development platform offering with targeted upskilling initiatives in identified areas of need at the individual level.
- Further structure our recruitment processes and start tracking broader attraction and retention metrics.
- Continue to review our employee well-being offering to ensure we are supporting the unique circumstances of all employees.
- Continue to roll out and improve successful initiatives such as the Arcmont Lunch and Learn series and Mentorship Programme.

Diversity, Equity and Inclusion

Arcmont is an equal opportunities employer, who respects the unique needs of all employees. We are committed to promoting diversity, preventing discrimination, and providing a supportive, equitable and inclusive working environment for all employees.

During the year:

- We completed a DEI audit with the support of an external consultant, leveraging best practice guidance to identify areas of improvement in our approach.
- We established a dedicated *DEI Committee* to drive progress. The Committee has decided to target four key areas in the year ahead: recruitment & retention, training, philanthropy and public disclosures.
- We began tracking wider diversity metrics, specifically looking at gender, ethnicity, age, background, sexual orientation, caregiver status and disability.
- We continued to participate in the *Private Credit Investing Potential Programme*, welcoming two new young adults, increasing the number hosted to four as of 31 December 2022. We also participated in associated alumni networking events.
- Alice Cavalier, our Co-Head of Capital Solutions, participated in two panel discussions at the *Private Equity International Women in Private Markets Summit* in London. She was supported by four other female employees who also attended the event.

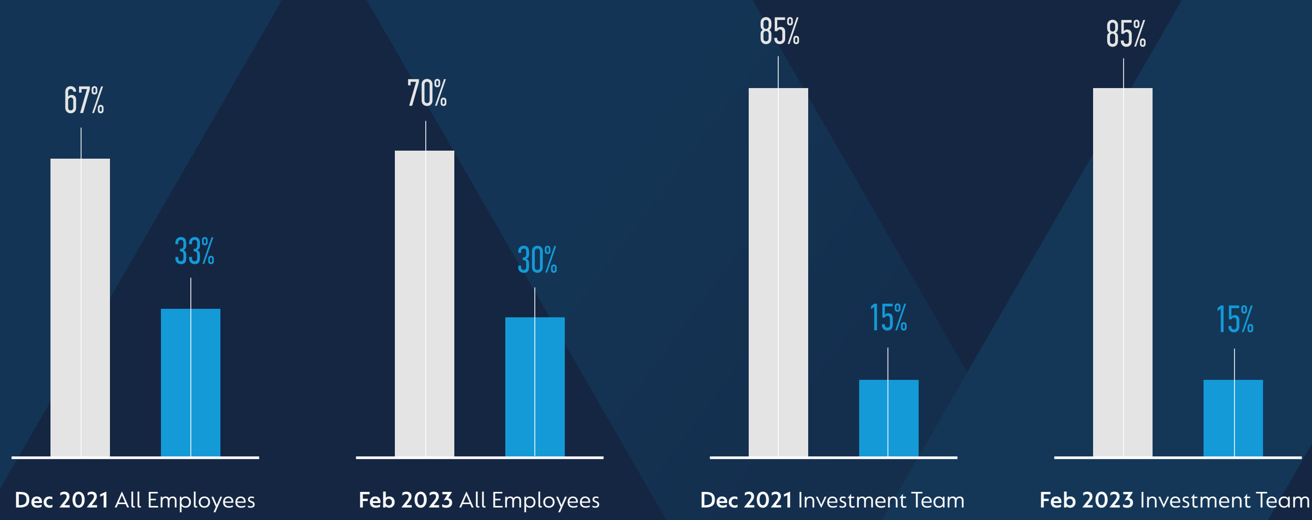
"We recognise that a diverse workforce comprised of people of all genders, ethnicities, backgrounds and experience fosters innovation and ultimately improves long-term performance."

Alice Cavalier
Investment Partner and Co-Head of Capital Solutions

DEI Statistics[13]

SPOTLIGHT

Gender



Note: At the time the employee survey was taken, 3 non-investment team employees were on maternity leave.

Ethnicity

All Employees

Investment Team

- Asian / Asian British
- Black / Black British / Caribbean / African
- Middle Eastern
- Mixed or multiple ethnic groups
- White

[13] Arcmont data.

We are pleased to report that 85% of employees feel like they can be themselves at work.

Next year, we will be rolling out an enhanced DEI survey to deep dive into the reasons why the remaining 15% do not feel this way and subsequently take action to address them.

DEI Committee

SPOTLIGHT

At the end of 2022, we established a dedicated DEI Committee. The objective of the Committee is to identify opportunities and prioritise actionable recommendations that enable Arcmont to create a more diverse, equitable and inclusive workplace. To ensure DEI considerations are incorporated across all areas of our business, the Committee is comprised of our Chief Financial Officer, Co-Head of Human Capital who is also a partner, Head of Corporate Sustainability and Responsible Investing, Senior Infrastructure Manager and Head of Human Resources. The Committee reports directly into the Arcmont Board.

The Committee has established a roadmap for the year ahead based on leading DEI practices and the DEI audit that was completed at the start of the year. The roadmap targets four key areas, recruitment & retention, training, philanthropy and public disclosures and lays out the Committee's near-term priorities as summarised on this page.

Focus Areas	Today	Priorities
Recruitment & Retention	• Non-binding DEI requirements for recruiters. • Limited employee satisfaction tracking.	• Incorporate DEI best practices within the recruitment process. • Track churn, pay and satisfaction across gender and ethnicity categories. • Establish a Social Committee to organise inclusive events.
Training	• Annual respect in the workplace training.	• Increase the frequency and type of DEI training e.g.: – Unconscious bias. – Mental health.
Philanthropy	• Arcmont charitable matching policy.	• Single charity annual selection: – Link team events. – One volunteering day.
Investor Disclosures	• Only gender & ethnicity of all employees and investment team.	• Publish a DEI statement on our website. • Track and disclose gender and ethnicity across more categories e.g. senior leadership teams.

Private Equity International Women in Private Markets Summit

SPOTLIGHT

The annual Private Equity International Women in Private Markets Summit is the world's leading diversity event focused on the alternative asset class. The event brings together key players in the industry to drive forward the discussion around diversity in private markets.

This year, our Co-head of Capital Solutions, Alice Cavalier, spoke at the summit on two separate panels giving her insights on how private markets are evolving in a rapidly changing economy as well as the state of private debt in a buoyant market.

Private Credit Investing Potential Programme

SPOTLIGHT

We have been participating in the Private Credit Investing Potential Programme since 2021 alongside several other private debt peers. Each year, a three-day programme is run where two students join the Arcmont team to learn about Private Credit and asset management more generally.

The programme aims to **(i)** provide work experience to students from backgrounds where a career in finance is a low probability outcome, **(ii)** raise awareness of finance as a career choice, **(iii)** provide an experience of a professional work environment, and **(iv)** provide mentorship and guidance at an early stage. Ultimately this supports a long-term aim of increasing diversity of social backgrounds in private credit and increasing social mobility more broadly, whilst also building a diverse and inclusive talent pipeline at Arcmont.

We are pleased to report that we have hosted four A-level students as of 31 December 2022. The programme continues to receive very positive feedback from all students and alumni, and we look forward to continuing our participation in the programme.

2023 Objectives

OBJECTIVES

In the year ahead, we plan to action the following to make Arcmont a more diverse, equitable and inclusive employer:

- Strengthen our DEI policies and procedures, with a particular focus on recruitment, to reflect the DEI Committee's objectives and planned initiatives.
- Start tracking employee churn, pay and satisfaction across gender and ethnicity categories to allow us to identify areas of improvement and track progress.
- Establish a Social Committee to organise inclusive events.
- Increase the frequency and type of DEI training to ensure our people continue to feel safe, included and respected.
- Publish a DEI statement on our website to communicate our commitment to creating a more diverse, inclusive and equitable workplace.
- Start tracking and publicly disclosing employee DEI metrics across broader categories as the firm grows e.g. senior leadership teams.
- Offer employees the opportunity to join Nuveen's DEI business resource groups, providing them with a space to connect with others with similar backgrounds or experiences.
- Investigate joining external collaborations focused on promoting DEI.
- Continue to participate in the Private Credit Investing Potential Programme to support social mobility.

"At Arcmont, we believe investing in people is the key to driving progress. That's why we're proud to support initiatives such as the Private Credit Investing Potential Programme, creating and developing pathways to success, and empowering individuals to achieve their full potential."

Michael Massarano
Investment Partner & Co-Head of Human Capital

Climate Change

We recognise the urgent need to transition to a low carbon economy and are highly focused on adapting our operations and investment practices to support the transition.

During the period:

- We declared support for the Task Force on Climate-Related Financial Disclosures (TCFD), ultimately supporting the transparency of climate-related risks and opportunities, promoting more informed financial decision-making and building a more resilient financial system.
- We subsequently produced inaugural TCFD-aligned reporting for FY2022, providing readers with confidence that Arcmont's climate-related risks are appropriately assessed and managed.
- We calculated our FY2022 Scope 1, 2 and 3 emissions for the second consecutive year. This year we also performed a complete assessment and calculation of emissions from all relevant Scope 3 categories.
- We subsequently offset our Scope 1, 2 and select 3[14] emissions, becoming carbon neutral across these scopes for the second consecutive year.

2022 Corporate GHG Emissions

SPOTLIGHT

Scope	Definition	Details
Scope 1	Direct emissions from sources owned and controlled by Arcmont.	Refrigerants from A/C units used in Arcmont's London office.
Scope 2	Indirect emissions from the consumption of purchased electricity, steam, heat and cooling.	Purchased electricity, chilling and air handling for Arcmont's London office[16].
Scope 3[14]	All other indirect emissions linked to the company excluding financed emissions.	• Purchased Goods and Services • Capital Goods • Fuel and energy-related activities • Upstream transport and distribution • Waste generated in operations • Business travel • Employee commuting • Upstream leased assets (including overseas offices)

Key Performance Indicators	2021	2022	% Change
Scope 1	0 tCO2e	0 tCO2e	
Scope 2[15]	42 tCO2e	18 tCO2e	-57%
Scope 3[14]	69 tCO2e	2,569 tCO2e	
Total	111 tCO2e	2,587 tCO2e	
GHG Emissions (Scope 1 & 2) **Intensity** (per FTE employee)	0.64 tCO2e/FTE	0.21 tCO2e/FTE	

Our **Scope 1** emissions were 0 tCO2e in FY2022 as there were no refrigerant top-ups in the air conditioning units in our London office.

Our **Scope 2** (market-based emissions) decreased by 57% from FY2021, due to the London office's building management deciding to switch to 100% renewable energy during the reporting year.

Our **Scope 3** emissions (excluding financed emissions) increased from FY2021 as FY2022 is the first year that we have done a complete assessment and calculation of emissions from all relevant Scope 3 categories.

Although we measured our FY2021 GHG emissions footprint, we have elected to use FY2022 as our baseline year to set reduction targets. This is because our FY2021 emissions were atypical given the impact of the COVID-19 pandemic and therefore does not accurately represent our true annual emissions for the year. Because of this, during the year we put our GHG emissions reduction plan on hold, however, this has now resumed following the completion of our FY2022 GHG emissions footprint measurement.

In the short term, to show our dedication to taking climate action, we offset our 2022 Scope 1, 2 and select 3[14] emissions and have included an additional 10% offset buffer to account for any margins of error in the quantification of these emissions. Please note that we do not consider carbon offsetting as a stand-alone action, we are primarily focused on reducing our emissions and will only use offsetting to take responsibility for the emissions we cannot reduce.

[14]Excludes financed emissions.
[15]Market-based method.
[16]Energy use from overseas offices fall under Scope 3 (category 8).

