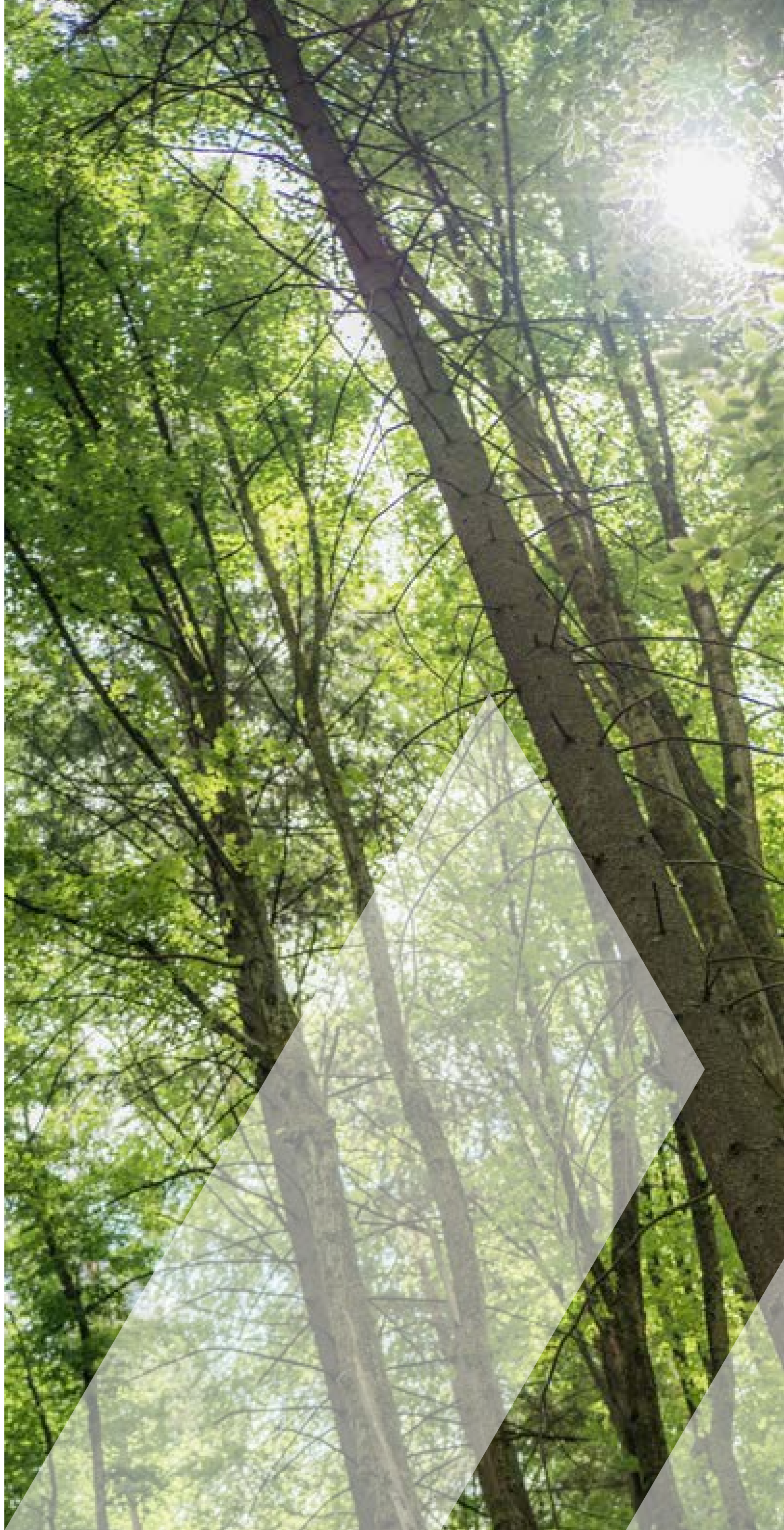
Arcmont
from nuveen

2023 Sustainability Report

Contents



Letter from the Chief Executive Officer

We have continued to enhance and develop our corporate operations, investment practices and governance structures to better serve stakeholders, society and the environment.

2023 was a transformational year for Arcmont as it marked the first year of our partnership with Nuveen and its affiliates. We have already benefited from Nuveen's distribution capabilities and global sales force as well as the sharing of best practices and knowledge across the group, including ESG expertise. We expect to continue to realise synergies in the year ahead.

In 2022, we reaffirmed our dedication to advancing our efforts in climate change and diversity, equity and inclusion (DEI) across the firm and our investments. I am pleased to share that we have made meaningful progress in these areas, along with strides in each of our other priority areas, with full details contained in this report.

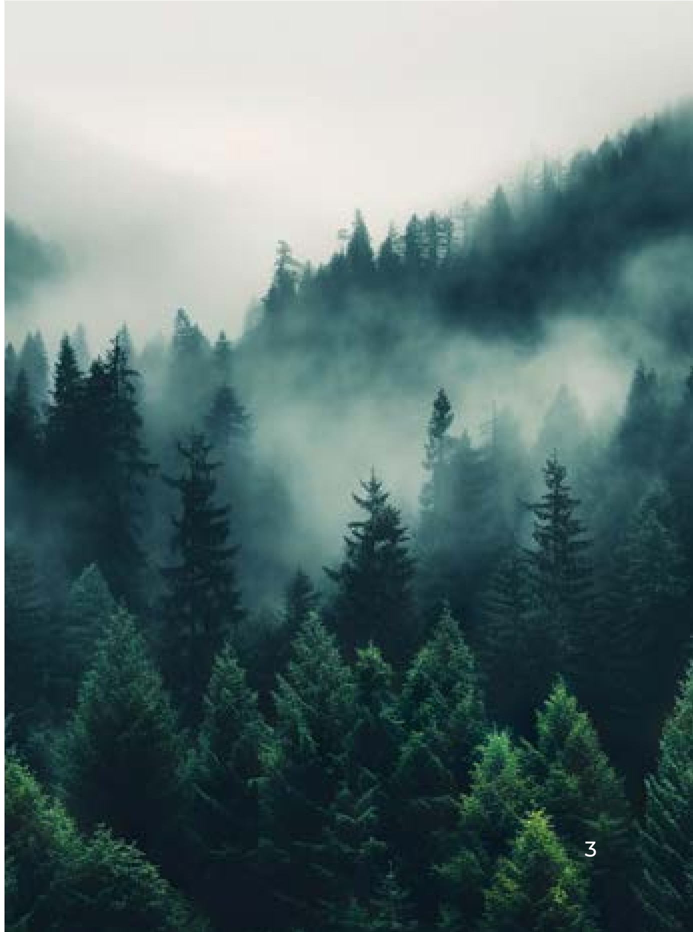
With regards to climate change, we achieved a 24% reduction in our GHG Emissions Intensity (tCO2e/employee)[1], continued to engage with borrowers to encourage them to set and achieve GHG emissions reduction targets and conducted climate scenario analysis across the investments in the funds for which Arcmont acts as portfolio manager. As reinforced by the COP 28 Summit, urgent global efforts are required to meet the 1.5°C warming limit set by the Paris Agreement, and we are committed to playing our part.

With regards to DEI, we have enhanced our recruitment and retention policies and processes, boosted our philanthropic efforts and improved our corporate and product DEI disclosures. We hope to continue on this positive trajectory in 2024.

As we look to the year ahead, we are committed to evolving our sustainability strategy to address emerging trends and regulations, with a particular focus on nature and biodiversity as well as artificial intelligence. We are also looking to launch an Impact Lending strategy. Furthermore, we aim to continue actively working with our portfolio companies, their owners and our peers to improve the collection and sharing of ESG data. As we navigate the rapidly changing landscape, we are committed to staying well informed and to adopting what are widely considered to be good practices.

As evidenced by this report, our Stewardship Report and our recently published TCFD Entity Report, we are committed to being transparent with stakeholders on our sustainability efforts. I invite you to review our progress and achievements as well as discover some our key objectives for the year ahead.

Anthony Fobel
Chief Executive Officer



1 Excludes Scope 3 Category 15 emissions (portfolio company emissions).

2023 Highlights[1]

1

€10 billion[2] of investable capital raised for Direct Lending Fund IV at final close, making it one of the largest Direct Lending funds ever raised in Europe.

2

Won **several awards** including Preqin's "Top performing Private Debt Fund Manager" and Debtwire's "European large-cap Direct Lending fund of the year".

3

Achieved a **24% reduction** in our GHG Emissions Intensity (tCO2e/employee)[3].

4

Created system generated **ESG data reports** that contain key environmental and social metrics for each product.

5

Performed qualitative **climate scenario analysis** across the investments of the funds Arcmont acts as portfolio manager to and subsequently published an inaugural **Task Force on Climate-Related Financial Disclosures Entity Report** in 2024.

6

Agreed and documented **seven sustainability-linked margin ratchets** during the year, representing **€1.4 billion** of committed capital.

1 Arcmont Data as of 31 December 2023. 2 Includes SMAs, strategy co-investment commitments and available leverage. 3 Excludes Scope 3 Category 15 emissions (portfolio company emissions).

About Arcmont[1]

Established in 2011, Arcmont Asset Management Limited is a leading European Private Debt firm, providing flexible capital to European businesses.

Since inception, Arcmont has raised €29[2] billion in assets to date and has committed over €26 billion across more than 350 transactions. We believe that our well-established team of highly experienced investment professionals enables Arcmont to remain a trusted and reliable partner with strong, long-standing relationships with Private Equity sponsors and access to proprietary deal flow.

We believe that Arcmont's scale and ability to deploy capital, coupled with our strong proprietary origination networks and experienced team of investment professionals, means that the company is well-positioned to benefit from the current attractive market environment and deliver for our clients.

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

A market-leading European Private Debt business

2011

Arcmont Founded.
A pioneer in EU Private Debt

100+

Employees operating across 6 offices across the globe[3]

€29bn

Raised since inception[2]

1 As of December 2023. 2 Includes separately managed accounts, available leverage and co-investment commitments. 3 Excludes the Arcmont funds' Luxembourg office and employees.

Corporate Sustainability

At Arcmont, we are committed to growing our assets under management, investor base and product offering in a responsible manner.

This means seeking to ensure that our corporate operations and investment practices are performed in a sustainable manner and are supportive of broader sustainability goals. Accordingly, we have invested in a sustainability strategy that builds on our responsible investment practices, responsible operations 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 key stakeholders. Our strategy is reviewed on an annual basis to ensure that sufficient and appropriate resources are devoted to the right areas and that the strategy remains relevant in light of the evolving needs of our stakeholders, fast-moving regulatory landscape, dynamic global economic conditions and other external factors.

Our priority areas for 2023/2024 and what form the structure of this report are shown on the right.

In this report, under each priority area, we:

- Disclose the progress we have made during the year;
- Highlight key events and/or achievements; and
- Outline our 2024 objectives.

Our priority areas

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 the Regulatory Environment

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

Human Capital

Our employees are central to our success, helping to shape and strengthen our positioning in the industry.

We believe our team and the culture we foster are the driving forces behind the firm's achievements. We are therefore committed to supporting our employees with the resources and support they need to enable them to grow as individuals and achieve excellent results for our key stakeholders.

Our Heads of Human Resources and Human Capital function work together to spearhead initiatives that attract, retain and develop individuals. Their collective aim is to improve the skill set of our employees, foster their integration into the firm and enrich their overall experience at Arcmont.

> We prioritise the personal and professional growth of our employees, seeking to provide them with the tools and resources necessary to continually develop and reach their full potential.

Laura Campbell
Head of Human Resources

Corporate Values

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 strong 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.

Human Capital

Attraction

We continue to build and strengthen the Arcmont team, adding resources across all areas to support our business growth. Over the 12-month period ending 31 December 2023, we welcomed a net total of 17 new joiners, bringing the Arcmont team to 105 employees[1].

To cultivate a talent pipeline and promote careers in finance, we continued to host students through our Work Experience Programme and the Private Credit Investing Potential Programme. Both these initiatives allow us to engage students early in their academic careers, providing them with valuable insights into our firm, the Private Debt industry and financial markets as a whole.

	2022	2023
Lunch and Learn sessions held	7	6
External training sessions provided to employees	53	79
Firm-wide social events	12	13
Proportion of employees participating in Arcmont's Mentorship Programme	29%	42%
Regrettable voluntary turnover[2]	9%	5%
Proportion of employees receiving annual performance and career development reviews	100%	100%

Retention & Development

We continuously invest in our employees to ensure that every individual feels valued and motivated, and continues to grow.

During the year, we:

- Expanded our induction programme to enable new joiners to connect with peers from all departments from the outset, ensuring they are armed with cross-firm knowledge from the start of their employment.
- Organised two training sessions for all managers – an Applied Management Excellence Workshop and a Management Embedding Surgery. Please refer to the **Management Training Programme Spotlight** for further details.
- Continued to hold 'Lunch and Learn' sessions, where select internal employees and external guests present a specific topic to educate the wider team. Please refer to the **Lunch and Learn Spotlight** for further information.
- Held numerous full-team social events to encourage cross-team engagement.
- Introduced quarterly Arcmont Town Halls to ensure that employees are kept well-informed on the business, key strategic initiatives, market and other internal initiatives. These meetings ensure all teams are working towards a collective goal.
- Rolled out targeted training that addresses specific needs at the individual level to complement our existing learning and development platform. This included an 'Introduction to Private Debt' session for new joiners, several group and one-on-one sessions focusing on presentation and writing skills as well as negotiation, Microsoft Excel and legal training.
- Appointed a Head of Human Resources who has been instrumental in strengthening our recruitment process. To date, improvements include the implementation of formal recruitment guidelines, the provision of interview training and the introduction of mandatory written interview feedback.
- Reviewed our employee well-being offering. Subsequently, we enhanced our paternity and parental leave policies and introduced a Workplace Nursery Scheme to support parents at the firm.
- Rolled out our Mentorship Programme to all employees on a voluntary basis to ensure that every individual is supported with their career development and has senior touchpoints across the business. We now have 32 buddies and 16 mentors across the firm.

1 Excludes Luxembourg employees. 2 Regrettable voluntary turnover = # regrettable voluntary terminations during the year / average headcount (starting and ending headcount).

Human Capital

Spotlights

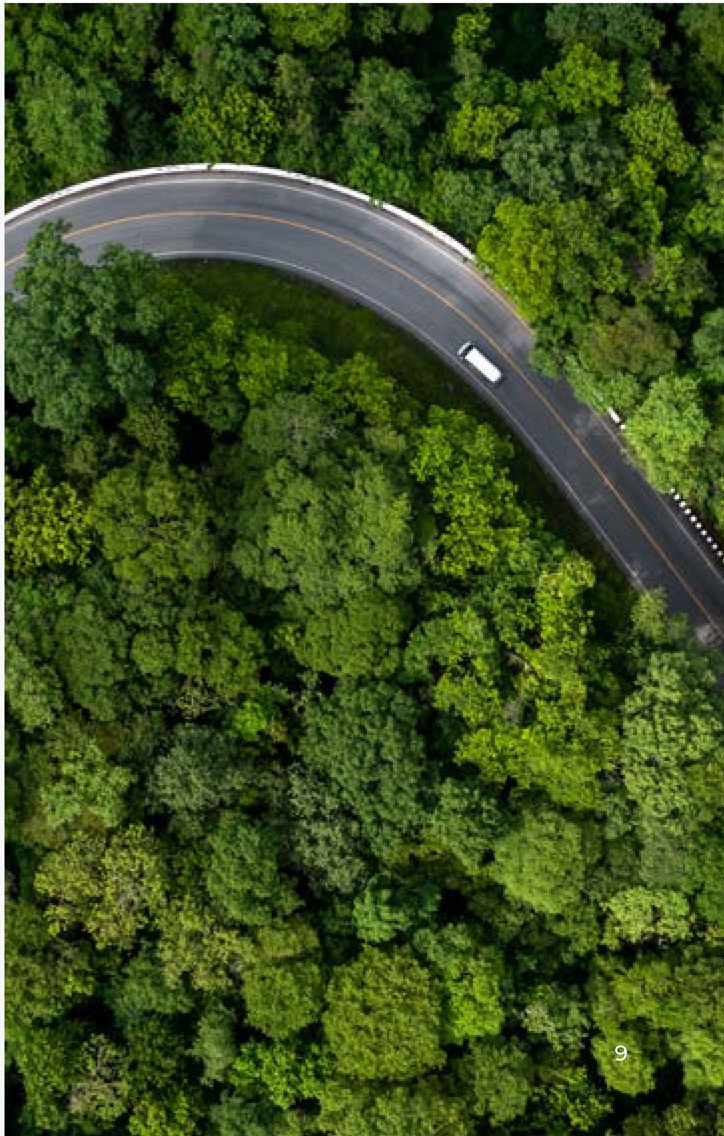
Lunch and Learn

The Lunch and Learn series is one of the successful initiatives implemented by our Human Capital function. In each session, an internal employee or external guest presents a specific topic to the wider team. Through these sessions, employees are educated on new topics and different parts of the business, knowledge is distributed across the firm and potential solutions to internal challenges are explored. Below is a summary of the sessions held in 2023.

Session	Speaker(s)
Deal Approval Committee	Internal Legal Team
Private Debt Market Overview (external)	Deloitte
Diversity, Equity & Inclusion Committee: Roadmap	DEI Committee Members
Capital Solutions: Update on the opportunity set	Co-Heads of Capital Solutions
Technology Platform, Strategy and Pathways	Chief Technology Officer
Nuveen Transaction: Expected operational changes	Chief Operating Officer
ESG: What are we doing, and where are we heading?	Head of Corporate Sustainability and Responsible Investing

Management Training Programme

Over the course of 2023, 27 Arcmont managers attended a multistage external training programme to learn more about management best practices. Focus areas included capability assessments, development pathways, methods to improve performance as well as coaching theory and practice. This training programme was highly practical and tailored to Arcmont's needs, utilising a range of approaches including group discussions, videos and reviews of recognised models and approaches. Our plan for 2024 is to build on this training programme with one-to-one sessions to help managers transition from new concepts to new habits.



Human Capital

2024 Objectives

Build upon the 2023 management training programme by adding one-to-one follow-up training sessions. This will encourage the practical application of the skills taught.

Expand our management training programme to cover our mid-level managers, ensuring the understanding and learnings are disseminated further across the organisation.

Continue to promote further cross-team integration with dedicated initiatives to discourage a 'silo mentality.'

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 our employees.

Continue to roll out and improve successful initiatives such as the Arcmont Lunch and Learn series and Mentorship Programme.

Diversity, Equity and Inclusion

We are committed to promoting diversity, preventing and eliminating discrimination as well as providing a supportive, equitable and inclusive working environment for everyone.

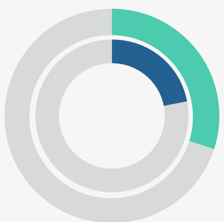
During the year, we:

- Appointed two DEI Champions to support the DEI Committee's efforts. These individuals attend the quarterly DEI Committee meetings, bringing fresh perspectives and ideas.
- Rolled out mandatory “Respect in the Workplace” training to ensure employees continue to feel safe, included and respected.
- Held a pilot Mental Health training session for select employees which received very positive feedback.
- Began tracking DEI metrics in our Human Resources platform. In 2024, we will use this data to track churn and pay across gender and ethnicity categories.
- Established a dedicated Social Committee to organise two full-team events each year, focused on activities that promote inclusivity and strengthen team bonds. The first event took place in May 2024.
- Began tracking gender and ethnicity metrics across key function heads. Please find the latest statistics on this page.
- Offered all 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.
- Streamlined our recruitment processes with a focus on removing unconscious bias and ensuring consistency and fairness in hiring practices. Enhancements include the implementation of formal recruitment guidelines, the provision of interview training and the introduction of mandatory written interview feedback.
- Joined Nuveen’s Inclusive Employers Membership, an online platform that offers toolkits on various DEI topics and hosts several webinars a month.
- Hosted two interns through the Private Credit Investing Potential Programme continuing our engagement since 2021. Ultimately this supports a long-term goal of increasing diversity of social backgrounds in Private Credit and increasing social mobility more broadly.