Sustainable Actions within the Office

SPOTLIGHT

In our London office:

- 100% of electricity is generated from renewable sources.
- The wastewater system is run using rainwater.
- We have a thermal wheel on the roof that creates heating and cooling, working in unison with the fan cool unit.
- Motion light detectors and LED lights are used to reduce energy consumption.
- Water fountains are available and reusable water bottles are given to all employees to reduce the use of plastic water bottles.
- We have coffee machines with organic and fair-trade coffee beans as well as recyclable coffee pods to reduce the use of single-use coffee cups.

In addition to the above, we have a strict travel policy in place where train transportation is prioritised whenever possible as opposed to planes and we also offer employees a Cycle2Work scheme to incentivise them to travel using one of the lowest emitting modes of transport.

TCFD-Aligned Disclosures

SPOTLIGHT

To demonstrate consistent improvements in our disclosures on climate-related risks and opportunities, we have produced inaugural climate-related reporting in line with the TCFD guidelines. As this is our first year of reporting, the roadmap below shows only objectives for the next reporting year. In subsequent reports, the roadmap will show the key milestones reached in the prior year, in addition to future objectives. This roadmap should be reviewed alongside the TCFD-aligned disclosures in *Appendix 1*.

GOVERNANCE	2023 OBJECTIVE
a) Describe the board's oversight of climate-related risks and opportunities. b) Describe the management's role in assessing and managing climate-related risks and opportunities.	• Expand disclosures of the processes already in place to better communicate how climate considerations are already integrated. • Once climate metrics and targets have been agreed, implement a formal monitoring process. • Produce a full TCFD report for FY2023.

STRATEGY	2023 OBJECTIVE
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	• Update the operational risk register to identify where existing processes directly address climate risks.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2C lower scenario.	• Undertake climate scenario analyses in 2023 with support from an external consultant to develop time horizons and their associated climate issues as well as identify the risks and opportunities relevant to us over those time frames. We intend to use this exercise to analyse the resilience of our business strategies against various climate scenarios.

RISK MANAGEMENT	2023 OBJECTIVE
a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks.	• Once we have addressed the inclusion of climate risks within the current risk management processes, ensure, assess and manage them as part of our overall risk management.
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	• Expand our disclosures on the existing investment risk management process to include details on how the investment-related climate risks are prioritised based on their materiality.

METRICS AND TARGETS	2023 OBJECTIVE
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Disclose historic emissions, including Scope 3 Category 15 (financed emissions), leveraging the Insight *ESG Outreach Solutions* to fill any data gaps.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	• Explore producing fund-level climate disclosures for clients.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Develop net zero targets leveraging the Net Zero Investments Framework. Please see the spotlight *here* for more details.

2023 Objectives

OBJECTIVES

In addition to the above TCFD objectives, we plan to execute the following to take action against climate change:

- Endeavour to set a Near-Term Science-Based Target to align with a 1.5°C pathway and develop a comprehensive GHG emissions reduction plan.
- Improve the data quality of our Scope 3 emissions.
- Educate our employees on climate change, its impact on the business and the steps necessary to ensure these impacts are mitigated as well as the actions they can take to reduce their own emissions.
- Implement a Corporate Environmental Policy that outlines our aims and principles in relation to managing the environmental effects and aspects of our operations.
- Establish an employee 'Green Team' comprised of passionate employees who are focused on driving forward our sustainable workplace practices.
- Investigate joining additional external collaborations focused on tackling climate change.

Data Safeguarding and Systems

Arcmont is the custodian of vast amounts of information and data about our stakeholders, particularly our investors, portfolio companies and employees. The potential compromise of that data is one of the greatest threats to our organisation. Therefore, data safeguarding continues to be one of our most important priorities. We continue to invest in our systems as well as our approach to data protection and cyber security to ensure all data handled by the firm is secure.

During the period:

- We welcomed two new joiners in the technology team to support our expanding operations.
- We obtained the Cyber Essentials Plus Qualification which we believe showcases the strength of our cyber security approach.
- We enhanced our cyber security education and awareness programme which was completed by 100% of employees.
- We continued to enhance and develop our end-to-end portfolio management system, increasing the number of data points captured and calculated for each borrower, including ESG-related data points.

Cyber Essentials Plus Qualification

SPOTLIGHT

We are pleased to report that Arcmont obtained the Cyber Essential Plus Qualification during the period, the highest level of certification offered under the Cyber Essentials Scheme. This qualification demonstrates that Arcmont is trustworthy and secure when it comes to cyber security.

Cyber Security Protection in Action[17]

SPOTLIGHT

To keep our employees abreast of security and privacy best practices and protocols, we provide them with regular cyber security training.

During the period, we simulated more than 35,500 phishing email simulations and only experienced a 0.2% failure rate.

[17] Arcmont data.

Key Performance Indicators	2021	2022
Number of impersonation attacks prevented	>12,000	>18,000
Number of simulated url phishing emails delivered	>50,000	>35,500
Failure rate of simulated url phishing emails	N/A[18]	0.2%

Cyber Security Review

SPOTLIGHT

During the reporting period, ACA Aponix performed cyber security due diligence on our key vendors to ensure appropriate safeguards are in place to protect our data as well as the data of our investors and portfolio companies. First, all vendors were classified into certain categories based on the type and volume of data handled. Next, a tailored questionnaire was sent to each vendor. Once the responses were received, ACA Aponix reviewed the information, followed up where required and conducted their own tests.

Subsequently, each vendor was assigned a score based on the risk posed to Arcmont. In total, 18 vendors were assessed and only three achieved scores below the desired level. Of the three, only one vendor was deemed to handle material data. Conversations were held with this vendor who agreed to correct the issues identified within a given timeframe. We are pleased to report that the weaknesses identified have now been addressed. We are committed to conducting this assessment on an annual basis going forward.

Bespoke End-to-End Portfolio Management Platform

SPOTLIGHT

Today, we operate using a bespoke, fully integrated platform for end-to-end portfolio management. This encompasses a customer relationship management system for the sourcing and deal teams, an automated portfolio monitoring process, an order management system to streamline our allocation process and a data warehouse for all our investor and regulatory reporting.

Key Performance Indicators	2021	2022
Transaction events were processed during the year	>20k	>15k
Data points captured or calculated for each borrower	>650	>700

[18] Not historically tracked.

ESG Data

SPOTLIGHT

This year we increased the number of data points captured for each investment, including ESG data points. By the end of 2021, all ESG data, both quantitative and qualitative was stored in our internal system. By the end of 2022, not only did the system capture GHG emissions data and automatically calculate associated metrics, but also captured engagement data including the fields prescribed by the Investment Consultants Sustainability Working Group (ICSWG). This has significantly enhanced and streamlined our ESG monitoring and reporting efforts.

2023 Objectives

OBJECTIVES

In the year ahead, we aim to further improve automation and systems capabilities to generate further value for our stakeholders. In terms of ESG data specifically, we are in the process of linking the ***Insight ESG Outreach*** platform with our internal system. Once completed, we will be able to provide our investors with comprehensive quantitative ESG data. In addition, we are currently exploring automatically generating data reports relating to the Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impact Indicators.

Investors

Strong investor relationships are fundamental to the success of our business. Our vision is to continue to act as a partner to investors, helping them achieve their capital allocation goals and to continually improve our services and responsiveness, ensuring that we can meet their evolving needs.

During the period, we:

- Welcomed four new client services team members and two new business development team members, increasing the total number of investor facing employees to 17.
- Centrally stored questions from requests for proposals and questionnaires, including our responses, to allow us to identify key topics and trends that were of particular interest to our investors.
- Enhanced our internal systems to better record conversations with investors allowing us to improve our quality of servicing.
- Hosted our Annual General Meeting in London and several video update calls throughout the year, providing investors with comprehensive updates on Arcmont and our activities.
- Continued to invest time and resources into enhancing our product offering to better meet investors' needs.
- Continued to enhance and develop our ESG reporting to better reflect our investors' requirements.

Product Offering & Capabilities

SPOTLIGHT

We have a diverse global investor base, and while unified by their appetite to invest in private debt, many of our investors have specific aims or requirements driven by their type, geography or strategic goals. In recognition of this, we have invested significant time and resources into enhancing our product offering to meet these diverse objectives, tailoring both the commercial features of our products and their structures. We are therefore able to offer investors a range of options, from which they can select a combination of features to best suit their requirements. For further details on our product offering, please contact clientservices@arcmont.com.

ESG Reporting Enhancements

SPOTLIGHT

As a result of centrally storing our investors' questions and logging conversations, we were able to easily identify the key focus areas and requirements of our investors and adapt accordingly. For example, during the period we actively sought to onboard an ESG data solution to allow us to satisfy our investors' data requirements. We also amended our engagement reporting to specifically align with the disclosure frameworks from the Investment Consultants Sustainability Working Group (ICSWG).

2023 Objectives

OBJECTIVES

In the year ahead, we aim to action the following to better serve our existing and prospective investors:

- Explore seeking regular direct investor feedback via an investor-wide survey.
- Continue to keep our investors well-informed via our extensive reporting and regular updates.
- Continue to enhance and develop our ESG reporting to better reflect our investors' requirements. We are specifically focused on providing more quantitative ESG data.
- Explore providing investors with the European ESG Template (EET) in response to increasing demand. We recognise that this will support a standardised and harmonised exchange of ESG-related information and support compliance with regulatory requirements.
- Publish annual product-level GHG emissions reports to allow investors to account for their total GHG emissions, generate insight into their exposure to key climate-related risks and opportunities and comply with the increasing disclosure requirements.

"We are proud of our client-centred approach and are committed to delivering excellent investor experiences, starting with fundraising and culminating in a long-term partnership."

David Burnside
Head of Business Development

Communities

We recognise our ability and opportunity to uplift communities using our expertise and resources. Our aim is to improve the wellbeing of others and support the elimination of social problems.

During the period:

- We rolled out our Charitable Matching Programme where Arcmont matches every charitable donation an employee makes in a year, up to £1,000.
- We donated new sports kits to Drayton Park Primary School.
- The DEI Committee was tasked with leading our philanthropic efforts. The committee intends to identify charitable giving opportunities and ensure alignment with our corporate purpose, value and commitment to promote equity and inclusion outside our four walls.
- Sought to purchase carbon credits that not only credibly remove carbon from the atmosphere, but also generate other environmental and socioeconomic benefits. Note that these were obtained in FY23.

Drayton Park Primary School

SPOTLIGHT

During the year, Arcmont donated new sports kit to Drayton Park Primary School in Islington. We were pleased to see the kit being put to use by both the Year 6 children at the Islington Schools' sports day and the Year 3 / 4 boys' football team who competed in an interschool football tournament.

DEI Committee Philanthropic Focus Area

SPOTLIGHT

Driven by the reckoning with social inequities and injustice that the recent crises have spurred, we have identified the opportunity to align our commitment to DEI to our corporate philanthropic strategy. This is why instead of creating a stand-alone Charity Committee, the DEI Committee has been tasked with spearheading our philanthropic efforts.

The Committee's objective is to govern and improve our philanthropic efforts as well as to identify philanthropic opportunities that enable Arcmont to contribute to advancing DEI and social mobility within our community. An example of a philanthropic activity with a specific focus on social mobility and education is our participation in *Private Credit Investing Potential Programme*.