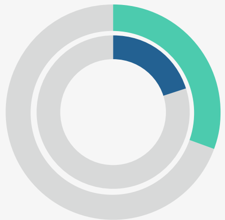
Spotlight

DEI Statistics[1]

All employees

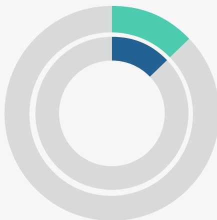


Feb 2023
Female 30%
Ethnically Diverse 22%

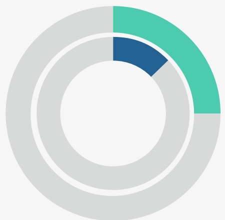


Dec 2023
Female 31%
Ethnically Diverse 20%

Key Functional Heads

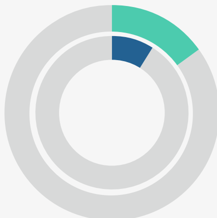


Feb 2023
Female 13%
Ethnically Diverse 13%

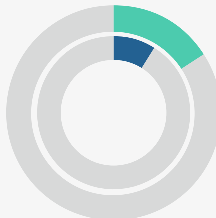


Dec 2023
Female 25%
Ethnically Diverse 13%

Investment team



Feb 2023
Female 15%
Ethnically Diverse 9%



Dec 2023
Female 16%
Ethnically Diverse 9%

1 The data is voluntary self-reported data so may not reflect all employees.

Diversity, Equity and Inclusion

DEI Committee Progress

Arcmont's DEI Committee is responsible for identifying opportunities and implementing initiatives to make Arcmont a more diverse, equitable and inclusive firm.

At end of 2022, the committee developed a roadmap for 2023 which was presented to stakeholders in our **2022 Sustainability Report**. The roadmap laid out the committee's near-term and long-term objectives across four key areas - recruitment and retention, training, philanthropy and public disclosures. We are pleased to report that the committee has made definitive progress in each area, as outlined in the table on this page.

We intend to rotate select committee members on an annual basis to bring new insights and viewpoints into the group. The new committee members will be selected from a list of volunteers and will be responsible for building on the existing roadmap and achievements of the prior year's DEI Committee.

Spotlight

DEI Committee Roadmap

Focus Areas	2023 Near-Term Priorities	Progress Review
Recruitment and Retention	• 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.	• We structured our recruitment processes through the implementation of formal recruitment guidelines, the provision of interview training and the introduction of mandatory written interview feedback. • We began tracking DEI metrics in our Human Resources platform. • A Social Committee was established to run two events on an annual basis.
Training	• Increase the frequency and type of DEI training e.g: – Unconscious bias – Mental health	• "Mandatory Respect in the Workplace" training was rolled out to all employees. • A mental health pilot sessions was held for select employees.
Philanthropy	• Select a single charity to support	• The Felix Project was selected as our Charity of the Year by employees. Please refer to the **Felix Project Spotlight** for more details.
Investor Disclosures	• Publish a DEI statement on our website. • Track and disclose gender and ethnicity across more categories.	• The Arcmont website is due to be updated in 2024. As part of this update, we intend to publish a DEI statement. • We now track gender and ethnicity at three levels: all employees, key functional heads and the investment team. As the firm grows in size, we intend to expand the categorises tracked.

Diversity, Equity and Inclusion

2024 Objectives

- Rotate the members of the DEI Committee to introduce fresh perspectives and ideas.
- Publish a DEI statement on our website to communicate our commitment to creating a more diverse, inclusive and equitable workplace.
- Review our terms of business with the recruitment agencies we work with to ensure that DEI principles are incorporated into our hiring processes.
- Explore joining external collaborations focused on promoting DEI.
- Explore partnerships with Nuveen for training and development.
- Continue our participation in the Private Credit Investing Potential Programme to support social mobility.
- Utilise DEI metrics within our Human Resources platform to monitor turnover and pay across gender and ethnicity categories.
- Update our Diversity and Inclusion Policy to reflect the DEI Committee's progress, objectives and planned initiatives.

Climate Change

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

During the year, we:

- Made an effort to improve the data quality of our Scope 3 GHG emissions. This included (i) better categorising types of spending to more accurately apply emissions factors and (ii) actively engaging with our overseas officers to collect primary data. We successfully obtained Renewable Energy Guarantees of Origin for electricity consumption from our Luxembourg and Sweden offices and waste data from our Milan office.
- Calculated our FY2023 Scope 1, 2 and 3 emissions for the third consecutive year, with support from our dedicated climate consultant. Please refer to the **Arcmont Emissions Spotlight** for the results. We subsequently offset our Scope 1, 2 and select 3 emissions[1].
- Established an employee 'Green Team' comprised of passionate volunteers to drive forwards our sustainable workplace practices. We positively note that we were oversubscribed with volunteers.
- Published information in line with the TCFD recommendations in our **2022 Sustainability Report**, providing readers with confidence that Arcmont's climate-related risks are appropriately assessed and managed.

1 Excludes Scope 3 Category 15 emissions (portfolio company emissions).

Climate Change

Spotlight

2023 Corporate GHG Emissions

Scope	Definition	Scope
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[1].
Scope 3[1]	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	2022	2023	% Change
Scope 1 (tCO_2e)	0	5.7	+570%
Scope 2[3] (tCO_2e)	18	0	-100%
Scope 3[2] (tCO_2e)	2,569	2,700	+5%
Total (tCO_2e)	2,587	2,706	+5%
GHG Emissions (Scopes 1-3) Intensity (tCO_2e/employee)	30.8	23.5	-24%
GHG Emissions (Scopes 1-3) Intensity (tCO_2e/£mil revenue)	30.6	27.2	-11%
GHG Emissions (Scopes 1-3) Intensity (tCO_2e/SqFt)	0.3	0.2	-48%

In FY2023, our Scope 1 emissions increased to 5.7 tCO_2e, up from zero in FY2022, due to refrigerant top-ups in the air conditioning units at our London office during the reporting year.

Our Scope 2 (market-based emissions) decreased by 100% from FY2022, as a result of the London office switching to 100% renewable energy during FY2022, which has been maintained since.

Our Scope 3 emissions (excluding financed emissions) increased by 5% from FY2022. However, we positively note there was a decrease in the overall GHG Emissions Intensity from the previous year. Therefore, we believe this increase in absolute Scope 3 emissions does not reflect a deterioration in our efforts to manage our emissions.

As part of our short-term strategy to demonstrate our dedication to taking climate action, we offset our 2023 Scope 1, 2 and select 3[2] emissions. Please note that we do not consider carbon offsetting as a stand-alone action and are primarily focused on reducing our emissions and will only use offsetting to take responsibility for the emissions we cannot reduce. We are now working with a climate consultant to develop a GHG emissions reduction strategy. This is one of our key objectives for 2024.

1 Energy use from overseas offices fall under Scope 3 (category 8). 2 Excludes Scope 3 Category 15 emissions (portfolio company emissions). 3 Market-based method.

Climate Change

2024 Objectives

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.

Continue to improve the data quality of our Scope 3 emissions, including financed emissions.

Educate our employees on climate change, its impact on the business and the steps necessary to mitigate these impacts and the actions they can take to reduce their personal emissions.

Implement and advance the action plan and initiatives developed by the Green Team, aimed at enhancing our workplace sustainability.

Investigate joining additional external collaborations focused on tackling climate change.

Implement a Corporate Environmental Policy or equivalent policy that outlines our aims and principles in relation to managing the environmental effects and aspects of our operations.

Data Safeguarding and Systems

We continue to enhance our systems and processes to improve data security and operational efficiency.

During the year, we:

- Renewed our Cyber Essentials Plus Qualification underscoring the robustness of our cyber security measures.
- Continued to enhance our cyber security education and awareness programme which was subsequently completed by 100% of employees.
- Upgraded our end-to-end portfolio management system, increasing the number of data points captured and analysed for each borrower, including ESG-related data points.
- Expanded our annual vendor cyber security due diligence, increasing the number of vendors assessed from 18 in 2022 to 27 in 2023.
- Integrated our proxy data provider's platform with our internal system, enabling us to generate on-demand of ESG data reports for each product.

Privacy Policy

In line with relevant laws and regulations, including the UK GDPR, our Privacy Notice and Policy is accessible in the privacy section of our **website**. It details the types of personal information we collect, the purposes for collecting it, how it is used and the rights associated with this data.

Cyber Essentials Plus Qualification

We are pleased to report that we successfully renewed our Cyber Essential Plus Qualification during the period, the highest level of certification offered under the Cyber Essentials Scheme. This qualification affirms our commitment to maintaining the high standards of cyber security underscoring our status as a trustworthy and secure organisation in handling sensitive data.

CYBER ESSENTIALS PLUS

Cyber Security Protection in Action[1]

Number of impersonation attacks prevented

>24,000

Number of simulated url phishing emails delivered

>30,000

Failure rate of simulated url phishing emails

<0.04%

2022: 0.2%

1 Arcmont data for FY2023.

Data Safeguarding and Systems

Vendor Cyber Security Review

During the year, ACA Aponix continued to perform cyber security due diligence on our key vendors to ensure appropriate safeguards are in place to protect our data and the data of our investors and portfolio companies. Vendors that hold sensitive client or staff information or information that is meaningful to the business undergo due diligence at least once every 2 years. For other vendors, the frequency is determined by our Operational Risk Committee.

As part of the 2023 process, a tailored questionnaire was sent to each vendor. Once the responses were received, ACA Aponix reviewed the information and followed up where required. Subsequently, each vendor was assigned a score based on the risk posed to Arcmont. In total, 27 vendors were assessed in the year, and none achieved scores below the desired level. This highlights the significant progress we have made over the last few years in pushing our vendors to adopt better cyber security practices.

Data Governance

As our reporting platform has attained maturity and now produces over 800 data points on each borrower, we have intensified our focus on data governance. Key responsibilities for data management have been defined and sign off processes have been established in collaboration with various teams within the firm. These measures ensure data integrity and compliance across our operations.

ESG Reporting

This year, we expanded the range of data points captured for each investment, including ESG data points. These enhanced capabilities have enabled us to provide extensive and customised reporting for investors in our funds and separately managed accounts (SMAs). On the ESG data front, we successfully linked our proxy data provider's platform with our internal system. This integration allows us to capture a wider array of ESG data such as GHG emissions, renewable energy and DEI data and automatically calculate associated metrics.

Portfolio Risk Assessment

We operate a bespoke, fully integrated platform for end-to-end portfolio risk management with significant advancements made last year in automating the portfolio stress testing on interest rate risks. A comprehensive risk monitoring framework with extensive portfolio risk summary has also been built as part of this effort.

Our continuous improvements in data analytics have enabled us to capture and calculate over 800 data points on each borrower and over 20,000 transaction events, reflecting an increase from the previous years. This enhancement supports deeper insights and more robust risk assessment capabilities.

Transaction events processed during the year

>20k

Data points captured or calculated for each borrower

>800

2022: >700

Data Safeguarding and Systems

2024 Objectives

Continue to advance our automation and systems capabilities to generate even more value for our stakeholders.

Broaden the use of newer Generative AI tools across the business for which we are currently running pilot projects in various streams.

Build out our ESG Data Reports to reflect different reporting frameworks and requirements.

Investors

We strive to act as a reliable and supportive partner to investors, helping them achieve their evolving needs.

During the year, we:

- Expanded our Client Services and Business Development teams, increasing the total number of investor-facing employees to 21.
- Enhanced our internal systems to provide more insightful data analytics resulting in more comprehensive reporting for investors.
- Continued to invest time and resources into enhancing and expanding our product offering to better meet investors' needs.

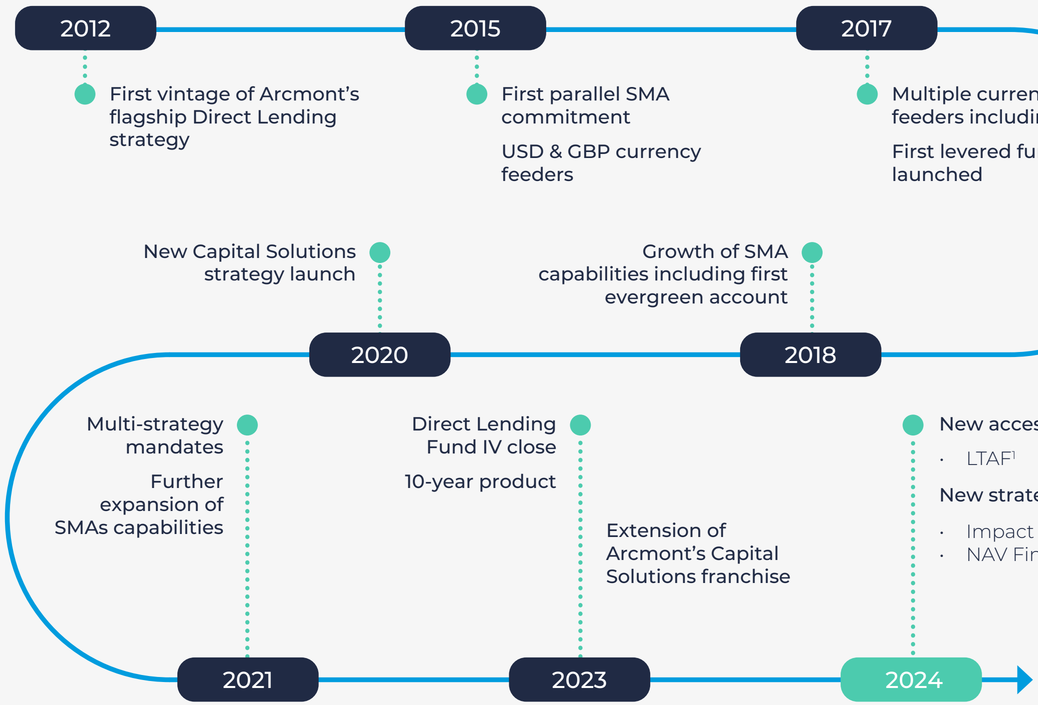
We have evolved over time and are now able to offer a high degree of flexibility giving our investors a range of products to choose from.

Karthi Mowdhgalya
Partner

Spotlight

Proactive Product Offerings & Capabilities

Since inception, we have sought to deliver innovative solutions to meet investor demand. We take a proactive approach to enhance our products and expand our offering to better serve investors, providing a range options and features to suit a broad range of requirements. For further details on our product offerings, please contact clientservices@arcmont.com.



1 A bespoke offering for UK Defined Contribution (DC) schemes.

Investors

2024 Objectives

- Further expand our Client Services and Business Development teams to better serve our growing investor base.
- Explore options to obtain more regular direct investor feedback.
- 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, with a specific focus on providing more quantitative ESG data.
- Continue to explore new product opportunities to suit evolving investor requirements.

Communities

We aim to get involved with charitable organisations and other programmes to give back and raise awareness of societal needs.

During the year, we:

- Asked employees to vote for a charity of the year and subsequently, the Felix Project was selected.
- Hosted two students through the Private Credit Investing Potential Programme, increasing the total number of students hosted to date to six.
- Matched a total of £7,450 of employee donation across 12 charities.
- Joined forces with Nuveen to expand our charitable reach, resulting in some of our employees spending the day volunteering for the HIAS and Envision charities and donating women's work clothes to Smart Works. Please refer to the **Volunteering for HIAS and Envision Spotlight** for further information.

Spotlight

Charity of the Year (the Felix Project)

In 2023, our DEI Committee introduced a 'Charity of the Year' initiative where one charity is selected to support throughout the year. Support includes financial support as well as a dedicated employee volunteer day to support the charity.

At the start of the year, a list of potential charities was put to an employee vote and the firm selected The Felix Project - a London-based charity that fights hunger and food waste by providing healthy meals to help the most vulnerable in our society. For more information on the charity, please visit the **Felix Project Website**.

To date, we have (i) made a significant donation of £10,000 to the charity, (ii) offered employees a volunteer day to work at the charity's Warehouse/Kitchen at their main depot in East London and (iii) implemented a kitchen waste reduction initiative in our London office to donate surplus food items to the charity.

Communities

Spotlights

MacMillan Coffee Morning

In October 2023, we held our first MacMillan Coffee Morning in the London office. This fundraising event, run by MacMillan Cancer Support, is designed to support people living with cancer. We raised an impressive £850, which was matched by Arcmont, bringing the total donation to £1,700. We had great feedback from employees following the coffee morning event and intend to make it an annual event. A huge thank you to our colleagues for contributing to it.

London to Brighton Charity Bike Ride

In September 2023, five Arcmont employees cycled from London to Brighton to raise money for Great Ormond Street Hospital Charity. Through Arcmont's Charitable Matching Programme, the team successfully raised £3,855 for the charity.

Volunteering for HIAS and Envision

A group of Arcmont employees spent the day volunteering for the HIAS and Envision charities in celebration of Nuveen's 125th Anniversary. Volunteers helped pack school supplies intended to support refugees and students starting years 7 and 11 at Deptford Green School.

For more information about each charity, please visit their websites: Macmillan Cancer Support, Great Ormond Street Hospital Charity, HIAS and Envision.

Communities

2024 Objectives

- Deliver financial support and other resources to the Felix Project.
- Continue to host the MacMillan Coffee Morning.
- Continue to participate in the Private Credit Investing Potential Programme.
- Continue to offer the Charitable Matching Programme to our employees and encourage them to utilise it.
- Continue to partner with Nuveen to expand our charitable reach.

Ownership, Control and Governance

Arcmont became a Nuveen affiliate in March 2023.

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.

In March 2023, Nuveen, the investment management arm of the Teachers Insurance and Annuity Association (TIAA), acquired a majority interest in Arcmont. Following the completion of the transaction, Arcmont now operates as an affiliate of Nuveen.

The acquisition expands Nuveen's Private Debt expertise and presence into Europe, complementing its existing North American Private Debt investment specialist, Churchill Asset Management (Churchill).

Together, Arcmont and Churchill form "Nuveen Private Capital", under which the firms are collaborating to give each other geographic scale and the ability to offer a broader range of products and financing options to corporate borrowers.

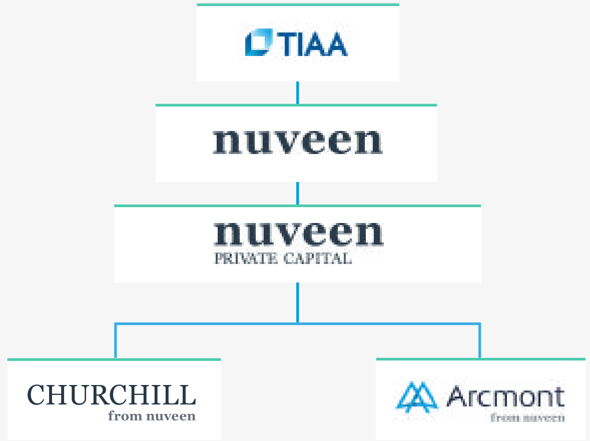
Spotlight

Nuveen Transaction – one year on

With almost a year having passed since the closing of the transaction, teams across Arcmont continue to strengthen working relationships with the wider organisation.

Importantly, as an affiliate of Nuveen, Arcmont continues to operate as usual and under the Arcmont brand. The firm continues to be managed by the current leadership team, including Anthony Fobel as Chief Executive Officer, ensuring the continuity of the existing Arcmont business, and providing stability and continuity to employees and investors.

There has been no change to Arcmont's team, investment committee or process. We continue to uphold a strong corporate governance structure, characterised by multiple subject-specific committees with clearly defined responsibilities as summarised in the image overleaf.



Ownership, Control and Governance

	Executive	
Governance	**Board** Ultimate responsibility for the business strategy and risk framework of Arcmont	
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 strategies	**Capital Solutions Investment Committee** Determines the investments and divestments which should be made by Arcmont's Capital Solutions vehicle
Monitoring and assessment	**Portfolio Management Committee** Carries out periodic reviews of investments 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

Arcmont Risk Committees

Deal Approval Committee	Conflicts of Interest Committee	Valuations Committee	Operational Risk Committee ("ORC")	Product Governance Committee	ESG Committee
Approve all deals in accordance with Fund documents, side letters, tax, ESG and regulatory requirements	Opine on any actual or potential conflicts of interest in relation to the Firm or the Funds	Recommend the quarterly valuations of assets	Oversee and maintain the Firm's internal control environment	Approve new products in accordance with regulatory guidance	Design and implement the Firm's Corporate Sustainability and Responsible Investing strategies

Ownership, Control and Governance

Operational Risk Management

The Operational Risk Committee (ORC) is responsible for setting the standards for identifying, assessing, managing and overseeing operational risks. These risks encompass operational processes, technology and cyber risk, outsourcing and business continuity. The ORC is comprised of our Chief Operating Officer, Chief Compliance Officer, Chief Financial Officer and Chief Technology Officer. The ORC is further supported by our dedicated Enterprise Risk Manager.