FY2022 Carbon Credits

SPOTLIGHT

Project	Anamudi Project in India
Certification	Gold Standard
The Challenge	In India, non-renewable biomass is the main source of energy for 82% of the population, which leads to the release of polluting gases. Moreover, rising quantities and poor management of organic waste lead to environmental and health issues.
The Solution	The Anamudi Biogas project, which started in 2009, aims to promote clean energy while improving the management of organic waste through the installation of patented and innovative biogas plants, for rural and semi-urban households, communities and institutions. The biogas will replace non-renewable sources of energy, which will result in emission reductions of 38,908 tCO_2e/year and avoid deforestation.
Environmental Benefits	• CO_2 Avoidance (average per year = 38,908 tCO_2). • Avoided local environmental pollution through a better organic waste management system. • Avoided environmental pollution and degradation by switching from fossil fuels and non-renewable biomass to renewable energy. • Promotion of the use of bio-fertiliser, which is a by-product from the bio-digester that can displace harmful chemical fertilisers.
Social & Economic Benefits	• Avoided health hazards associated with unmanaged waste in backyards and village streets. • Improved quality of life for the beneficiaries by reducing the time and money spent on fuel procurement and transportation. • New employment opportunities for locals.

2023 Objectives

OBJECTIVES

During the year we plan to action the following to improve our philanthropic efforts and better serve our community:

- Select one charity annually to focus our efforts on. Our intention is to create a shortlist of charities and then ask employees to vote on their preferred charity. Once selected, Arcmont will not only financially support the charity, but will also offer employees a dedicated volunteer day to support the charity.
- Continue to participate in the *Private Credit Investing Potential Programme*.
- Continue to offer the Charitable Matching Scheme to our employees and encourage them to utilise it.
- Join forces with Nuveen to expand our charitable reach.

Responsible Governance

In this section:

2022 Progress Review

Priority Area	2022 Objectives	Status	Details
Business Ethics and Integrity	Submit an inaugural Stewardship Report and become a formal signatory to the UK Stewardship Code	✓	In October 2022, we submitted our first Stewardship Report to the Financial Reporting Council. In February 2023, we officially became a signatory to the UK Stewardship Code 2020. Please refer to the spotlight ***here***.
	Join the UN Global Compact Initiative	▲	Although not completed in the year 2022, we intend to submit a formal application to the initiative in the medium term. We are currently focusing our efforts on ensuring a smooth transition into the Nuveen Group.
Management of the Legal & Regulatory Environment	Publish a 2022 Modern Slavery Statement	✓	In June 2022, we published our 2nd Modern Slavery Statement. Please refer to the spotlight ***here***. Please note that the statement has since been enhanced and our 3rd Modern Slavery Statement was published in June 2023. Please find the statement ***here***.
	Improve our efforts around Modern Slavery, including enhancing our supplier due diligence	✓	During the year: • All employees were trained on modern slavery prevention. • Modern Slavery training was added to new joiner training. • All Arcmont suppliers were screened for sanctions and negative media.
	Closely monitor the Level 2 Sustainable Finance Disclosure Regulation (SFDR) requirements	✓	At the start of this year, we published the relevant SFDR website and pre-contractual disclosures for our Article 8 funds. Further, the relevant periodic disclosures were published in the funds' FY22 audited financial statements.

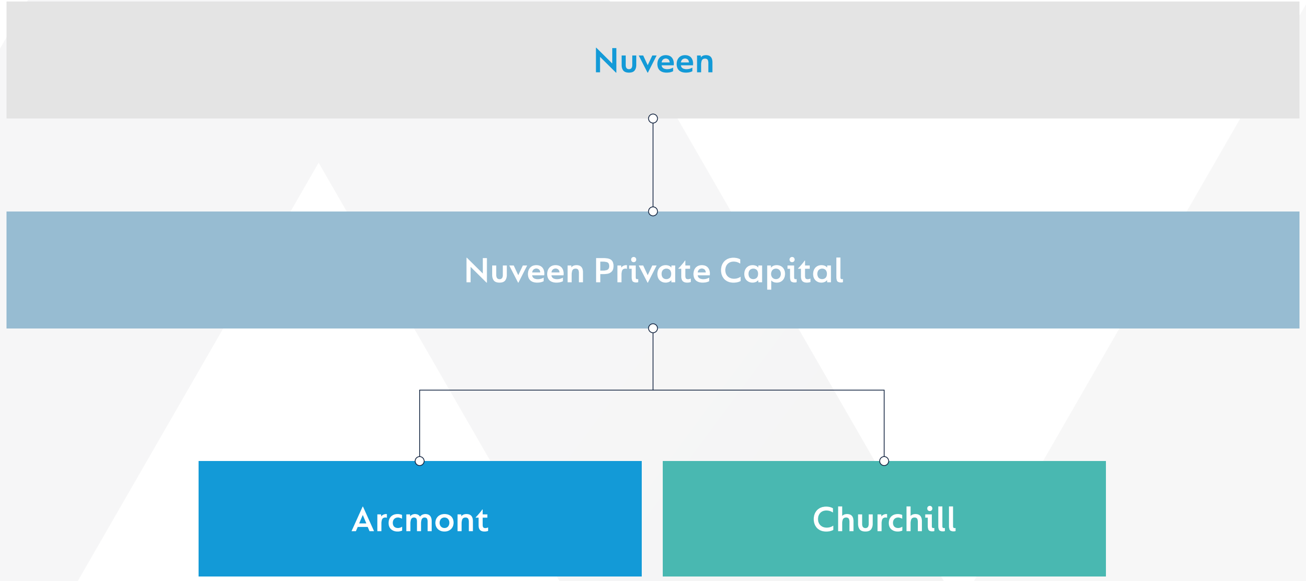
Achieved: ✓ Partially achieved: ● Deferred: ▲

Ownership, Control and Governance

The firm was originally established in 2011 as the private debt division of BlueBay Asset Management. Following the significant growth of the private debt platform, in 2019 Arcmont was spun out to become an independently owned and managed business.

During the period:

- Nuveen agreed to acquire a controlling interest in Arcmont.
- We appointed a dedicated Enterprise Risk Manager to support the Operational Risk Committee.



Nuveen Transaction

SPOTLIGHT

After three years of operating independently, in November 2022, ***Nuveen*** agreed to acquire a controlling interest in Arcmont. On 01 March 2023, the transaction was completed.

Nuveen, the investment manager of the Teachers Insurance and Annuity Association (TIAA), with $1.1 trillion in AuM, provides Arcmont with an exciting and important strategic step forward, enhancing our ability to serve investors, sponsors and corporates as well as enabling us to benefit further from the strong global growth trends in private debt.

As part of this transaction, we have established Nuveen Private Capital, a company that will seek to drive synergies between Arcmont and ***Churchill Asset Management*** ("Churchill"), Nuveen's North American private debt and private equity investment specialist. Nuveen Private Capital, with a combined AuM of $66.5 billion, becomes one of the largest global private debt managers.

Although Arcmont and Churchill will continue to operate as two distinct businesses, as the importance of scale continues to increase, this partnership will enable us to offer both investors and borrowers a broader range of products and financing options and to grow in Europe and North America.

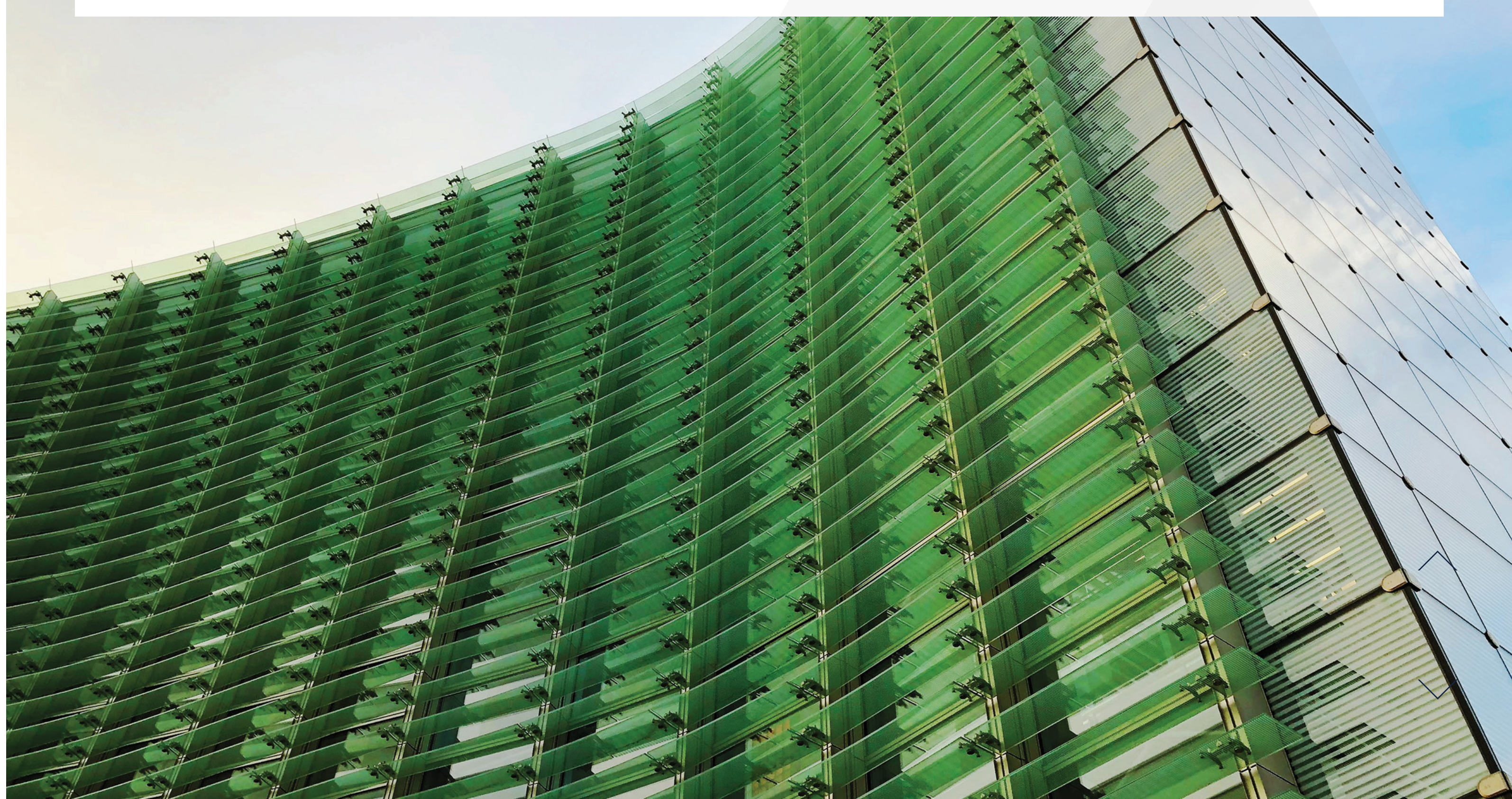
Importantly, as an affiliate of Nuveen, Arcmont will continue to operate as usual and under the Arcmont brand. The firm will be managed by the current leadership team, including Anthony Fobel as Chief Executive Officer, ensuring the continuity of the existing Arcmont business. For the avoidance of doubt, there will be no change to our team, investment committees or processes, and the new ownership structure shall not affect the underlying funds managed or advised by Arcmont.

For more information, please see the ***press release***.

Control and Governance

SPOTLIGHT

As previously mentioned, there is no change to Arcmont's team, investment committees or processes. We continue to operate with a robust corporate governance structure, with multiple subject-specific committees with defined responsibilities as summarised in the image overleaf.