Internal Controls Audit

In 2023, PricewaterhouseCoopers LLP were engaged to assess our internal controls with respect to portfolio management services as at 31 August 2023. The examination evaluated the description of the internal controls, their design suitability and their operating effectiveness. The report, which also covered ESG-specific controls, concluded with an unqualified opinion, affirming the robustness of our internal control environment.

Objective

Obtain a Type 2 internal controls audit to provide users with assurance about the design and operating effectiveness of our controls over a specified period of time.

Business Ethics and the Regulatory Environment

We hold ourselves to the highest ethical standards and aim to sustain an environment of honesty and accountability.

During the year, we:

- Submitted our second Stewardship Report to the Financial Reporting Council (FRC) and were reaffirmed as a signatory to the UK Stewardship Code 2020 in February 2024. Please find our latest Report **here**.
- Provided annual training on the conduct rules which form part of the UK's Senior Managers and Certification Regime to our UK-based employees.
- Provided all employees with annual training on business ethics including key topics such as financial crime, anti-bribery and corruption and conflicts of interest.
- Ensured all employees declared they had read and understood the contents of Arcmont's Compliance Handbook, including the Code of Ethics.
- Published the relevant Sustainable Finance Disclosure Regulation disclosures for the relevant Arcmont funds.
- Published a revised Modern Slavery Statement. Please find our latest Modern Slavery Statement **here**.
- Ensured that all employees received training on Modern Slavery prevention and started providing Modern Slavery training to new joiners.
- Conducted an in-person anti-greenwashing training session for our Investment, Client Services and Business Development teams, delivered by a partner, Paul Hastings.

Code of Ethics

Our Code of Ethics is the cornerstone of our commitment to ethics and compliance. Closely aligned with the 1st set of conduct rules under the Senior Managers and Certification Regime in the UK, the Code 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 appropriately 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 misconduct. 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.

Speak Up, Whistleblower and Non-retaliation Policy

Our group's 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 regulatory standards. It also provides avenues 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.

Anti-corruption

We are committed to combatting bribery and corruption. We adopted Nuveen's Europe and APAC 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.

Business Ethics and the Regulatory Environment

Conflicts of Interest

We maintain a Conflicts of Interest (COI) Policy that details how we avoid and manage conflicts of interest 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 also maintains a COI register that details all potential or actual COI that Arcmont faces. All personnel are required to take annual COI training.

Annual Training on Business Ethics and Compliance

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 delivered through a combination of online and in-person sessions. The topics covered include Financial Crime Prevention, Market Abuse, Conflicts of Interest and the Senior Managers and Certification Regime. Periodically, the Compliance team arranges training sessions which are tailored to address specific regulatory developments and/or updated policies and procedures.

UK Stewardship Code

In October 2023, we submitted our second Stewardship Report to the FRC detailing our adherence to the principles of the Code during the 12-month reporting period ending on 31 October 2023. With the report having met the FRC's expectations for a second year running, Arcmont continues to be listed as a signatory and our report is publicly available on the FRC's **website**. We believe this achievement showcases the effectiveness of our stewardship activities and our diligence in continually monitoring and improving our responsible investment-related activities.

UK STEWARDSHIP CODE

Business Ethics and the Regulatory Environment

Compliance Programme

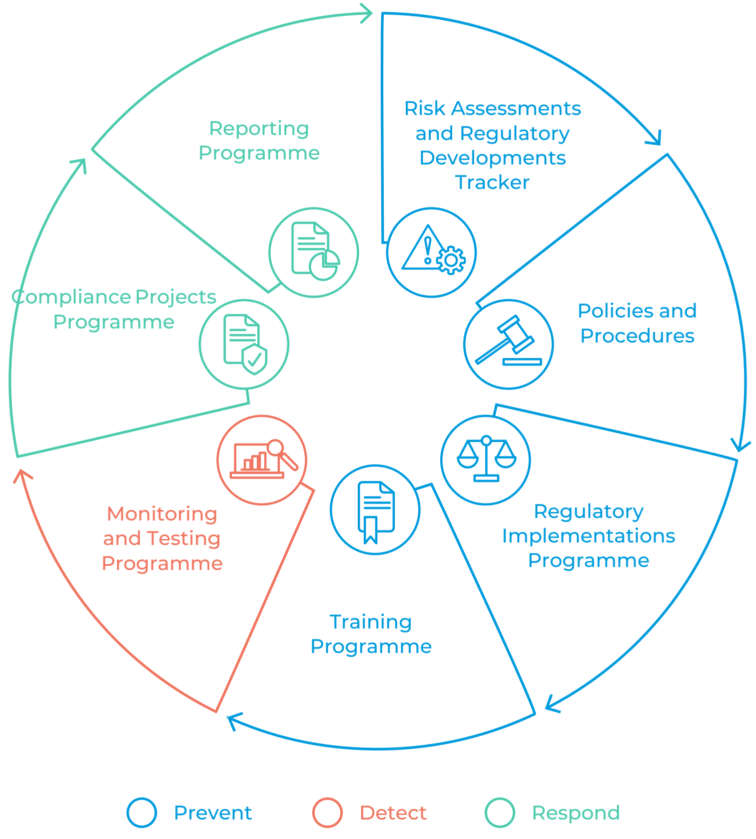
As a financial institution operating across various jurisdictions, Arcmont is subject to laws and regulations set forth by multiple regulatory bodies. To this end, we maintain a regulatory developments tracker to keep abreast of upcoming legal and regulatory changes. Periodically, the Compliance team 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 involved in any pending or ongoing litigation, formal investigations or administrative proceedings.

Modern Slavery

At Arcmont, we are committed to continually improving our approach to preventing and combating Modern Slavery and continuously monitoring the progress and effectiveness of our efforts across our business and operations to comply with applicable laws and regulations. Accordingly, during the period, we introduced key performance indicators to measure our progress in mitigating Modern Slavery risks. Our commitment and approach were documented in our 2023 Modern Slavery Statement.

Sustainable Finance Disclosure Regulation (SFDR)

Arcmont serves as the portfolio manager to EU-domiciled Alternative Investment Funds (AIFs) which are in scope of the EU responsible investment-related regulations including the SFDR. We included the appropriate disclosures under the Level 2 regulation in the 2023 audited accounts for the funds that are prepared in accordance with Article 8 of the SFDR. These disclosures provide transparent information on the sustainability characteristics of the products. We continue to monitor the regulation's development by attending industry conferences and expert-led webinars that perform deep dives into the latest SFDR's 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.



Business Ethics and the Regulatory Environment

2024 Objectives

- Continue to ensure our employees are well-versed in their professional responsibilities through regular comprehensive training.
- Prepare and submit our third Stewardship Report to the FRC with the objective to maintain our status as a signatory to the UK Stewardship Code 2020.
- Continue to review and update our existing policies and procedures to incorporate regulatory changes.
- Regularly reassess our Modern Slavery approach to ensure its ongoing relevance and effectiveness.
- Explore opportunities for third-party assurance procedures, including those for SFDR disclosures and our annual UN PRI Transparency Reports.

Strategy

ESG factors are financially material. They are a source of investment risk and a driver of investment value.

As such, understanding and minimising ESG risks and promoting better ESG performance within our investment activities is essential to create long-term value for clients and beneficiaries, in line with the firm's fiduciary duty.

Our responsible investment focus was established in 2013 when we implemented a dedicated ESG investment risk management process and became a member of the UN Principles for Responsible Investment (PRI) as part of BlueBay Asset Management.

Over the years, we have continued to enhance and develop our approach to reflect best practice guidance and today we operate with a responsible investment framework that is anchored in ESG integration and stewardship.

Our two key objectives are to:

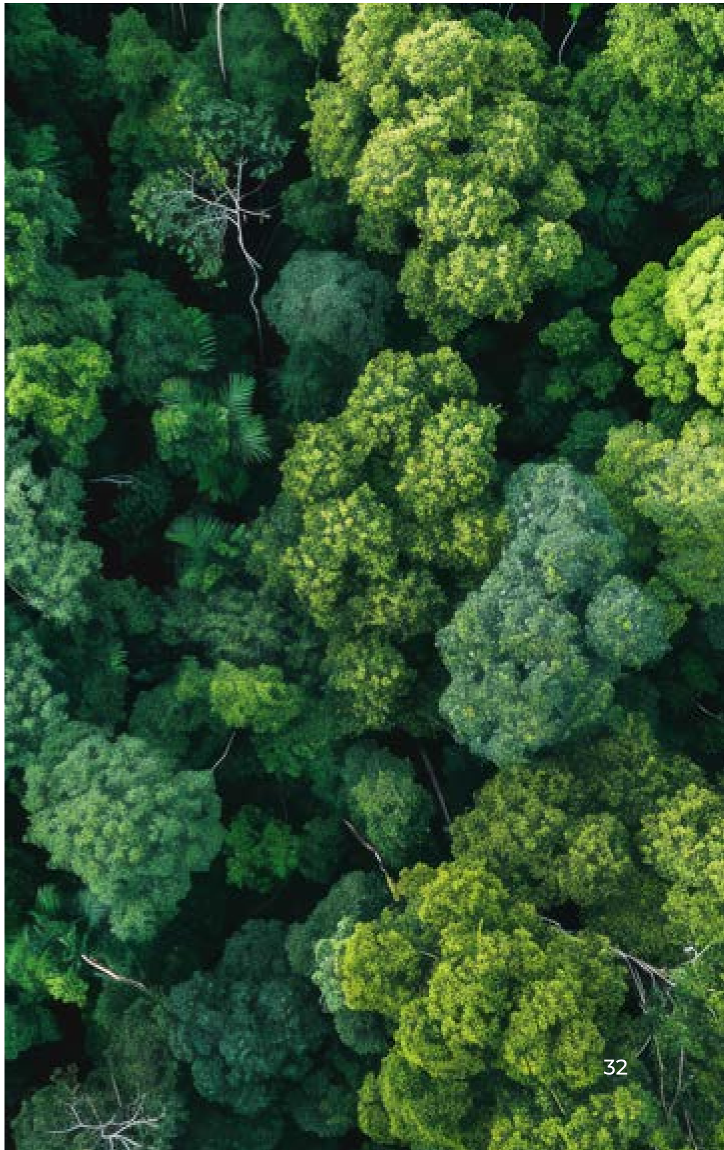
1. Identify ESG risks and opportunities to enhance investment decision making; and
2. Encourage portfolio companies to improve their sustainability performance, with a specific focus on their climate performance.

Signatory of: PRI Principles for Responsible Investment

As a PRI signatory, Arcmont is committed to the six Principles for Responsible Investment.

UK STEWARDSHIP CODE

As a UK Stewardship Code 2020 signatory, Arcmont has demonstrated that the 12 principles of the code are embedded in the firm's investment process.



Strategy

Arcmont's Key Responsible Investing Milestones

Jul-13
ESG policy adopted
Became a UN PRI signatory as part of BlueBay

May-19
ESG scoring introduced

Nov-19
Spin out from BlueBay

Dec-19
Became an independent signatory to the UN PRI

Jul-20
dss+[1] engaged as Arcmont's ESG Consultant

Mar-21
Enhanced ESG Exclusions Policy
Sustainability-linked margin ratchet programme[2] introduced

Dec-21
Whitepaper on ESG in Private Debt published[3]

Mar-22
Submitted our first voluntary UN PRI Transparency Report

Apr-22
Sustainable Development Investments Taxonomy integrated

Jul-22
Qualitative climate risk assessment introduced
Sustainability-linked margin ratchet programme revised to specifically target borrowers climate change mitigation practices

Sep-22
RepRisk solution integrated
Engagement reporting aligned with the Investment Consultants Sustainability Working Group's (ICSWG) disclosure framework

Dec-22
Climate Change Addendum published
Onboarded a proxy data provider

Feb-23
Signatory to the UK Stewardship Code 2020

Mar-23
Bespoke ESG Appendix Generator tool introduced
Arcmont became a Nuveen Affiliate

Apr-23
System-generated ESG data reports

May-23
Responsible Investing Analyst hired

Dec-23
Climate Scenario Analysis completed

1 dss+ acquired KKS Advisors in 2022. The acquisition has had no impact on the team servicing Arcmont's account, or the services provided. 2 Arcmont has a policy to offer a sustainability-linked margin ratchet to every (i) new primary borrower since April 2021 and (ii) existing primary borrower who is provided additional financing after April 2021. Note that ratchets are voluntary, and borrowers elect to participate. 3 Find our whitepaper 'ESG in Private Debt: Rising to the Challenge' **here**.

Governance

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

During the year, we:

- Hired a Responsible Investing Analyst and expanded our Responsible Investing team.
- Ensured that 100% of the Investment team received responsible investment training.
- Appointed an additional ESG champion within the Investment team to support the ESG Committee's efforts, raising the total number to three.
- Delivered a training on key topics including the SFDR, Anti-greenwashing and the TCFD.
- Updated our Responsible Investment Policy to reflect the enhancements made to our process, aligning to high industry standards.

Spotlight

Responsible Investment Policies

Today, we adhere to the following responsible investing policies, which apply to all assets under management[1]:

Policy name and link	Effective date	Date of last review
ESG Exclusions Policy	March 2018[2]	June 2024
Responsible Investment Policy	July 2013	June 2024
Climate Change Addendum to Arcmont's Responsible Investment Policy	December 2022	June 2024
Voting Policy (internal)	October 2023	To be reviewed by October 2024

All policies are reviewed by the ESG Committee at least on an annual basis. However, in practice, the policies are often reviewed and updated more frequently due to the fastmoving, dynamic nature of good practice procedures and responsible investment-related regulations, ensuring our approach remains at the forefront of responsible investing.

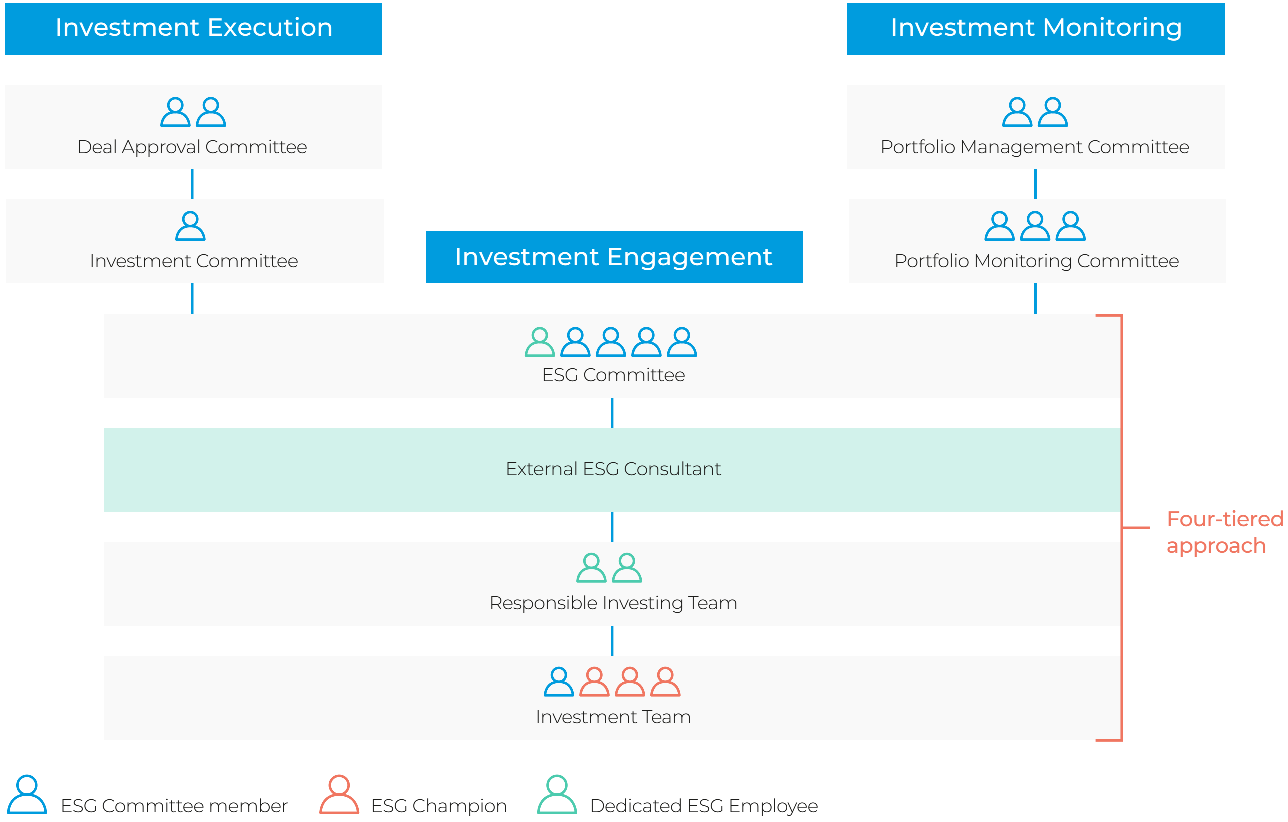
1 Any enhancements made apply to active funds at the time of implementation. This means that legacy funds may not be subject to the same stringent requirements. 2 BlueBay Controversial Weapons Investment Policy.

Governance

Responsible Investing Governance Framework

We maintain a robust governance framework to ensure effective responsible investment throughout the entire deal life cycle. Our framework is designed to integrate responsibility across multiple levels: the Investment team, the Responsible Investing team and ESG Committee, with our external consultant, dss+, providing independent oversight at every key point. Please refer to the Governance section of our Responsible Investment Policy for further details on each team and their responsibilities.

An external ESG consultant is fully embedded in the investment process to independently review all the responsible investment endeavours undertaken by our investment team.



Governance

2024 Objectives

Continue to roll out responsible investment-related training to ensure the relevant employees have the required knowledge and skills to perform their duties effectively.

Continue to review our responsible investing governance structure to ensure it remains appropriate as our business grows.

Continue to review our responsible investment-related policies to ensure they remain appropriate as we enhance and develop our approach.

Explore implementing third-party assurance and internal audits to add another layer of verification to our responsible investment policies and processes.

Process

ESG factors are considered at every stage of the deal lifecycle, from sourcing through to post-investment monitoring and engagement.

During the year, we:

- 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).
- Developed a bespoke “ESG Appendix Generator” tool to enhance and streamline our pre-investment ESG due diligence. Please refer to the Spotlight **here** for further details.
- Enhanced our assessment of Modern Slavery risks within our pre-investment ESG due diligence process.
- Updated our ‘Universe of ESG Issues’ tool to ensure all issue categories remain relevant and robust. This included subdividing climate risks into three distinct types – Physical, Transitional and Regulatory - to deepen our analysis of each type.
- Performed climate scenario analysis for the Arcmont funds' investments to better understand to understand the scope and materiality of the climate-related risks. Please refer to the Spotlight **here** for further details.
- Developed system generated product-level ESG data reports that provide investors with key environmental and social metrics.

“ESG is a fundamental part our investment process. It complements our traditional financial analysis and ensures we consider all factors that can impact the financial return of an investment.

Mattis Poetter
Partner and Co-Chief Investment Officer

Process

Responsible Investment Approach

Stage 1 — Negative screening

Opportunities are first screened against an ESG exclusions policy and screened for ESG risk incidents using RepRisk.

Stage 2 — Due diligence

An ESG materiality assessment is conducted and the opportunity is assigned an ESG Risk Score. As part of this, a Good Governance assessment is undertaken. The analysis is documented and then sent to our ESG consultant to independently review and agree the score.

Stage 3 — Final investment decision

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

Stage 4 — Execution

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. A member of the Responsible Investing team is required to review the deal team's responses to these questions and sign off on each investment from an ESG perspective.

Stage 5 — Monitoring

The deal teams maintain an active dialogue with portfolio companies and sponsors during the holding period. A formal quarterly review takes place where any ESG updates are documented and the ESG Risk Scores are adjusted where necessary. This is independently reviewed by our ESG consultant.

Stage 6 — Engagement (Stewardship)

Arcmont primarily engages with borrowers via sustainability-linked margin ratchets[1]. Please see the Sustainability-Linked Ratchet Section for more information.

Stage 7 — Reporting

Investors are provided with product-level quarterly ESG reports, annual ESG data reports and the relevant Sustainable Finance Disclosure Regulation (SFDR) disclosures.

1 Please note that Arcmont's policy is to offer a sustainability-linked margin ratchet to every (a) new primary borrower since April 2021 and (b) existing primary borrower who is provided additional financing after April 2021. However, not all borrowers will elect to have a ratchet and there is no guarantee that any particular proportion of borrowers will have one.