Executive Committees

Executive Board

Board

Ultimate responsibility for the business strategy and risk framework of the firm

Executive Management

Management Committee

Responsible for determining the strategic direction of the firm

Investment Oversight

Private Debt Investment Committee

Determines the investments and divestments which should be made by Arcmont's Direct Lending and Senior Loan vehicles

Capital Solutions Investment Committee

Determines the investments and divestments which should be made by Arcmont's Capital Solutions vehicles

Portfolio Oversight

Portfolio Management Committee

Carries out periodic reviews of the funds' portfolios to monitor credit quality, diversification, yield dynamics and downside protection

Portfolio Risk Monitoring Committee

Agrees the investments that should be on the Watch List following the quarterly Portfolio Management Committee meetings

Operational Oversight

Risk Committees

Deal Approval Committee

Reviews investments and divestments, restructurings, and approves the Allocation Policy

Conflicts of Interest Committee

Oversees conflicts of interest framework

Valuations Committee

Determines the valuation policy and valuation recommendations

Operational Risk Committee

Oversight of operational risk framework

- **IT Risk & Information Security Committee**

  Oversees arrangements to prevent IT or information security breaches

- **Best Execution Sub-Committee**

  Monitors compliance with the MiFID II Best Execution regime

Product Governance Committee

Ensures compliance with MiFID II Product Governance Requirements

ESG Committee

Responsible for oversight of all ESG activities

Operational Risk Management

SPOTLIGHT

The Operational Risk Committee ("ORC") is responsible for setting the standards for the identification, assessment, management and oversight of operational risks. Operational risks include, but are not limited to, operational processes, technology and cyber risk, outsourcing, business continuity, employment and legal risk. The ORC is comprised of our Chief Operating Officer, Head of Compliance, Chief Financial Officer and the Chief Technology Officer. The ORC is supported by our dedicated Enterprise Risk Manager.

2023 Objectives

OBJECTIVES

During the year ahead, we are highly focused on ensuring a smooth transition into the Nuveen Group.

Business Ethics and Integrity

At Arcmont, we hold ourselves to the highest ethical standards and aim to sustain an environment of honesty and accountability.

During the period:

- We submitted an inaugural Stewardship Report to the Financial Reporting Council (FRC) and subsequently became a formal signatory to the UK Stewardship Code 2020 in February 2023.
- We provided our UK-based employees with annual training on the conduct rules which form part of the UK's Senior Managers and Certification Regime.
- 100% of employees declared they read and understood the contents of Arcmont's Compliance Handbook, including the Code of Ethics.
- 100% of employees completed financial crime training which covers antibribery and corruption.
- 100% of employees completed conflicts of interest training.

Code of Ethics

SPOTLIGHT

Our Code of Ethics is the cornerstone of our commitment to ethics and compliance. The Code is closely aligned with the 1st set of conduct rules under the Senior Managers and Certification Regime in the UK and it mandates that all employees act with integrity and honesty when dealing with clients, regulators, fellow employees, and other business partners. We maintain a Code of Ethics breach log and ensure that all breaches are escalated accordingly and in accordance with regulatory requirements. Further, we strongly encourage our employees to raise concerns about any suspected violations of our Code of Ethics and other wrongdoings. All staff must also confirm they have read and understood the contents of Arcmont's Compliance Handbook, including the Code of Ethics, on an annual basis.

Whistleblowing Policy

SPOTLIGHT

Our Whistleblowing Policy lays out mechanisms for employees to report concerns of any suspected misconduct, breaches of our policies, discrimination, or any non-compliance with legal and compliance requirements. It also includes mechanisms for employees to seek advice on policies and practices regarding responsible business conduct. The policy offers protection from dismissal and unfavourable treatment for employees who report suspicions of wrongdoing by appointing two independent whistleblowing champions, the Chief Operating Officer and the Head of Compliance, whose role is to oversee the integrity, independence and effectiveness of the policy.

Anti-corruption

SPOTLIGHT

We are committed to combatting bribery and corruption. We have established a Financial Crime Prevention Policy which requires all employees to comply with applicable anti-corruption laws and regulations. It is mandatory for all employees to complete annual anti-bribery and corruption training. To the best of our knowledge and belief, there have been no allegations or suspicions of corruption against Arcmont Asset Management Limited or any of its employees.

Conflict of Interest

SPOTLIGHT

We uphold an extensive Conflicts of Interest ("COI") Policy that details how we avoid and manage COIs that may arise in the course of business. This policy is supplemented by other policies detailing how we manage specific conflicts including investment allocations, expense allocations, valuations, errors, personal accounts dealing and gifts and entertainment. The COI Committee is responsible for reviewing the effectiveness of our overall COI framework on an ongoing basis and the Committee also meets to review specific conflicts that have been identified. Our Compliance Team is also responsible for maintaining a COI register that details all potential or actual COI that Arcmont faces. All personnel are required to take annual COI training and targeted COI training on investment allocations is given to our Co-Chief Investment Officers.

Annual Training on Business Ethics and Compliance

SPOTLIGHT

To ensure that all staff members are aware of their responsibilities with regard to Arcmont's policies and Code of Ethics, all employees are required to complete regular compliance training which is offered as a combination of online and in-person training. The topics covered include Financial Crime Prevention, Market Abuse, Conflicts of Interests and the Senior Managers and Certification Regime. Periodically, the Compliance Team arranges training sessions which are tailored to specific regulatory development and/or updated policies and procedures.

UK Stewardship Code

SPOTLIGHT

In October 2022, we submitted an inaugural Stewardship Report to the Financial Reporting Council (FRC) detailing how we applied the principles of the Code in the 12-month reporting period ending 31 October 2022. With the report having met the FRC's expectations, Arcmont was listed as a signatory and our report was added to the FRC's ***website***. We believe this achievement showcases the strength of our stewardship activities and our dedication to continuously improving our approach.

2023 Objectives

OBJECTIVES

During the year, we will continue to ensure our employees are aware of their professional responsibilities through regular comprehensive training.

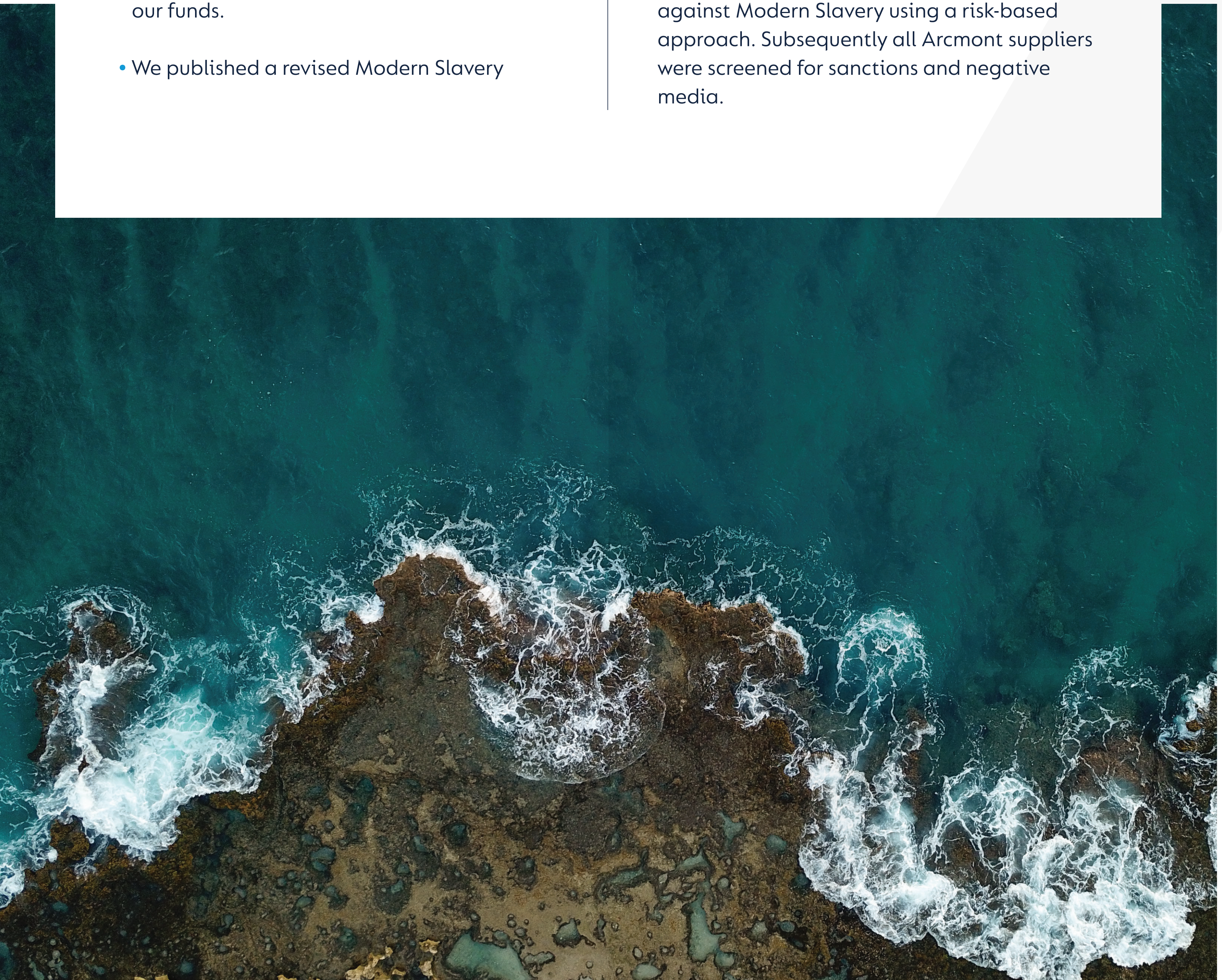
We will also submit a Stewardship Report to the FRC.

Management of the Legal & Regulatory Environment

We believe effectively managing the regulatory and legal landscape is business imperative and we aim not only to achieve compliance but also to adopt best practices as recommended by regulators.

During the period:

- We published the relevant Sustainable Finance Disclosure Regulation (SFDR) disclosures for our funds.
- We published a revised Modern Slavery Statement and implemented key performance indicators to monitor our efforts to combat Modern Slavery going forward.
- 100% of employees were trained on Modern Slavery prevention and Modern Slavery training was added to new joiner training.
- We implemented an action plan to enhance our supplier due diligence to specifically screen against Modern Slavery using a risk-based approach. Subsequently all Arcmont suppliers were screened for sanctions and negative media.



Compliance Programme

SPOTLIGHT

As a financial institution, Arcmont is subject to laws and regulations in all applicable jurisdictions by different regulatory bodies. We maintain a regulatory developments tracker to keep abreast of upcoming legal and regulatory changes. Periodically, the Compliance Team arranges training sessions for the firm which are tailored to specific regulatory developments. We strive to embody both the letter and spirit of applicable legal and regulatory requirements. To the best of our knowledge and belief, Arcmont Asset Management Limited is not the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings.

Modern Slavery

SPOTLIGHT

At Arcmont, we are committed to continually improving our approach to preventing and combating Modern Slavery across our business and operations. We continuously monitor the progress and effectiveness of our efforts in combating Modern Slavery and complying with applicable laws and regulations. Accordingly, during the period we introduced key performance indicators to assess our efforts to combat Modern Slavery risks across all areas of our business, including those shown below. Our commitment and approach were documented in our 2022 Modern Slavery Statement. Note that the Statement has since been enhanced, and in June 2023 our *2023 Modern Slavery Statement* was published.

Key Performance Indicators	2022	2023 Target
Percentage of employees who received training on Modern Slavery	100%	100%
Percentage of suppliers screened for Modern Slavery incidents	100%	100%

Sustainable Finance Disclosure Regulation (SFDR)

SPOTLIGHT

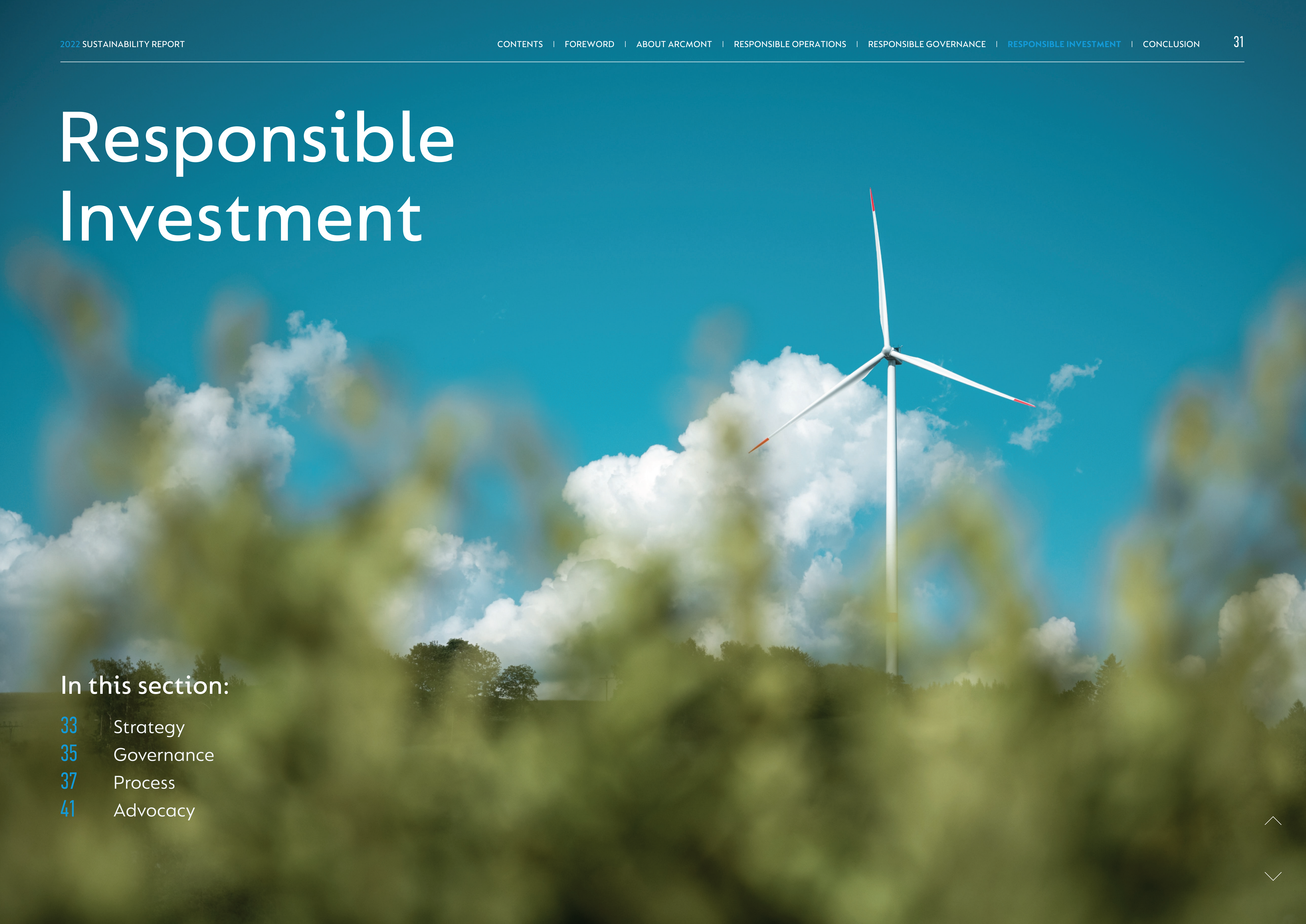
The funds Arcmont acts as portfolio manager to are EU domiciled Alternative Investment Funds (AIFs) and are therefore in scope of the EU ESG-related regulations including the SFDR. We included the appropriate disclosures under the Level 2 regulation in the 2022 audited accounts for our funds that disclose in accordance with Article 8 which provide transparent information on the sustainability characteristics of the products. Prior to publication, to ensure the requirements of the regulation had been sufficiently satisfied we engaged external legal counsel to review and provide input on the disclosures. Recognising that SFDR is still relatively nascent, we will continue to monitor the regulation's development by attending industry conferences and expert-led webinars that perform deep dives into the latest Regulatory Technical Standards. As part of our year-end audit procedures, our auditors reviewed these disclosures to confirm they were consistent with the financial statements and had been prepared in accordance with applicable legal requirements.

2023 Objectives

OBJECTIVES

To ensure our continued compliance with the regulatory requirements, we intend to action the following during 2023:

- Continue to review our existing policies and procedures to incorporate changes to regulations.
- Continue to review our Compliance Programme Framework on an ongoing basis, updating it where appropriate to reflect regulatory developments, market practices and our business activities.
- Execute the action plan to enhance our supplier due diligence to better mitigate Modern Slavery risks in our supply chain.



Responsible Investment

In this section:

2022 Progress Review

Priority Area	2022 Objectives	Status	Details
Governance	Enhance our existing ESG policies	✓	Following our annual policy review, Arcmont's ***Responsible Investment Policy*** (previously titled 'ESG Investment Risk Management Policy') was updated to reflect the enhancements made to our process.
	Widen the scope of our ESG Exclusions Policy	●	Although our ***ESG Exclusions Policy*** was not widened, we did conduct a formal review to ensure the policy remains aligned with our investors' expectations.
	Publish a Stewardship Policy	▲	Rather than publish a standalone policy, we intend to ingrate the UK Stewardship Code principles into our Responsible Investment Policy. We are reviewing the feedback from the Financial Reporting Council and intend to make upgrades to our Responsible Investment Policy in H2 2023.
	Publish a Climate Policy	✓	Arcmont published a Climate Change Addendum to our Responsible Investment Policy. Please refer to the spotlight ***here***. The policy is publicly available on our ***website***.
Process	Enhance our sustainability-linked margin ratchet programme	✓	Please refer to the spotlight ***here***.
	Enhance our ESG-integrated investment due diligence process to further improve our credit analysis	✓	Please refer to the ***process section*** for details on all the improvements made during the year.
	Roll out initiatives to encourage portfolio companies to track and ultimately reduce their emissions	✓	Please refer to the spotlight ***here*** which details the revisions made to our sustainability-linked margin ratchet programme which supports this objective.

Achieved: ✓ Partially achieved: ● Deferred: ▲

Strategy

Our responsible investing strategy continues to be enhanced and developed to reflect our ambitions and best practices for our asset class.

Today, we integrate ESG factors into our investment strategy with two key objectives:

1. To identify ESG investment risks and opportunities to enhance investment decision-making; and
2. To incentivise portfolio companies to improve their sustainability performance, with a specific focus on their climate performance.

During the period:

- We rolled out an enhancement to our **sustainability-linked margin ratchet programme** (previously referred to as our 'Environmental and Social Target Improvement Plan Programme').
- We engaged a consultant to assess the feasibility of setting net zero targets for our funds, including assessing the feasibility of joining the **Net Zero Asset Managers Initiative (NZAMi).**

Key Responsible Investing Milestones

SPOTLIGHT

Jul 2013
- ESG policy adopted
- UN PRI signatory as part of BlueBay

May 2019
- ESG scoring introduced

Nov 2019
- Spin out from BlueBay

Dec 2019
- Arcmont became a UN PRI signatory

Jul 2020
- dss+[19] engaged

Mar 2021
- Enhanced ESG Exclusions Policy

Dec 2021
- Whitepaper published[20]

Jan 2022
- TCFD supporter
- Portfolio company GHG emissions estimated

Apr 2022
- Sustainable Development Investments Taxonomy integrated

Jul 2022
- Qualitative climate risk assessment introduced

Dec 2022
- Climate Change Addendum published
- Insight ESG Outreach Solution

Feb 2023
- UK Stewardship Code 2020 signatory

Sustainability-Linked Margin Ratchet Programme Enhancement

SPOTLIGHT

As a private debt asset manager, Arcmont has more limited influence over portfolio companies' ESG management practices than private equity owners. To overcome this, in April 2021 we implemented our sustainability-linked margin ratchet programme and began offering new primary borrowers financial incentives to meet pre-agreed sustainability performance targets.

In 2022, we revised the programme to specifically target borrowers' climate change mitigation practices, with a particular focus on encouraging them to measure, publicly disclose and reduce their GHG emissions. This revision stems from our support for the transition to a net zero economy and our need for reliable and consistent ESG data (i.e. there are globally agreed standards for measuring performance). Not only does this allow us to identify and mitigate a systemic risk amongst our portfolio companies, but it also improves sustainability disclosures across a wide range of industries.

As of 31 December 2022, we have signed and documented 10 sustainability-linked margin ratchets that have at least one climate related key performance indicator.

10 borrowers with sustainability-linked margin ratchets with climate related KPIs, representing €1.6 bn of committed capital[21].

[19] dss+ acquired KKS Advisors in 2022. The acquisition has had no impact on the team servicing Arcmont's account, or the services provided.
[20] Find our whitepaper *here*.
[21] Cost amount GIR EUR.

Incentivising GHG emissions reductions

CASE STUDY

In 2022, we agreed a sustainability-linked margin ratchet with a company that provides early education to children in the UK. At the time the ratchet was agreed, the company was required to measure its Scope 1 & 2 emissions annually as part of its Streamlined Energy and Carbon Reporting (SECR), however, had not set reduction targets. We, therefore, designed and implemented a ratchet that financially incentivises the company to reduce its GHG emissions intensity per child at a rate that is 1.5 degrees aligned, as calculated by the Science-Based Target Initiative's (SBTi) Target Setting Tool version 2.0 (i.e. 6.26% p.a.).

Also in 2022, we agreed a sustainability-linked margin ratchet with a private dental clinic group. When we first began our discussions, the company had not yet measured its GHG emissions. We, therefore, designed and implemented a ratchet that financially incentivises the company to first measure and publicly disclose its GHG emissions and then subsequently reduce its GHG emissions intensity. The targets will be set once the baseline assessment has been completed and we will endeavour to leverage the SBTi Target Setting Tool to ensure the reduction targets are 1.5 degrees aligned. This ratchet also requires the company to publicly disclose specific social metrics that are aligned with the Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impact Indicators.

Net Zero Fund-Level Targets

SPOTLIGHT

During the year, together with our ESG consultant, we assessed the feasibility of Arcmont joining the Net Zero Asset Managers Initiative (NZAMi) as there is currently a lack of guidance available for private debt managers specifically. Based on the research conducted, we have concluded that the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment's Framework is the most appropriate framework for Arcmont to use to set net-zero targets at the fund level. Towards the end of last year, we were informed that the IIGCC intends to publish private debt-specific guidance in the near term. We intend to continue to work towards setting a net zero target, leveraging the existing guidance available and staying in contact with the IIGCC to ensure our approach is in line with their upcoming guidance.

2023 Objectives

OBJECTIVES

In the year ahead, we will continue to:

- Offer sustainability-linked margin ratchets to new primary borrowers.
- Enhance and develop our responsible investing approach, incorporating market best practices within.

"Linking the achievement of material sustainability performance targets to interest rate reductions results in benefits for all parties. Portfolio companies can reduce their cost of capital, lenders can lower their risk exposure and equity sponsors can achieve value creation from improved sustainability performance."

Mattis Poetter
Investment Partner and Co-Chief Investment Officer

Governance

We have designed and implemented a responsible investing governance structure that we believe enables effective oversight and accountability within our organisation.

During the period:

- One of Arcmont's Co-Chief Investment Officers joined the ESG Committee.
- 100% of the Investment Team received responsible investment training.
- Two ESG champions were appointed in the Investment Team to support the ESG Committee's efforts.
- We updated our Responsible Investment Policy to reflect the enhancements made to our process.
- We published a Climate Change Addendum to our Responsible Investment Policy.
- We updated the ESG Committee's terms of reference, broadening their responsibilities.

Today, we operate in accordance with the below responsible investment policies which apply to all assets under management[22]:

- *ESG Exclusions Policy*
- *Responsible Investment Policy*
- *Climate Change Addendum to the Responsible Investment Policy*

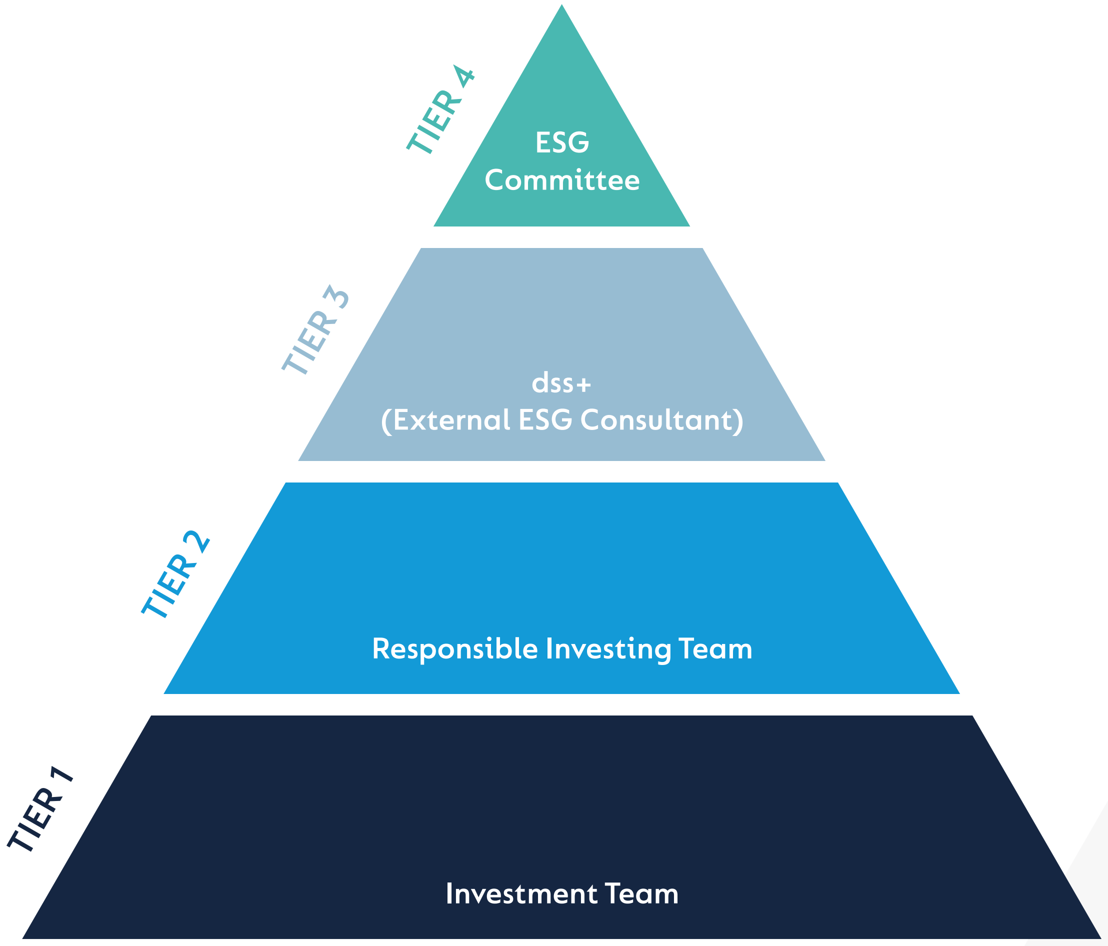
All policies are reviewed by the ESG Committee on at least an annual basis. Note that in practice the policies are reviewed and updated more frequently due to the dynamic nature of best practice procedures and ESG-related regulations.

Responsible Investing Governance Framework

SPOTLIGHT

We operate with a robust responsible investing governance framework to ensure our responsible investing policies are adhered to. Further, we have ESG Committee representation on all key investment-related committees covering the full investment lifecycle from execution through to engagement and monitoring. Note that the Investment Team, Responsible Investing Team and ESG Committee receive regular ESG training to ensure they have the relevant skills to execute their responsibilities.

[22]Any enhancements made apply to active funds at the time of implementation. This means that legacy funds may not be subject to the same stringent requirements.



Tier 1: Investment Team

The Investment Team are responsible for applying our responsible investment policies and incorporating ESG factors throughout the deal lifecycle. At Arcmont, the same investment professionals that execute a deal will monitor the investment during our holding period. As the ultimate risk takers and investment experts, we believe they are best placed to execute effective ESG integration and responsible investment activities among our investments.

Tier 2: Responsible Investing Team

The team form the link between the Investment Team and dss+. The team has been upskilled in responsible investing and receives regular training. They, therefore, have the relevant knowledge to execute their responsibilities.

Tier 3: dss+

dss+, a global consulting firm that acquired KKS Advisors in 2021, is our external ESG consultant. The firm provides us with specialist input and expertise, working closely with the Investment Team and our Responsible Investing Team to ensure the effective integration of ESG factors in our investment process, as well as ensuring we conduct our responsible investing activities in an appropriate manner. dss+ also acts as an additional process control as the team independently review all the ESG work performed by the Investment Team, both at the pre-investment stage and every quarter post-investment. For more information, please visit their ***website***.

Tier 4: ESG Committee

The Committee is comprised of our Chief Operating Officer (chair), Co-Chief Investment Officer, Head of Compliance, Head Portfolio Manager and Head of Corporate Sustainability and Responsible Investing. We purposely selected senior individuals who sit on central decision-making committees and span across various teams as members.

Climate Change Addendum to Arcmont's Responsible Investment Policy

SPOTLIGHT

We are acutely sensitive to climate change risks. We recognise that climate change can have a material impact on the financial performance of our business and our portfolio companies. Accordingly, we have increased our efforts to mitigate climate change related risks across our business and investment process. To communicate our commitment to identifying, assessing and managing climate change risks throughout the deal lifecycle as well as inform our stakeholders on the enhancements we have made, we published a *Climate Change Addendum to our Responsible Investment Policy*.

2023 Objectives

OBJECTIVES

In the year ahead, we will action the following to improve our responsible investing governance:

- Review the feedback from the FRC on our inaugural Stewardship Report submission and make upgrades to our Responsible Investment Policy.
- Hire a Responsible Investing Analyst to support our growing operations.
- Continue to roll out ESG-related training to ensure the relevant employees have the required knowledge and skills to perform their duties.
- Continue to review our responsible investing governance structure to ensure it remains appropriate as our business grows.
- Explore linking employee remuneration and responsible investment objectives.
- Continue to review our responsible investment policies to ensure they remain appropriate as we enhance and develop our approach.

Process

At Arcmont, ESG factors are considered at every stage of the deal lifecycle, from sourcing through to post-investment monitoring and engagement, as explained in detail in our *Responsible Investment Policy* as well as our *Climate Change Addendum*. We recognise that identifying, assessing, managing and communicating ESG factors are evolving practices and are committed to staying well informed and to adopting what are widely considered to be industry best practices.

During the period, we:

- Integrated RepRisk into our investment process and since then have screened 100% of existing and prospective investments.
- We integrated the *Sustainable Development Investments Taxonomy* into our investment process to assess our portfolio companies' alignment with the UN SDGs in a more robust manner. By applying this methodology, we identify any relevant Sustainable Development Subgoals and then assess the magnitude of contribution.
- Introduced a qualitative assessment of climate risk using the Sustainability Accounting Standards Board's (SASB) *Climate Risk Technical Bulletin* as a guideline.
- Implemented a "Good Governance" assessment to ensure every prospective borrower has the necessary foundations to deliver effective governance. The criteria specifically seek to ensure investments have sound management structures, employee relations, remuneration of staff and tax compliance — consistent with the Good Governance definition provided by the Sustainable Finance Disclosure Regulation (SFDR).
- Rolled out an ESG appendix to the final investment memorandum to formally document that the deal teams consider all of the ESG issues in Arcmont's Universe of ESG Issues list when analysing an investment opportunity.
- Chose to onboard the Insight ESG Outreach Solution which will allow us to (i) collect ESG data directly from our portfolio companies (via eFront) and (ii) estimate key environmental and social metrics in the absence of actual data (via ClarityAI).

"Responsible investing is fast-evolving area. Fortunately, we started early, have had time to strengthen our approach and will continue to innovate, develop and enhance it to remain at the forefront of responsible investing in private debt."

Talia Elsener
Head of Corporate Sustainability and Responsible Investing

ESG-Integrated Investment and Portfolio Management Progress

SPOTLIGHT

1 Preliminary Screening

Opportunities are first screened against Arcmont's ESG Exclusions Policy and screened for ESG risk incidents using RepRisk.

2 Due Diligence

A comprehensive ESG materiality assessment is conducted and the opportunity is assigned an ESG Investment Impact Score. As part of this, a Good Governance assessment is undertaken. The analysis is documented and then sent to dss+ who perform an independent review and agree the score.

3 Final Investment Decision

The Investment Committee consider the credit analysis including the results of the ESG due diligence before making their decision to pursue the opportunity.

4 Deal Approval

To obtain Deal Approval Committee approval, the deal team must populate a checklist that contains specific ESG questions relating to Arcmont's responsible investment policies and investor ESG requirements.

5 Monitoring

The deal teams maintain an active dialogue with portfolio companies and sponsors during the holding period. A formal review takes place on a quarterly basis where any ESG updates are documented and the ESG Investment Impact Scores are adjusted where necessary. This is then shared with dss+ who independently review the updates and agree the scores.

6 Portfolio Management

A sustainability-linked margin ratchet is offered to every primary borrower[23].

7 Reporting

Quarterly product -level ESG reporting is provided to investors. The reports contain comprehensive ESG information from the due diligence, monitoring and portfolio management stages.

Pre-investment Investment Post-investment

[23] Offered to every new primary borrower from April 2021.

Preliminary Screening - Deals rejected due to lack of alignment with Arcmont's ESG Exclusions Policy

CASE STUDY

Company Overview	Exclusion Category	Details	Investment Decision
Provider of optical systems and components for semiconductor	Conventional Weapons	The company produces riflescopes which are scopes specifically designed for rifles, a type of conventional weapon. Our Exclusions Policy prohibits investments in companies that produce, store, or trade conventional weapons or components specifically designed for such weapons.	Decline
National lottery operator of an EU country	Gambling	The company is a national lottery operator that also generates revenues from scratch cards and 'Instant Win Games'. While national lotteries are specifically allowed under our exclusion policy, we are prohibited from investing in a company that generates more than 25% of revenues from gambling which was the case here.	Decline
Aftermarket provider of aircraft tyres and related services	Conventional Weapons	The company specifically designs and manufactures tyres for its clients' aircrafts, including combat aircrafts, a type of conventional weapon. Our Exclusions Policy prohibits investments in companies that produce, store, or trade conventional weapons or components specifically designed for such weapons.	Decline
Supplier of natural and synthetic "base aromas"	Tobacco	The company produces products used exclusively in cigarettes and e-cigarettes. Our Exclusions Policy prohibits investments in companies generating any revenue from the production of components exclusively designed for tobacco products.	Decline

ESG Investment Impact Score

SPOTLIGHT

The Investment Team follows a systematic process to complete the ESG materiality assessment and generate the ESG Investment Impact Score as detailed in our ***Responsible Investment Policy*** and as summarised in the image below. Note that we will not invest in a company with a score of less than -3. This represents a company that is highly exposed to ESG risks and those risks are not sufficiently managed.

Material ESG Risk Identified

SASB Standards, SASB Climate Risk Technical Bulletin and Arcmont's internal GICS mapping tool

Risk Exposure Assessed

Geography, business model and past controversies

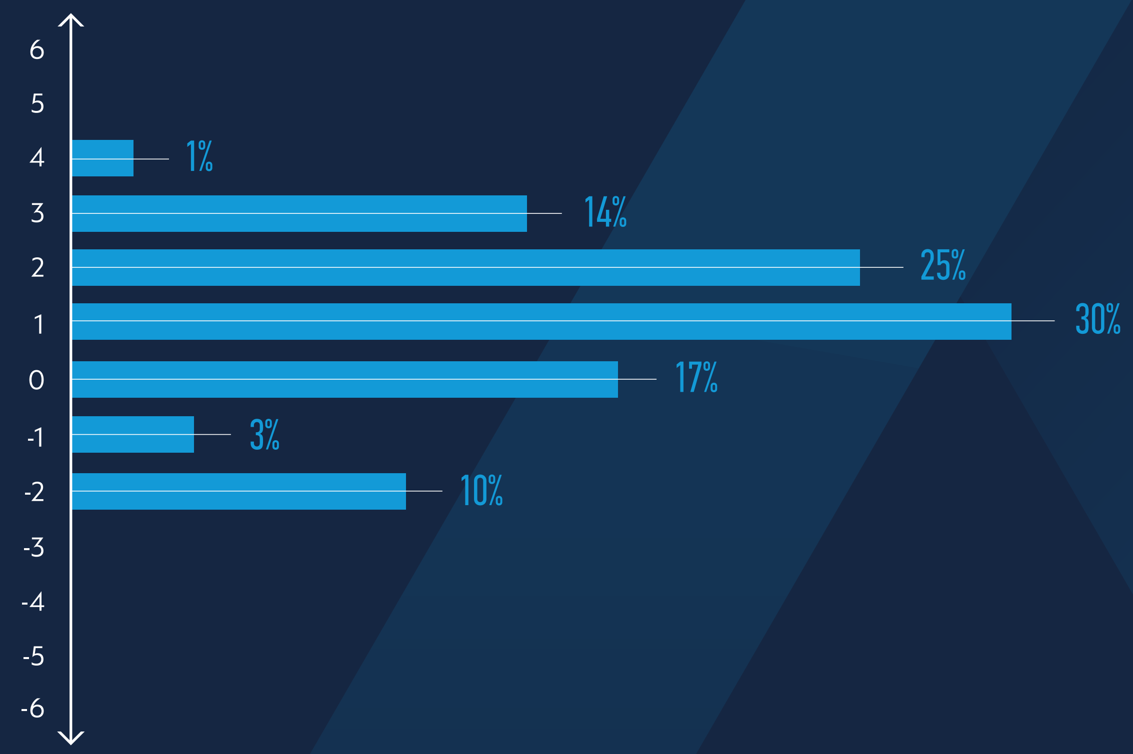
Risk Management Practices Assessed

Policies, controls and management of past controversies

ESG Investment Impact Score

Quantifies the likelihood of a financial impact on the investment due to ESG risks
-6 (very high risk) to +6 (very low risk)

ESG Investment Impact Scores as of 31 December 2022[24]



[24]Arcmont data. Cost amount GIR EUR.

Due Diligence - Qualitative Climate Risk Assessment

SPOTLIGHT

A qualitative climate risk assessment is performed for every prospective company using the Sustainability Accounting Standards Board's (SASB) Climate Risk Technical Bulletin as a guideline. The Bulletin breaks down climate risks into three categories that can ultimately impact corporate financial performance: **(1)** physical effects, **(2)** transition to a low-carbon, resilient economy, and **(3)** regulatory risk. The tool provides the climate risk categories that each SASB industry is impacted by. Where the Bulletin indicates that a company is exposed to a specific climate risk category based on its SASB industry, the deal team are required to assess the borrower's exposure to and management of the risk.

Qualitative Climate Risk Assessment

CASE STUDY

Company description: Manufacturer of premium packaging materials
SASB industry: Containers and Packaging

	Risk Exposure	Risk Management
Physical Risks	The company has assessed its exposure to physical climate risks in line with the TCFD recommendations and concluded that > 50% of its facilities are susceptible to at least one kind of extreme weather event (i.e. heat waves, floods, water stress, and fires).	The company has identified extreme weather events and natural disasters as one of its risk management priorities. Mitigation measures have been incorporated into its Enterprise Risk Management and the company is actively looking to improve its approach e.g. the company is looking to reduce its freshwater consumption to reduce its exposure to water stress.
Transitional Risks	The company is exposed to the shifting consumer expectations away from unsustainable packaging towards more sustainable alternatives.	The company sees ESG trends in the industry as a source of opportunity. For example, in response to plastic-to-paper trends, the company has identified and is currently targeting a market of approximately 1 million tonnes. Further, the company's paper production plants are subjected to the European Union Emissions Trading System ("EU-ETS"). In response to this, the company has set an internal carbon price equal to match the EU-ETS allowance to drive energy efficiency and low carbon investments. Moreover, the company has a dedicated budget for emission-reduction related activities.
Regulatory Risks	Being in the manufacturing industry and EU-domiciled, the company is exposed to regulatory change risks, specifically those surrounding environmental impacts and disclosure requirements.	In response to the increasingly stringent environmental regulations, the company has improved its environmental management systems. As of today, 67% of its Italian paper sites and 77% of its self-adhesive production sites are ISO 14001 certified. The strength of the company's practices is evidenced by the fact that it has had no regulatory issues to date. The company already publishes sustainability reporting (incl. TCFD-aligned disclosures) which meant it was well positioned for the recently introduced disclosure regulations.

RepRisk

SPOTLIGHT

RepRisk is a third-party research and business intelligence organisation specialising in ESG data science. We leverage the platform to source additional information on ESG risk incidents and controversies. This allows us to make timely, better-informed investment and monitoring decisions as the company uses artificial intelligence to screen companies daily.

RepRisk

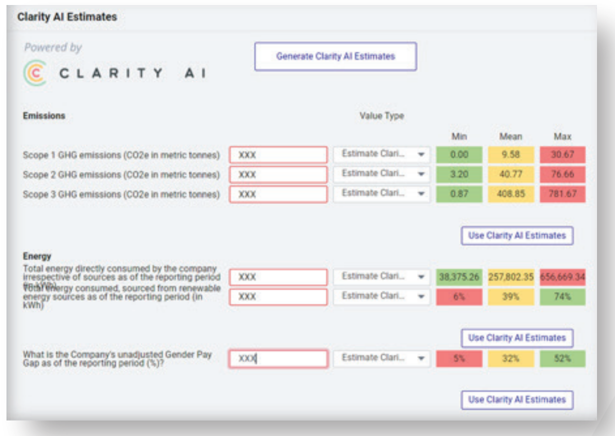
CASE STUDY

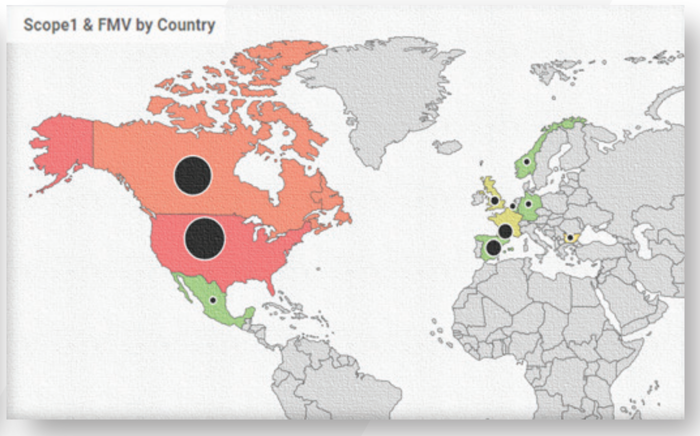
During the period RepRisk identified a minor cyberattack against one of our portfolio companies. Fortunately, due to the deal team's strong relationship with the borrower, management had already flagged the event to the deal team and provided them with details on the impact which was not deemed to be financially material, how it was being managed and the controls they were putting in place to ensure the event did not reoccur.

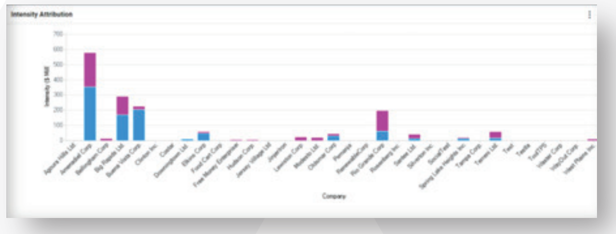
Insight ESG Outreach Solution

SPOTLIGHT

The Insight ESG Outreach is the eFront® platform's centralised, out-of-the-box solution, that gathers and analyses ESG data for private market investors and fund managers across their investments. Clients can access a quantifiable and consistent ESG-monitoring framework, to help holistically integrate sustainability into their investment processes, and help meet regulatory and disclosure demands. The solution also provides embedded regulatory reporting templates and data extracts to support ESG reporting initiatives and requirements, benchmarking at the company level across key metrics against private market peers and public proxy – company level estimates across key environmental and social metrics, provided via partnership with Clarity AI.







2023 Objectives

OBJECTIVES

In the year ahead, we aim to action the following to enhance our responsible investment process:

- Assess our existing tools and processes and evaluate the need to incorporate enhanced assessments of emerging ESG themes e.g. nature and biodiversity risks.
- Review and update Arcmont's Universe of ESG Issues tool to ensure the issues categories remain relevant.
- Roll out an annual ESG questionnaire to all portfolio companies leveraging the Insight ESG Outreach Solution to collect reported ESG data.
- Continue to train the Investment and Responsible Investing Team as well as the ESG Committee on responsible investing best practices.

Advocacy

As a pioneer for the private debt asset class, we have a responsibility to act as a key driver of positive change in the industry. Accordingly, the firm and members of the firm participate in and support initiatives to promote responsible investing as summarised below.

Initiative	Extent of Involvement	Status	Description
UN PRI Private Debt Advisory Committee (PDAC)	Moderate	Member	Our Chief Operating Officer and Chair of the ESG Committee is a member of the UN PRI's PDAC. The purpose of the Committee is to develop solutions for the ESG challenges faced by the private debt asset class.
The Alternative Investment Management Association (AIMA) Alternative Credit Council (ACC) Manager's Committee	Moderate	Member	Our Chief Operating Officer and Chair of the ESG Committee is the Vice Co-Chair of the AIMA ACC Manager's Committee, a global body that represents asset management firms in the private credit and direct lending space. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits.
UK Stewardship Code 2020	Moderate	Signatory	Arcmont is a signatory to the UK Stewardship Code 2020.
UN PRI	Basic	Signatory	Arcmont has been an independent signatory to the UN PRI since December 2019, continuing the affiliation that began while part of BlueBay Assessment Management in 2013.
Taskforce on Climate-related Financial Disclosures (TCFD)	Basic	Supporter	Arcmont is a public supporter of the TCFD.
2021 Global Investor Statement to Governments on the Climate Crisis	Basic	Supporter	Arcmont supports the initiative which is coordinated by the seven Founding Partners of The Investor Agenda, calling on governments to accelerate action to tackle the climate crisis, including demanding that governments impose mandatory climate risk disclosure requirements aligned with TCFD recommendations.

During the period:

- Arcmont's Chief Operating Officer and Chair of the ESG Committee spoke at several events on responsible investment matters.
- Two members of the ESG Committee attended the UN PRI conference, the world's leading responsible investing conference.

"Our size, scale and pan-European presence enables us to advocate and drive forward for positive change in the private debt industry."

Nathan Brown
Chief Operating Officer

UN PRI Private Debt Advisory Committee (PDAC)

SPOTLIGHT

The UN PRI PDAC was formed in July 2022 to drive forward responsible investing progress for private debt and compliments the PRI's existing work which is summarised below.

Our Chief Operating Officer and Chair of the ESG Committee is an active member and sits alongside some of our direct peers and limited partners.

Private Credit-Private Equity ESG Factor Map

The PRI has worked with signatories on a private credit-private equity **ESG Factor Map** to streamline the environmental, social and governance information shared during the investment process. It is designed to facilitate collaboration between sponsors, co-investors and lenders and integrate existing ESG standards and frameworks.

see web page for further details

Spotlight on Responsible Investment in Private Debt

This **guide** was published in 2019 and provides a framework for incorporating ESG factors into the investment process for private debt. It covers data, investment decisions and engagement. Note that Anthony Fobel, our Chief Executive Officer, contributed to the paper.

see web page for further details

Responsible investment DDQ for Private Debt investors

The **ESG due diligence questionnaire** for private debt investors is designed for use by indirect investors (i.e. limited partners or asset owners) when assessing potential private debt managers.

see web page for further details

During the reporting period, the Committee successfully rolled out an online survey targeting direct lending investors who act as general partners and/or limited partners. The survey covered six areas:

- ESG data collection;
- Consideration of climate-related risk in decision-making;
- Collaboration with peers and private equity sponsors; and
- Limited Partner's engagement with General Partners and borrowers.

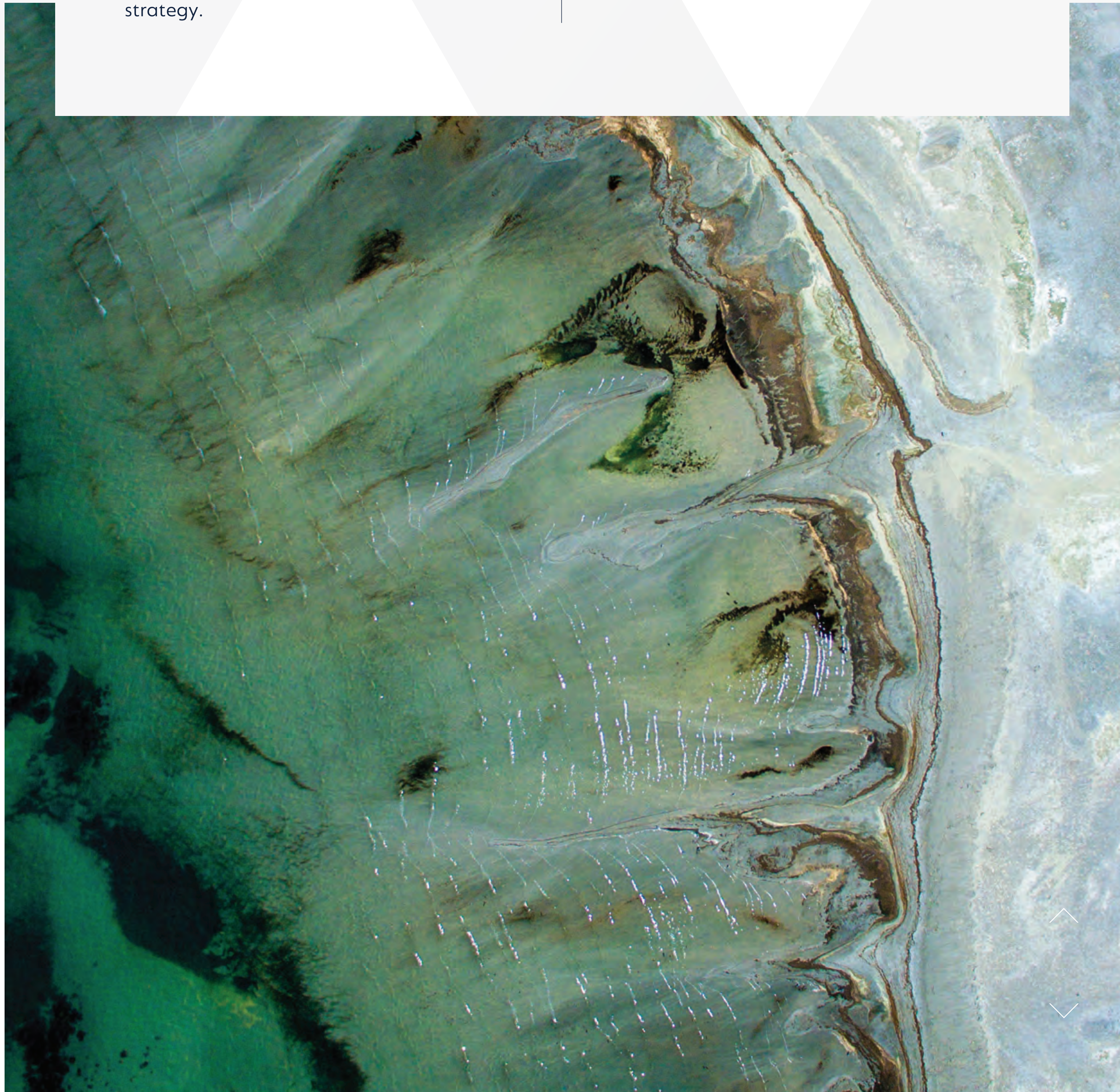
The results of this survey will be published later this year.

2023 Objectives

OBJECTIVES

To further enhance our advocacy in supporting initiatives to promote responsible investing, we intend to action the following during 2023:

- Continue to inform stakeholders about our progress on creating a private debt net zero strategy.
- Explore joining responsible investing working groups to enable Arcmont to contribute to developing best market practices.



Conclusion

Sustainability and responsible investing best market practices continue to evolve to better protect the environment and society. At Arcmont, we are committed to staying well-informed and to adopting leading sustainability practices. We are also committed to being transparent with our stakeholders on the progress we have made to hold ourselves accountable.

Contact Us

To ensure we continue to meet the needs and interests of our stakeholders, we welcome feed-back on the contents of this report.

Please contact ESG@Arcmont.com

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Appendix 1: TCFD content index

Statement of use	This appendix summarises where our reporting is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. It communicates our firmwide climate action strategy, including how we identify, assess, integrate and manage climate-related risks and opportunities as an investment firm. The appendix and related disclosures document activities and performance for the calendar year 2022, unless otherwise noted, and remain largely relevant.
Guidance and regulation applicable	• Final 2017 Recommendations of the Task Force on Climate Related Disclosures. • 2021 Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures. • PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.
Sources	https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf https://www.fca.org.uk/publication/policy/ps21-24.pdf

We have summarised our alignment with the TCFD recommendations in the table below. Most supplementary information can be located in this report, however, additional relevant disclosures can be found in our ***Responsible Investment Policy*** and ***Climate Change Addendum***.

Recommended Disclosures	2022 Status	Supplementary Information
GOVERNANCE		
a) Describe the board's oversight of climate-related risks and opportunities.	• ESG is an agenda item for each of the Arcmont Board's quarterly meetings. • The chair of the ESG Committee is an Arcmont Board member. He is kept well informed on an ongoing basis and attends the formal quarterly ESG Committee meetings. • The Arcmont Board has delegated responsibility for ESG matters to the ESG Committee. • Therefore, the ESG Committee has been given a broad remit to consider ESG strategy, planning, and targets across the business, which includes climate matters. • The ESG Committee discuss climate-related risks and opportunities formally and informally on a regular basis. • Once climate targets have been set, the ESG Committee will be responsible for monitoring progress and will report directly into the Arcmont Board.	*Responsible Investment: Governance*

Recommended Disclosures	2022 Status	Supplementary Information
GOVERNANCE		
b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Members of Arcmont's senior management team sit on the ESG Committee, including our Chief Operating Officer (chair), Head of Compliance, Head Portfolio Manager, Head of Corporate Sustainability and Responsible Investing and Co-Chief Investment Officer. • The ESG Committee regularly evaluate Arcmont's climate-related risk management approach, particularly at the funds level.	*Responsible Investment: Governance*
STRATEGY		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	• Arcmont considers climate a cross-cutting systemic risk. • At the investment level, every prospective investment undergoes a qualitative climate risk assessment using the SASB Climate Risk Technical Bulletin as guidance, which categorises climate risks into physical, transitional and regulatory risks.	*Responsible Investment: Process*
b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	• Arcmont plans on undertaking climate scenario analyses throughout 2023 to better understand the potential impact of climate-related risks and opportunities. • At the investment level, an ESG materiality assessment is undertaken on every prospective investment, where their exposure to and management of climate-related factors are assessed. As part of this, a qualitative climate risk assessment is performed on all investments, where Arcmont analyses the transitional, physical and regulatory risks affecting investments if deemed material by SASB's Climate Risk Technical Bulletin.	*Responsible Operations: Climate Change* *Responsible Investment: Process*
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Arcmont has not yet assessed the resilience of the organization's strategy. However, has engaged an external consultant to conduct climate scenario analyses in 2023, the results of which will be incorporated into our investment strategy.	*Responsible Operations: Climate Change*

Recommended Disclosures	2022 Status	Supplementary Information
RISK MANAGEMENT		
a) Describe the organization's processes for identifying and assessing climate-related risks.	• At the enterprise level, although climate is seen as a cross-cutting risk and will be explicitly incorporated into Arcmont's overall risk management framework in 2023, it is not considered a material risk to our operations. • At the investment level, climate-related risks are identified and assessed at the pre-investment stage and are monitored throughout the investment lifecycle. Post-investment, a formal quarterly review of every portfolio company takes place, and they are reviewed for changing materiality in climate risk, as well as progress against an emissions reduction strategy or targets if set.	*Responsible Investment: Process*
b) Describe the organization's processes for managing climate-related risks.	• At the enterprise level, although climate is not considered a material risk, Arcmont has in place as part of its overall risk management process a disaster response, which addresses the most likely physical climate risks to Arcmont's operations. • At the investment level, Arcmont engages with investee companies to encourage emissions reductions via sustainability-linked margin ratchets.	*Responsible Investment: Process*
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• At the enterprise level, a formal process has yet to be put in place, however, Arcmont intends to implement such a process in 2023. • At the investments level, Arcmont has a formal process in place to identify, assess and manage climate-related risks. This is documented in the Climate Change Addendum to Arcmont's Responsible Investment Policy.	*Responsible Investment: Process*
METRICS AND TARGETS		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• At the enterprise level, Arcmont measures and monitors its annual GHG emissions. As part of this, its energy management, waste etc. is measured. Once Arcmont has devised a corporate GHG emissions roadmap, targets will be set and performance will be monitored.	*Responsible Operations: Climate Change*
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and the related risks.	• Arcmont has publicly disclosed its Scope 1, 2 and 3 emissions (excluding financed emissions) since 2021. Note that due to data challenges the firm has used estimates to calculate financed emissions.	*Responsible Operations: Climate Change*
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• At the enterprise level, Arcmont does not yet have a formal Net Zero target, however, endeavors to set a Near-Term Science-Based Target and report on progress with the development of emission reduction scenarios and initiatives to align with a 1.5°C pathway. • Arcmont is exploring setting Net Zero fund-level targets.	*Responsible Operations: Climate Change* *Responsible Investing: Strategy*

Disclaimer

Important Information

This report is issued on a confidential basis by Arcmont Asset Management Limited (the "Sponsor"), a firm authorised and regulated by the Financial Conduct Authority. By accepting delivery of this report, you agree that you will keep confidential all information contained within it and will not disclose any such information to any person without the prior consent of the Sponsor (provided that you may disclose this report on a confidential basis to your legal, tax or investment advisers (if any) for the purposes of obtaining advice).

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