Process

Negative Screening

The first step in Arcmont's responsible investment process is to screen prospective companies against an ESG exclusion policy and do an ESG controversies screen. Across all Arcmont funds, we apply exclusions relating to the following:

- Violation of the UN Global Compact Principles
- Controversial Weapons
- Fur Products
- Genetically Modified Organisms
- Tobacco
- Thermal Coal*
- Oil Sands/Tar Sands*
- Adult Entertainment*
- Conventional Weapons*
- Gambling*

*Revenue threshold

Case Studies

Deals rejected for ESG reasons

During the year, we declined to participate in a number of transactions due to their lack of alignment with our exclusions policies. In addition, although not prohibited by our exclusions policies, we opted not to participate in a number of transactions due to wider ESG concerns that we believed were inherently against our responsible investment objectives. Please see select examples below.

Business Description	Investment Decision	Reasons	Details
Provider of landing gear systems and composite aerostructure components to helicopter and medium-sized aircraft platforms	Decline	Prohibited under ESG Exclusions Policy Exclusions Category: Conventional Weapons	The company produces landing gears and custom aerostructures for its aircraft, including combat jets, which fall under the category of conventional weapons. Arcmont's Exclusions Policy prohibits investments in companies that produce, store, or trade components specifically designed for conventional weapons.
Private rail freight operator	Decline	Prohibited under ESG Exclusions Policy Exclusions Category: Thermal Coal	One of the company's largest end-customer segments was the coal industry. Our Exclusions Policy prohibits investments in companies that generate more than 5% of revenue from the mining or distribution of thermal coal.
Deliverer of heating, renewables and insulation programmes	Decline	Wider ESG Concerns	The company's founder was found guilty of a conspiracy to produce cannabis and money laundering offences. We therefore declined to participate in the deal.
Provider of corporate and global expansion, active wealth, pension & incentive services and fund solutions	Decline	Wider ESG Concerns	Our due diligence revealed that there were questionable KYC/compliance practices with high-risk clients in high-risk jurisdictions.

Process

ESG Due Diligence

Once a prospective investment passes stage 1, ESG due diligence is performed as part of the credit due diligence.

Together with sustainability experts, we have developed a bespoke ESG Appendix Generator to identify and assess material ESG risks in a consistent and systematic manner. In summary, the deal team complete an ESG Appendix for every investment documenting their assessment of ESG risks. The results are then used to assign the opportunity an ESG Risk Score.

The ESG Appendix and score is then sent to our external ESG consultant for an independent review before being included in the final investment memorandum for the relevant Investment Committee to consider.

ESG Risk Scores

The ESG Risk Score quantifies the likelihood of a negative financial impact on an investment due to ESG risks. The scores range from +6 to -6 and we have a policy not to invest in a company that score less than -3.

The ESG Risk Scores are dynamic. They are inititally assigned at the pre-investments stage and are updated quarterly, based on monitoring updates. All scores are reviewed by our external ESG consultant before being finalised and disclosed to our investors.

Spotlight

ESG Appendix

Potential Material ESG Risks Identified

Potential material ESG risks are identified based on a company's SICS[1] and GICS[2] industry Classifications.

Sources:

- SASB Standards
- SASB Climate Risk Technical Bulletin
- Arcmont's Internal GICs mapping tool

Potential Material ESG Risks Assessed

For each potential material ESG risk identified, corresponding questions are shown for the deal team to answer. The questions consider a company's business activities, geographic location and other pertinent factors that were determined by our ESG Consultant. This helps the deal team determine whether the suggested risk is material for the business in question. The deal team answers these questions and ultimately concludes whether the ESG risk identified is material for the business in question.

ESG Risk Score Assigned

Next, the deal team assigns prospective investments a rating along each pillar of 'E', 'S' and 'G', according to their potential negative financial impact on the investment. These are then aggregated to form an overall ESG Risk Score.

Independent Review

Once the deal team have completed the ESG Appendix, it is sent to our external ESG consultant to review before being finalised.

1 The Sustainable Industry Classification System (SICS). 2 The Global Industry Classification Standard (GICS)

Process

ESG Reporting

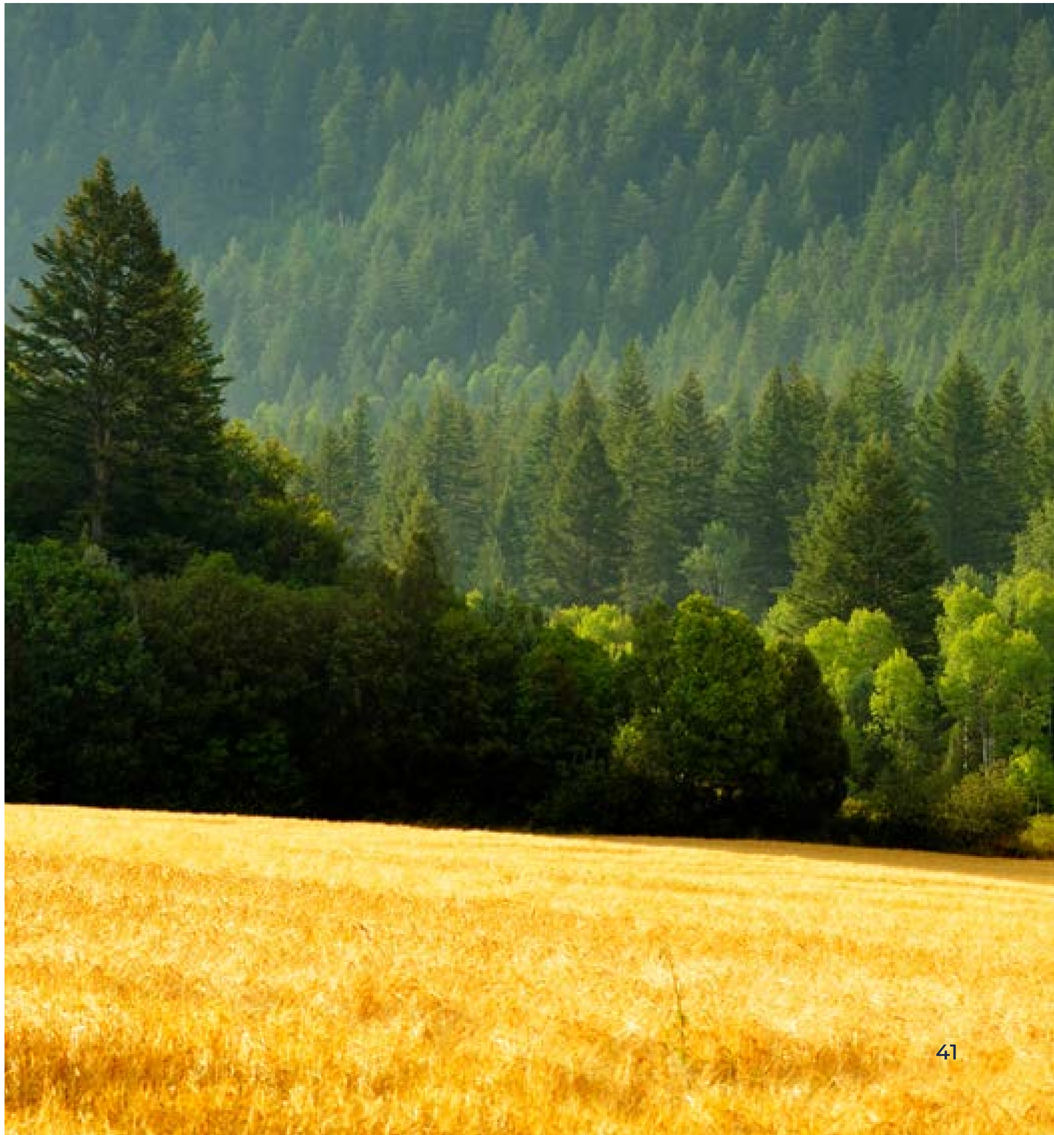
We provide investors with quarterly product-level ESG reports. The reports contain information on our approach to responsible investment, details of any material ESG events (if any) and a summary of the ESG characteristics of the fund. The reports also detail the material ESG risks identified for each portfolio company, the ESG Risk Scores, details of engagement efforts, as well as alignment to the SDGs if applicable.

Spotlight

ESG Data Reports

We also provide investors with annual ESG data reports on request. These are system generated reports that provide investors with the below metrics for every portfolio company.

- Absolute Scope 1 Emissions
- Absolute Scope 2 Emissions
- Absolute Scope 3 Emissions
- Energy Consumption
- Renewable Energy Consumption
- Non-Renewable Energy Consumption
- Female Board Ratio
- Pay Ratio



Process

Engagement (Stewardship)

We leverage the Investment Consultants Sustainability Working Group's (ICSWG) definition of engagement which is "purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement". Using this definition, Arcmont primary engages with borrowers via sustainability-linked margin ratchets.

As a Private Debt asset manager, we have less influence over portfolio companies than managers of other asset classes. To gain influence over portfolio companies' ESG management practices, we offer certain primary borrowers sustainability-linked margin ratchets[1] i.e. provisions that tie the rate of interest a borrower pays to pre-agreed key performance indicators (KPIs) and sustainability performance targets (SPTs) associated with each KPI.

In support of the transition to a net zero economy, we endeavour to include a climate change-related KPI in every ratchet and has a specific focus on encouraging borrowers to set and achieve science-based GHG emissions reduction targets[2]. When selecting other KPIs to be included, we pursue a materiality-first approach focusing on the issues that are likely to have the most significant financial impact, based on the result of the pre-investment ESG materiality assessment. This approach ensures every KPI is tailored to the characteristics of the portfolio company.

18

Borrowers with sustainability-linked margin ratchets

14

Sustainability-linked margin ratchets include climate-related KPIs

€2.8bn

Committed capital[3] tied to sustainability-linked ratchets

Spotlight

Engagements by Theme and Topic: Social - Conduct, Culture and Ethics[1]

Theme – Topic[4]	Number of sustainability-linked margin ratchets in each topic[5].
Environment – Climate change	13
Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting)	9
Social – Human capital management (e.g. inclusion & diversity, employee terms, safety)	5
Strategy, Financial and Reporting – Risk management (e.g. operational risks, cyber/ information security, product risks)	3
Environment – Natural resource use/ impact(e.g. water, biodiversity)	1
Social – Human and labour rights (e.g. supply chain rights, community relations)	1
Social – Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying)	1

1 Arcmont has a policy to offer a sustainability-linked margin ratchet to every (i) new primary borrower since April 2021 and (ii) existing primary borrower who is provided additional financing after April 2021. Note that ratchets are voluntary, and borrowers elect to participate. 2 At the time of implementation in April 2021, we endeavoured to create a bespoke plan for every participating borrower, targeting a specific material environmental and/or social issue a borrower faced, based on the results of the pre-investment ESG due diligence. However, in July 2022, in support of the transition to a net zero economy, the programme was revised to specifically target borrowers' climate change mitigation practices. 3 Cost amount GIR EUR. 4 Based on the engagement themes and topics recommended by the Investment Consultant Sustainability Working Group (ICSWG) Engagement Reporting Guide. 5 These numbers are not equal to the number of borrowers that participate in the sustainability-linked margin ratchet programme since some ratchets align to multiple topics.

Process

Case Studies

Incentivising GHG emissions reductions

Business Description	Improvement Targets	Target Details	Metric	Evidence	Baseline Year of Data	Baseline Data	Milestones	Progress
Early childhood education group based in the UK	Improvement Target 1	6.26% reduction on prior FY performance for FY23	Scope 1 and 2 (market-based) GHG emissions intensity per child (tCO2e/maximum capacity per setting)	Annual Streamlined Energy and Carbon Reporting (SECR) detailing Scope 1 and 2 emissions	FY22	0.173 tCO2e/ child	End of September 2023, tested annually following achievement	The first test date has passed (September 2023) and we are pleased to report that the company has met its first reduction target. It has therefore been awarded with the agreed margin discount.
	Improvement Target 2	6.26% reduction on prior FY performance for FY24					End of September 2024, tested annually following achievement	
	Improvement Target 3	6.26% reduction on prior FY performance for FY25					End of September 2025, tested annually following achievement	
Network of private dental clinics	Improvement Target 1	Baseline data collection for FY23	Scope 1 and 2 (market-based) GHG emissions intensity (tCO2e/ an organisation-specific denominator)	Detailed breakdown of calculations verified by either A) an independent GHG emissions consultant or B) an independent GHG emissions verifying body	FY23	0.07 tCO2e/ sqm of dental clinic area; 1.75 tCO2e/FTE	End of May 2024, tested annually following achievement	The first test date (May 2024) has passed and we are pleased to report that the company has met its first target. It has therefore been awarded with the agreed margin discount. Now that the baseline data collection has been completed, the company is working to set the GHG emissions intensity reduction targets.
	Improvement Target 2	Improvement on prior FY for FY24. The improvement target is to be agreed upon once baseline data is collected					End of May 2025, tested annually following achievement	
	Improvement Target 3	Improvement on prior FY for FY25. The improvement target is to be agreed upon once baseline data is collected					End of May 2026, tested annually following achievement	

Process

Climate Scenario Analysis

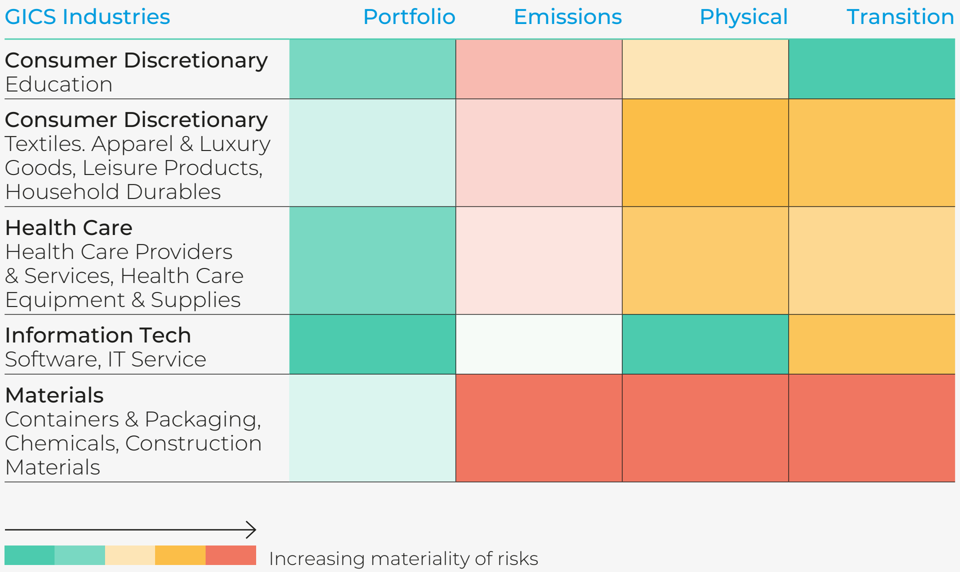
During the year, we engaged a climate consultant to undertake Climate Scenario Analysis (CSA) to understand the scope and materiality of the climate-related risks amongst the Arcmont funds' investments and their impact on our business model and strategy. This included an assessment of the impact of both physical risks (chronic and acute) and transition risks (policy, legal, technology, market and reputation) that could be material for the companies, sectors and geographies in which the Arcmont Funds invest. Please see a high level summary on this page.

Following the initial risk screening, which identified the most material areas to focus on, we conducted a subsequent scenario-based analysis. This provided detailed insights into the potential risks across two scenarios—a high-carbon and a low-carbon scenario—and two primary time horizons extending up to 2050. The climate scenario analysis will be updated regularly, and when appropriate we will undertake specific quantitative analysis on individual climate risks. More details can be found in our TCFD Entity Report which was published in 2024.

In the year ahead, we intend to use the results from the CSA to enhance our our climate risk due diligence, monitoring and engagement efforts.

Spotlight

High Level CSA Results



Process

2024 Objectives

- Continue to assess and enhance our tools and processes, including evaluating the need for incorporating enhanced assessments of emerging ESG themes such as nature and biodiversity risks.
- Use the findings from our CSA to enhance our climate risk due diligence, monitoring and engagement efforts.
- Continue to build out our system-generated ESG Data Reports to include wider environmental and social metrics.
- Continue to offer sustainability-linked margin ratchets to eligible borrowers[1].

> Responsible investment best practices are fast evolving. We are committed to staying well-informed and to adopting what are widely considered to be strong responsible investment practices.

Talia Elsener
Head of Corporate Sustainability and Responsible Investing

1 Arcmont has a policy to offer a sustainability-linked margin ratchet to every (i) new primary borrower since April 2021 and (ii) existing primary borrower who is provided additional financing after April 2021. Note that ratchets are voluntary, and borrowers elect to participate.

Advocacy

As a market-leader for the Private Debt asset class, we recognise our duty to drive positive change within the industry.

"Since inception, managing ESG risks has been at the heart of our investment strategy. We will continue to progress our responsible investment approach and promote best practices.

Nathan Brown
Chief Operating Officer

Initiative	Extent of Involvement	Status	Description
Institutional Investors Group on Climate Change (IIGCC)'s Private Debt Industry Focus Group	Active	Member	Our Chief Operating Officer joined the IIGCC's Private Debt Industry Focus Group at the start of 2024. The group steered and contributed to creating the **Net Zero Investment Framework for the Private Debt Industry**.
UN PRI Private Debt Advisory Committee (PDAC)	Moderate	Member	Our Chief Operating Officer 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 is the Co-Chair of the AIMA ACC Manager's Committee, a global body that represents asset management firms in the Private Credit and Direct Lending. 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 has been a signatory to the UK Stewardship Code 2020 since February 2023. Please find our latest Stewardship Report **here**.
UN PRI	Basic	Signatory	Arcmont has been an independent signatory to the UN PRI since December 2019, continuing the affiliation that began while being part of BlueBay Assessment Management in 2013.
Taskforce on Climate-related Financial Disclosures (TCFD)	Basic	Supporter	Arcmont is a public supporter of the TCFD recommendations. In 2023, Arcmont published information relating to FY2022 in line with the TCFD guidelines. From 2024, Arcmont is mandated to produce a TCFD Entity Report. Please find our inaugural TCFD Entity Report **here**.

Advocacy

2024 Objectives

Consider deepening our involvement with responsible investment working groups as part of our ongoing efforts to shape and strengthen our positioning within the industry.

Continue to contribute to the development of best practice guidelines through our participation in various initiatives.

Conclusion

We have had a strong focus on ESG for over a decade and are committed to enhancing our approach to better protect the environment and society.

With the support of our partners and stakeholders, we aim to continue to operate and invest responsibly, drive meaningful change and lead with integrity.

To ensure our efforts and resources are focused in the right areas, we welcome feedback on this report and our broader sustainability strategy.

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Conclusion

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Any ESG goals, commitments, incentives and initiatives outlined in this report are subject to a variety of risks, not all of which can be foreseen or quantified. When evaluating all investment decisions, Arcmont’s goal is to maximize the financial return to its fund participants. When Arcmont engages with portfolio investments on ESG practices and initiatives with the goal of bolstering returns to investors, and potential enhancements, there is no guarantee that such engagements will result in improving the financial or ESG performance of the investment. Successful ESG engagement will also depend on the ability to properly identify and analyse material ESG metrics and other factors and their value, and there can be no assurance that the strategy or techniques employed will be successful. Additionally, Arcmont may not independently verify certain of the ESG-related information reported by its portfolio investments or third parties, some of which is based on professional or business judgment. Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different frameworks and methodologies being developed and implemented by other asset managers, industry coalitions, not-for-profit organizations or regulators. Arcmont’s approach may not align with the approach adopted by other stakeholders.

Anti-ESG sentiment has gained momentum across the U.S., with several states and Congress having proposed or enacted “anti-ESG” policies, legislation or initiatives or issued related legal opinions. Additionally, asset managers have been subject to recent scrutiny related to ESG-focused industry working groups, initiatives, and associations, including organizations advancing action to address climate change or climate-related risk. Such anti-ESG policies, legislation, initiatives and scrutiny could expose Arcmont to the risk of litigation, antitrust investigations or challenges and enforcement by state or federal authorities, result in injunctions, penalties and reputational harm and require certain investors to divest or discourage certain investors from investing in the funds for which Arcmont acts as portfolio manager. The consideration of ESG factors (including but not limited to greenhouse gas emissions avoided) is undertaken solely for the purposes of maximising the financial return to our fund participants.

Arcmont could become subject to additional regulation, regulatory scrutiny, penalties and enforcement in the future, and Arcmont cannot guarantee that its current approach to ESG integration will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement.