Arcmont from nuveen

Stewardship Report

UK Stewardship Code 2020 statement of compliance and disclosure for the 12-month period ending 31 October 2024

Contents

Preface

The UK Stewardship Code 2020 (the "**Code**") sets high stewardship standards for those investing money on behalf of UK savers and pensioners and those that support them.

The Code defines "Stewardship" as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Code comprises a set of 'apply and explain' principles for asset managers but does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

At Arcmont Asset Management Limited ("**Arcmont**"), we are committed to exercising effective stewardship, recognising that it is fundamental to fulfilling our fiduciary duty to the funds we act as portfolio manager to. Accordingly, we fully support the principles of the Code and have embedded its 12 principles into our investment process.

Arcmont's signatory status was first announced by the Financial Reporting Council (FRC) in February 2023, at which point we published our first Stewardship Report. Our second Stewardship Report was accepted and published in February 2024.

This Stewardship Report sets out our commitment to adhering to the highest stewardship standards and contains details on how we have fulfilled our stewardship responsibilities over the 12-month period ending 31 October 2024, the progress we have made against the objectives set in last year's report and how we plan to enhance our stewardship approach over the next 12-month period. All data included in this report is stated as of 30 September 2024 unless otherwise specified.

Note that we are aware of the Interim Changes to Reporting for Stewardship Code Signatories announced by the FRC, however, have chosen not to adopt them for this year's submission.

Yours sincerely,

Anthony Fobel
Chief Executive Officer

About Arcmont

Arcmont is a leading Private Debt asset management firm, providing flexible capital solutions to a wide range of businesses across Europe. Since inception, Arcmont has raised €29.7 billion[1] of capital from over 420 blue-chip investors and has committed €30 billion across more than 400 transactions across Europe.

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, supported by a minority investment from Dyal Capital Partners.

In October 2022, after three years of operating independently, Nuveen, the investment manager of the Teachers Insurance and Annuity Association (TIAA), agreed to acquire a controlling interest in Arcmont. On 01 March 2023, the transaction completed and Arcmont has since been a Nuveen affiliate. For more information about the transaction, please see the press release.

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.

For more information about Arcmont, please visit our website.

A MARKET-LEADING EUROPEAN BUSINESS

2011

Arcmont founded.
A pioneer in EU Private Debt

116

Person team

GROWING INVESTOR BASE[1]

€30bn

Fundraising to date[2]

410

Investors globally

DIVERSIFIED INVESTING ACTIVITIES[1]

€30bn

Committed to Investments

400+

Transactions

[1] Capital raised includes separately managed accounts, co-investment commitments and available leverage.
[2] Arcmont data as of October 2024.

Stewardship at Arcmont

The Code defines “Stewardship” as “the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

For the purpose of this report, Arcmont’s “clients” are deemed to be the funds for which Arcmont acts as portfolio manager to.

At Arcmont, we endeavour to responsibly allocate, manage and oversee capital to create long-term sustainable benefits for our clients and beneficiaries, the economy, society and the environment. Despite the challenges we face as a Private Debt asset manager (outlined below), we are committed to being effective stewards of our clients’ capital and are continually looking to enhance and develop our approach to drive positive change.

(i) Influencing Portfolio Companies

As a lender to businesses, as opposed to an owner, we have limited control over our portfolio companies. To overcome this, we offer certain primary borrowers sustainability-linked margin ratchets[1]. These are provisions in our lending agreements that tie the rate of interest a borrower pays to pre-agreed key performance indicators and sustainability performance targets. Although these are voluntary and borrowers elect to participate, they enable us to exert influence and encourage borrowers to improve their sustainability profiles. Please refer to Principle 9: Engagement for further details on our sustainability-linked margin ratchet programme.

(ii) Quality ESG Data

As we typically invest in mid-market European companies, obtaining high quality and complete ESG data sets is challenging. Each portfolio company is at a different stage of its ESG journey, and we observe that a significant proportion are still at an early stage without the appropriate measurement and tracking systems in place to provide us with comprehensive quality ESG data. Although there are positive market movements, largely driven by enabling regulatory environments, particularly the EU Corporate Sustainability Reporting Directive (CSRD), some borrowers are not yet in scope of these mandates. Nonetheless, we are committed to collecting the data that is available and encouraging borrowers to improve their ESG data collection and quality (see Principle 9: Engagement).

[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.

Purpose and Governance

Principle 1: Purpose, Strategy and Culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

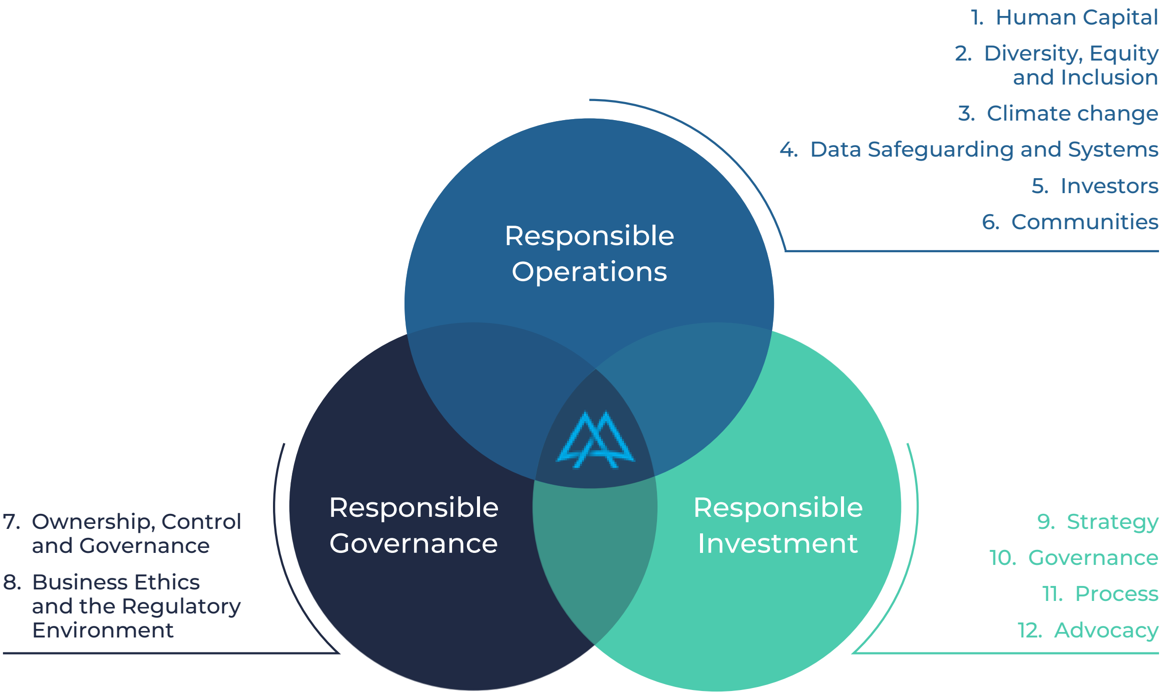
Purpose of our organisation

At Arcmont, we seek to advance sustainable economic growth for our investors, portfolio companies and wider society. To execute this, we promote and exercise effective stewardship in the funds we act as portfolio manager to on behalf of our investors as well as within our corporate operations.

Our business model and strategy

As a firm, we aim to continue to grow our assets under management, investor base and product offering in a sustainable manner. This means ensuring our corporate operations and investment practices are performed in a responsible 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, with the UK Stewardship Code principles embedded throughout.

As reported in last year's Stewardship Report, to ensure that our efforts and resources are focused in the right areas, our sustainability strategy and priority areas are reviewed annually. In 2023, a total 12 priority areas were identified and mapped against three key pillars as shown below.



For further information on our sustainability strategy and the progress we have made in each priority area during 2023 please refer to our 2023 Sustainability Report. For a list of the objectives we have set for 2024, please refer to Appendix 1.

Principle 1: Purpose, Strategy and Culture

Our responsible investment belief

The UN Principles for Responsible Investment (PRI) defines responsible investment as "considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship)"[1]. Therefore, for the purpose of this report, when we refer to responsible investment, it captures stewardship.

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 Arcmont's fiduciary duty as an asset manager. Further, practising and promoting responsible investment amongst portfolio companies allows us to contribute to sustainable benefits for the economy, the environment and wider society. It also aligns with our investors' broader environmental and social objectives and positions us well for the increasing regulations and policies relating to ESG issues and disclosures.

We established our responsible investment focus in 2013 when we became a member of the UN PRI[2], contributing to their Private Debt guidelines, and implemented a dedicated ESG investment risk management process and policy. Over the years, we have continued to enhance and develop our approach, integrating leading responsible investment practices into our investment process to enhance our credit analysis, monitoring and engagement efforts.

Today, we operate with a strong responsible investment framework where ESG factors are systematically considered at every stage of the deal lifecycle and are the cornerstone of our engagement activities. Our thorough approach allows us to:

1. Identify ESG risks and opportunities to enhance investment decision making[3]; and
2. Encourage portfolio companies to improve their ESG performance, with a specific focus on their climate performance.

For further information on our ESG-integrated process, please refer to Principle 7: Stewardship, investment and ESG integration.

[1] UN PRI: What is responsible investment?
[2] The firm became a signatory to the UN PRI while part of BlueBay Asset Management. In 2019, Arcmont was spun out to become an independently owned and managed business. In December 2019, Arcmont became an independent signatory to the UN PRI.
[3] Note that the generally capped upside potential of Private Debt investments post-closing means our focus is drawn to the potential downside risks that may lead to a default. This generally means that we prioritise ESG factors that might be drivers of risk as opposed to sources of opportunity.

Principle 1: Purpose, Strategy and Culture

Our culture and values

We recognise that our employees' abilities, qualities and behaviours drive our ability to deliver on our strategy. We are therefore committed to supporting our talented workforce with the resources required to enable the firm to achieve strong results for our investors, portfolio companies and other stakeholders, and aim to sustain a culture where our four corporate values are exemplified by all.

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.

All employees are held accountable to these values in their annual performance reviews, and we reward them for demonstrating alignment to them. We provide thorough training and have strict controls and processes in place to ensure employees know what is expected of them, ensuring they act in a responsible manner and in the best interest of our clients. Please refer to Principle 2: Governance, Resources and Incentives for further details.

Principle 1: Purpose, Strategy and Culture

Actions taken during the period to ensure our investment belief, strategy and culture enable effective stewardship

Progress against objectives set out in our 2023 Stewardship Report

Objectives	Status	Details
Re-perform a materiality assessment to ensure that our priority areas continue to be appropriate and relevant, ensuring our efforts and resources are focused in the right areas and subsequently set objectives for 2024.		During the period, our sustainability strategy and priority areas were reviewed. Subsequently 12 priority areas were identified, and 2024 objectives were set. Please refer to Appendix 1 for a list of all the objectives set under each priority area. We intend to perform a full materiality assessment next year, with support of our ESG Consultant.
Make progress on the 2023 objectives laid out in our 2022 Sustainability Report		We are pleased to report that we delivered on the majority (65%) of our ambitious objectives, with the remaining objectives deferred to 2024. Please refer to Appendix 1 for all of our 2024 objectives. Note that our resources were dedicated to those objectives that we deemed to be a higher priority. • Responsible Operations: 22 achieved, 2 partially achieved and 11 deferred. • Responsible Governance: 6 achieved and 1 deferred. • Responsible Investment: 9 achieved, 4 partially achieved and 2 deferred.
Make progress on the future actions listed in our 2023 Stewardship Report		We are pleased to report that we delivered on the majority (71%) of the future actions listed in the report. To clearly inform readers on our progress and highlight the areas we are still looking to develop, we have included a 'Progress against objectives set out in our 2023 Stewardship Report' section at the end of each of the relevant principles.
Review our 2023 UN PRI results (covering the 2022 calendar year) once released to identify areas of improvement and subsequently take action to address them		Together with our ESG Consultant, dss+, we performed a detailed PRI gap analysis after receiving our results. Please refer to Principle 5: Review and Assurance for further details.
Submit a Transparency Report to the UN PRI in the 2024 reporting cycle (covering the 2023 calendar year)		Following the Nuveen Transaction (see page 4 for further information), Arcmont operates as a Nuveen Affiliate. Given Nuveen's firm-wide signatory status now encompasses Arcmont's activities, Arcmont's responsible investment activities were captured in Nuveen's 2024 Transparency Report. We await the results.
Continue to drive our engagement efforts to encourage our portfolio companies to improve their climate change mitigation practices.		In line with our Responsible Investment Policy, we have continued 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. During the 12-month period ending 30 September 2024, we successfully documented 10 new ratchets, 9 of which contain a climate related key performance indicator. Note that ratchets are voluntary, and borrowers elect to participate.

Achieved   Partially Achieved   Deferred

Principle 1: Purpose, Strategy and Culture

Future actions

In the year ahead, we plan to action the following to further protect and enhance our clients' assets:

Perform an internal materiality assessment to ensure that the 12 priority areas we are focused on continue to be appropriate and relevant and subsequently set objectives for 2025.

Make progress on the 2024 objectives laid out in **Appendix 1** to advance our sustainability strategy.

Participate in the 2025 UN PRI reporting cycle.

Make progress on all future actions listed under each principle in this report.

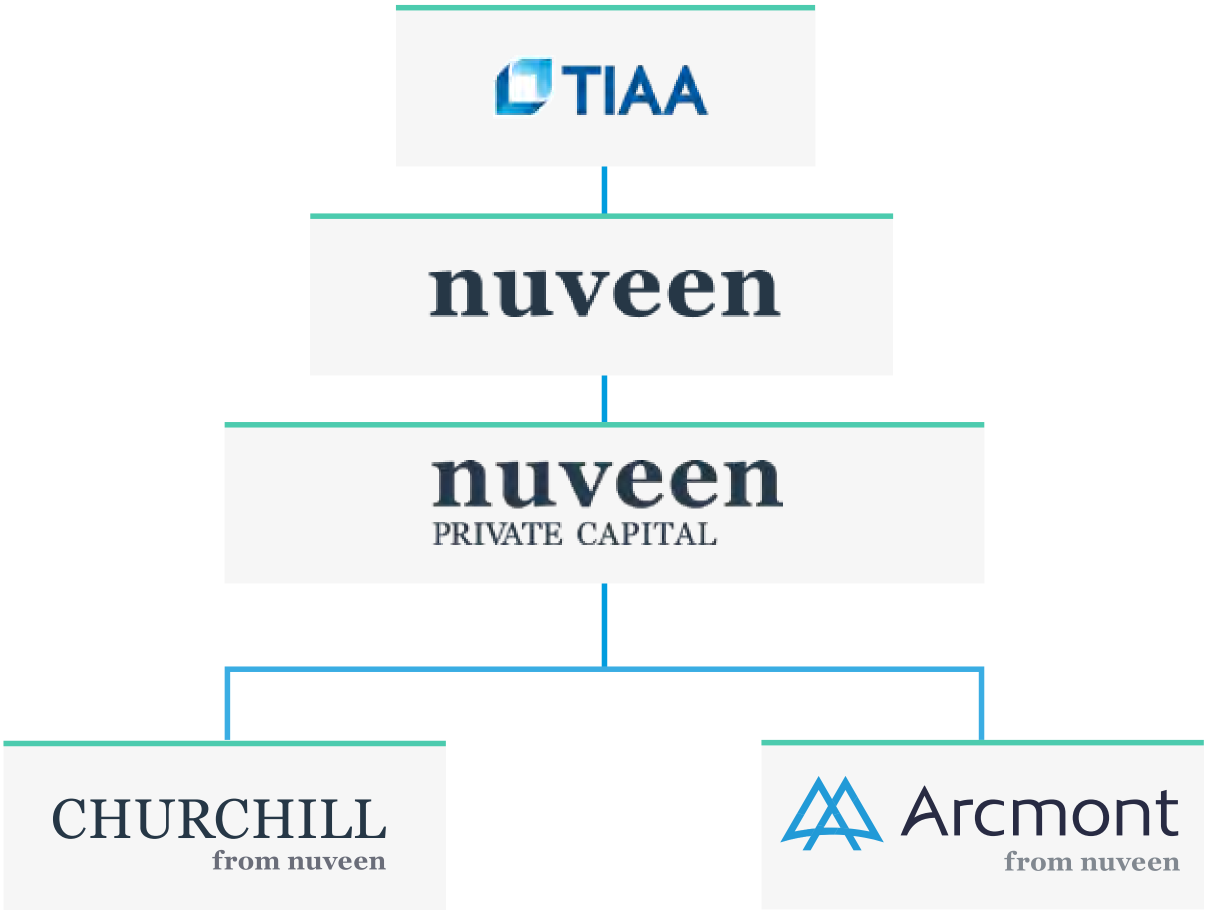
Continue to drive our engagement efforts to encourage our portfolio companies to improve their climate change mitigation practices.

Principle 2: Governance, Resources and Incentives

Signatories' governance, resources, and incentives support stewardship.

Governance structure

As described in the About Arcmont section, Arcmont is a Nuveen affiliate, operating under "Nuveen Private Capital" alongside Churchill, with TIAA serving as the ultimate parent.



Principle 2: Governance, Resources and Incentives

Arcmont's governance structure

Arcmont is managed by the Arcmont Board of Directors (the "**Governing Body**"). Collectively, members of the Governing Body have a wide range of skills with an appropriate emphasis on compliance, risk and technology alongside the firm's general investment management objectives. The Governing Body retains ultimate oversight over the governance and operation of the firm and is ultimately responsible for instilling an appropriate risk culture within the firm, aligning risk with the business strategy, defining the firm's risk appetite and approving risk policies and infrastructure.

In addition, we operate with multiple subject-specific committees with defined responsibilities to facilitate effective and prudent management which is essential to ensuring we meet our stewardship objectives. We also ensure members of each committee have the relevant skills and experience to perform their roles. Members come from diverse backgrounds, contributing diversity of perspectives and opinions, which ultimately enhances decision-making.

We believe our governance structure enables oversight and accountability for stewardship within our organisation that is appropriate for our size and business model.

Internal audit

As reported in last year's Stewardship Report, as a Nuveen affiliate we now fall under the scope of TIAA's internal audit. As an update, we will undergo our first internal audit as part of their 2025 cycle. This will provide us with independent assurance on our risk management process and the effectiveness of our control environment in the areas that are in scope of their review. At the time of drafting, we expect the 2025 internal audit to cover remuneration, governance and vendor management. Note that each year the scope of the audit changes, both the areas audited and the affiliates included, so Arcmont may not be subject to TIAA's internal audit every year.

Internal controls audit

As reported in last year's Stewardship Report, we are committed to undergoing an annual internal controls audit to give our investors confidence that we have robust processes and structures in place to protect the value of their investments. During the reporting period, we finished a Type 1 internal controls audit[1] with respect to portfolio management services as of 31 August 2023 and received an unqualified opinion. This affirms the robustness of our internal control environment. We have since undergone our first Type 2 internal controls audit[2]. Please refer to Principle 5: Review and Assurance for further details on each.

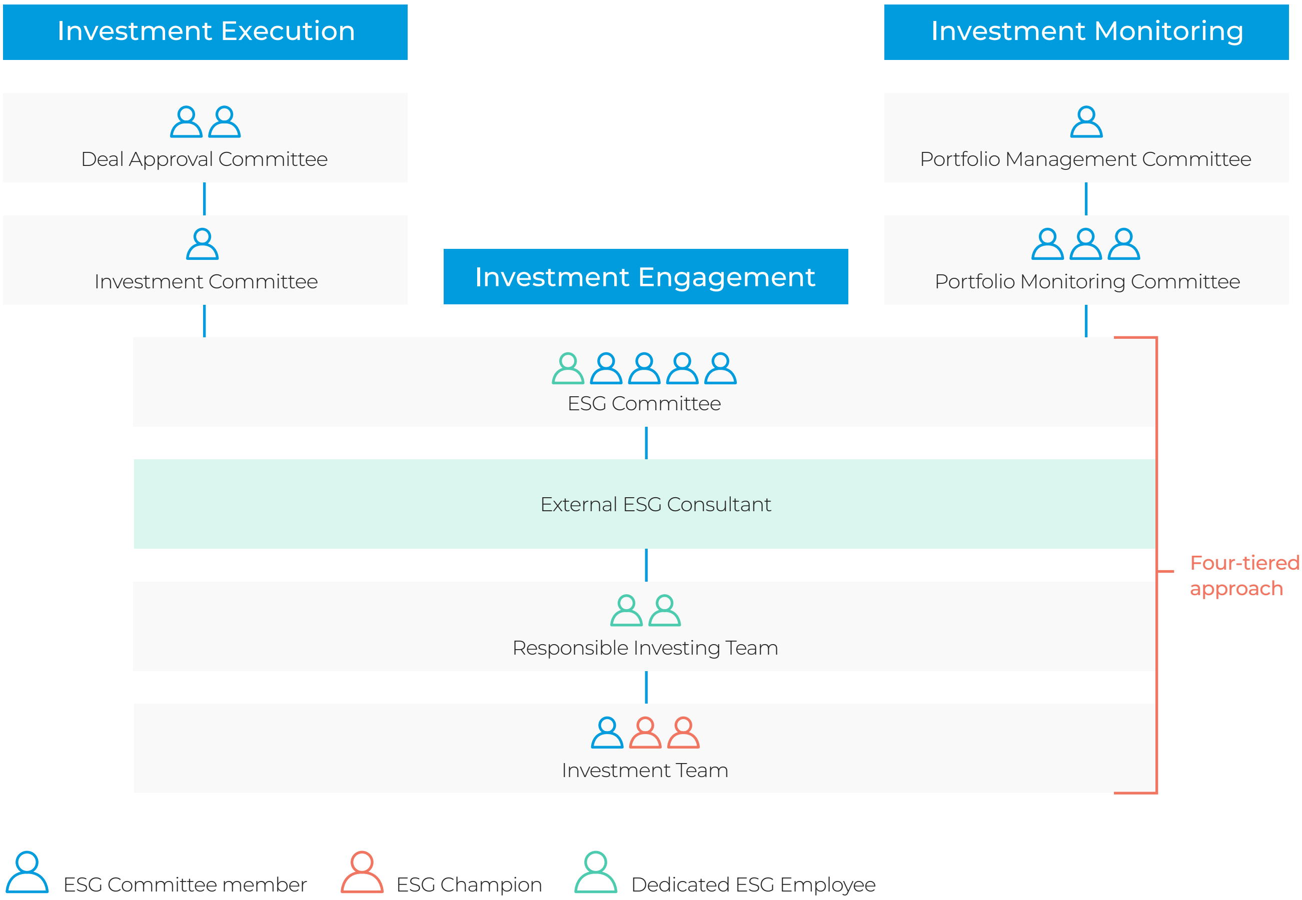
We believe the combination of our robust internal structures and added layer of external oversight fosters accountability and transparency in the way we operate and conduct business, ensuring that as a firm we act as effective stewards of our clients' capital.

[1] A Type I audit checks control design and implementation at a service organisation at a certain time.
[2] A Type II audit is an extension of the Type I audit, providing a more comprehensive evaluation of the service organization's controls. While the Type I audit focuses on control design, the Type II audit assesses the operating effectiveness of these controls over a specified period, typically six to twelve months.

Principle 2: Governance, Resources and Incentives

Responsible investment oversight

As shown below, we have a strong framework in place to ensure effective responsible investment across the deal life cycle. Responsibility is diffused across the Investment team, Responsible Investing team and ESG Committee, with our external ESG consultant, dss+, providing independent oversight at key stages of the investment lifecycle. On the following pages we provide further details on each of the teams' responsibilities. Note that these employees receive regular ESG training, please refer to page 20 for select examples of training delivered during the reporting period.



Principle 2: Governance, Resources and Incentives

1. ESG Committee

The ESG Committee (the "**Committee**") is ultimately responsible for ensuring our corporate operations and investment practices are performed in a responsible manner and are supportive of broader sustainability goals.

The Committee is comprised of our Chief Operating Officer (chair), Co-Chief Investment Officer, Head of Corporate Sustainability and Responsible Investing, Chief Compliance Officer and Head of Portfolio Monitoring. We purposely selected senior individuals who sit on central decision-making committees and span across teams as members. This ensures that ESG and stewardship matters are considered at every key investment decision point and the importance of investing and operating responsibly is communicated across the firm.

Below we list some of the Committee's core responsibilities:

- Oversight of ESG-integration and stewardship strategies and programmes.
- Ensuring appropriate resources are available to execute effective ESG-integration and stewardship activities.
- Reviewing and updating (as appropriate) Arcmont's responsible investment-related policies.
- Determining the frequency and scope of all responsible investment training.
- Ensuring Arcmont's compliance with applicable ESG related legislation, including the EU's Sustainable Finance Disclosure Regulation (SFDR) and the Financial Conduct Authority's (FCA) Task Force on Climate-Related Financial Disclosures regime (TCFD).
- Ensuring Arcmont complies with its obligations and commitments as a signatory to sustainability-related memberships.
- Overseeing the role of Arcmont's external ESG consultant and other ESG service providers.
- Reviewing and approving proposed sustainability-linked margin ratchets and tailored ESG engagement plans with respect to Arcmont investments.
- Monitoring progress against ESG targets, including developing climate-related targets.

The Committee meets quarterly to review responsible investment-related performance and set objectives. Members are therefore able to evaluate the effectiveness and appropriateness of control mechanisms and targets, making enhancements and amendments where necessary.

2. Responsible Investing team

The Responsible Investing team comprises two individuals who form the link between the Investment team and dss+. They are responsible for ensuring the Investment team executes their responsible investment duties in an effective manner and for supporting the Investment team's engagement efforts. The team is also responsible for ESG reporting, including the relevant products' SFDR disclosures.

Principle 2: Governance, Resources and Incentives

3. dss+ (External ESG Consultant)

dss+ assist us with the development and execution of our sustainability strategy, with a specific focus on responsible investment. The firm ensures we aware of industry best practices and provides us with specific subject-matter expertise. Additionally, dss+ serves as an independent layer of oversight, underpinning the integrity and thoroughness of our responsible investment commitment. The team of consultants independently review all the responsible investment endeavours undertaken by our Investment team. This review occurs both during the pre-investment phase and quarterly post-investment, assuring continuous alignment with our responsible investment goals. For further information on dss+, please visit the company's website.

For further information on how we work with dss+, please refer to Principle 8: Monitoring Managers and Service Providers.

4. Investment team

The Investment team is responsible for undertaking stewardship activities and incorporating ESG factors into the deal life cycle. 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 stewardship activities amongst our investments.

The team receives training on responsible investment, at least annually, and all new joiners receive responsible investment training as part of the onboarding process. The team is also supported by the Responsible Investing team and dss+, who are on hand to answer any questions, fill knowledge gaps and provide additional insight.

We have three ESG champions in the Investment team who support the ESG Committee's efforts. Before any new initiative is rolled out, the ESG champions are consulted. The champions also attend the ESG Committee meetings as participants.

The Investment team is encouraged to achieve strong outcomes for our clients through our incentive programme. Please refer to Incentives section below for more details.

As of 30 September 2024, the Investment team is comprised of 47 investment professionals with an average of 12 years of industry experience, across a wide range of businesses, sectors and geographies. Please see below an estimate of the average years of experience in responsible investing across the team[1]. For the team's biographies, please see our website.

Investment Committee

7.8

Average years of experience in responsible investment

Vice Presidents

4.7

Average years of experience in responsible investment

All investment professionals

4.6

Average years of experience in responsible investment

[1] We have operated a formal ESG investment risk process since July 2013. As a result, employees' experience in responsible investment is recognised from either (i) July 2013, if they were employed by the firm before that date, or (ii) the date they joined the firm thereafter.

Principle 2: Governance, Resources and Incentives

Seniority, experience, qualifications and training of the ESG Committee

Name and Title	Years in Industry	Years in ESG[1]	Education, qualifications and training	Other Arcmont Committees
Chief Operating Officer (Chair)	25.9	6.0	• Leads our ESG advocacy efforts through his participation as: – A member of the UN PRI Private Debt Advisory Committee (PDAC) – A member of the Institutional Investors Group on Climate Change's (IIGCC) Private Debt Industry Focus Group – Co-Chair of the Alternative Investment Management Association (AIMA) Alternative Credit Council (ACC) Manager's Committee • Chartered accountant	• Arcmont Board of Directors • Deal Approval Committee • Portfolio Monitoring Committee • Conflicts Committee • Product Governance Committee • Operational Risk Committee
Co-Chief Investment Officer	17.3	6.2	• Ensures ESG factors are considered in all investment committee decisions	• Investment Committee • Portfolio Management Committee
Chief Compliance Officer	11.1	4.0	• Supports our efforts to ensure compliance with all applicable ESG regulations	• Deal Approval Committee • Portfolio Monitoring Committee • Conflicts Committee • Product Governance Committee • Operational Risk Committee • Diversity, Equity and Inclusion Committee
Head of Corporate Sustainability and Responsible Investing	8.2	5.6	• Drives our Responsible Investment and Corporate Sustainability efforts • Completed the UN PRI's Applied Responsible Investment course • Holds the CFA Certificate in ESG Investing • Chartered accountant	• Diversity, Equity and Inclusion Committee
Head of Portfolio Monitoring	14.1	7.0	• Ensures ESG factors are considered in portfolio monitoring activities • Completed the UN PRI's Applied Responsible Investment course • Chartered accountant	• Portfolio Monitoring Committee

[1] We have operated a formal ESG investment risk process since July 2013. As a result, employees' experience in responsible investment is recognised from either (i) July 2013, if they were employed by the firm before that date, (ii) the date they joined the firm thereafter, (iii) or otherwise started their involvement in ESG.

Principle 2: Governance, Resources and Incentives

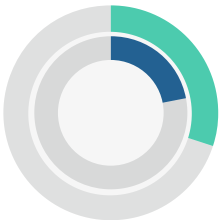
Diversity

We recognise that diversity, equity & inclusion ("**DEI**") efforts in the workplace are of critical importance. It is not only the right thing to do, but it also creates greater value for our stakeholders. Having diverse people of all genders, ethnicities, backgrounds and experiences fosters innovation and ultimately improves long-term performance.

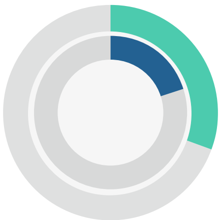
As reported in last year's Stewardship Report, we have a dedicated DEI Committee who is tasked with identifying opportunities and implementing initiatives to make Arcmont a more diverse, equitable and inclusive firm. For further information on the committee, the DEI progress we have in made during the period and objectives for the year ahead, please refer to pages 11 - 13 in our 2023 Sustainability Report.

The charts below provide a snapshot of the gender and ethnicity representation levels of our employees, key functional heads, the Investment team and ESG Committee as of February 2023 and December 2023.

All employees

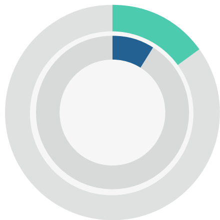


Feb 2023
Female 30%
Ethnically Diverse 22%

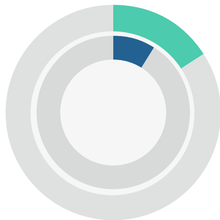


Dec 2023
Female 31%
Ethnically Diverse 20%

Investment team

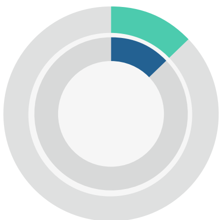


Feb 2023
Female 15%
Ethnically Diverse 9%

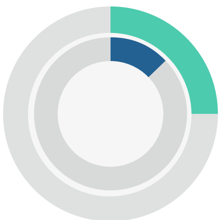


Dec 2023
Female 16%
Ethnically Diverse 9%

Key Functional Heads



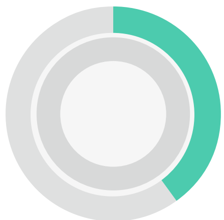
Feb 2023
Female 13%
Ethnically Diverse 13%



Dec 2023
Female 25%
Ethnically Diverse 13%

ESG Committee

Feb 2023
Female 40%
Ethnically Diverse 0%



Dec 2023
Female 40%
Ethnically Diverse 0%

[1] Note that the data is voluntary self-reported data so may not reflect all employees.

Principle 2: Governance, Resources and Incentives

Assessment of how effective our governance structure and processes have been in supporting stewardship

Please see below examples of some of the activities undertaken by the ESG Committee (the "**Committee**") during the reporting period which demonstrate the effectiveness of our governance structure in supporting our ESG integration and stewardship activities.

Topic	Detail
Sustainability-Linked Margin Ratchet Approvals	The Committee reviewed and approved the relevant sustainability-linked margin ratchets prior to them being agreed and documented. During the 12-month period ending 30 September 2024, this was a total of eight sustainability-linked margin ratchets[1].
Exclusion Queries	Where an investment falls into a "grey" area with regards to our ESG exclusions policies, the opportunity is presented to the ESG Committee. During the 12-month period ending 30 September 2024, the Committee reviewed a total of two such investments. These investments were ultimately approved for investment after further due diligence confirmed they were in compliance with our policies. Note that the Committee takes a conservative approach and will not approve a deal that goes against the "spirit" of our ESG exclusions policies.
Modern Slavery Statement	The Committee reviewed, provided input on and ultimately approved Arcmont's 2024 Modern Slavery Statement.
Responsible Investment Policy	The Committee reviewed, provided input on and ultimately approved revisions to Arcmont's Responsible Investment Policy. Please refer to Principle 4: Review and Assurance for details of the changes made. The revised policy was published in June 2024.
Climate Change Addendum to Arcmont's Responsible Investment Policy	The Committee reviewed, provided input on and ultimately approved revisions to Arcmont's Climate Change Addendum. Please refer to Principle 4: Review and Assurance for details of the changes made. The revised policy was published in June 2024.
ESG Exclusions Policies	The Committee reviewed, provided input on and ultimately approved a new exclusions policy applicable to any new fund under the Capital Solutions strategy.
ESG Training	The Committee arranged two training sessions for the Investment team based on recommendations from our Head of Corporate Sustainability and Responsible Investing, dss+ and Chief Compliance Officer. Please see details on the following pages.
Public ESG Disclosures	The Committee reviewed, provided input into and ultimately approved Arcmont's 2023 Sustainability Report, 2023 TCFD Entity Report and this Stewardship Report.

[1] Note that there may be a delay between the ESG Committee granting approval and the ratchet being documented. Hence, the difference between the number of ratchets approved during the period and the number of ratchets signed. Further, in select instances (e.g. where Arcmont is not a majority lender in a deal), Arcmont's consent may not be required for a sustainability-linked margin ratchet to be implemented. In such cases, the ESG Committee approval is not required.

Principle 2: Governance, Resources and Incentives

Responsible investment training

As reported in last year's Stewardship Report, responsible investment training is provided to relevant personnel on a regular basis, and at least annually, to ensure they have the required knowledge and skills to perform their duties. As mentioned above, we have a robust review process where dss+ independently reviews all the ESG work done by the Investment team. This allows for capabilities and training needs amongst our investment professionals to be continually assessed.

Please see below select examples of the responsible investment training delivered during the reporting period, demonstrating the effectiveness of our current structure in supporting our ESG-integration and stewardship activities.

Subject	Provider	Attendees	Detail
Climate Scenario Analysis Results	• EcoAct (Climate Consultant)	• ESG Committee • Responsible Investing team	60-minute session covering the TCFD requirements and the results of Arcmont's Climate Scenario Analysis.
Sustainability-Linked Loan Principles	• Head of Corporate Sustainability and Responsible Investing • dss+ (ESG Consultant)	• ESG Committee • ESG Champions • Responsible Investing team	45-minute session covering: • Sustainability-linked loans vs. sustainability-linked margin ratchets • Trends in the Private Debt market • Market best practices – the sustainability-linked loan principles
Sustainability-Linked Loan Principles	• Head of Corporate Sustainability and Responsible Investing • dss+ (ESG Consultant)	• Investment team	60-minute session covering: • Sustainability-linked margin ratchet benefits and challenges • Market best practices - Sustainability-Linked Loan Principles • Arcmont's standard offering • The investment team's obligations relating to sustainability-linked margin ratchets
EU Corporate Sustainability Reporting Directive (CSRD)	• Head of Corporate Sustainability and Responsible Investing • dss+ (ESG Consultant)	• Investment team • ESG Committee • Responsible Investing team	60-minue session covering: • The CSRD scope and requirements • Relevance to Arcmont and the Arcmont funds' investments • Obligations of the Investment team

Principle 2: Governance, Resources and Incentives

Incentives to integrate stewardship and investment decision-making

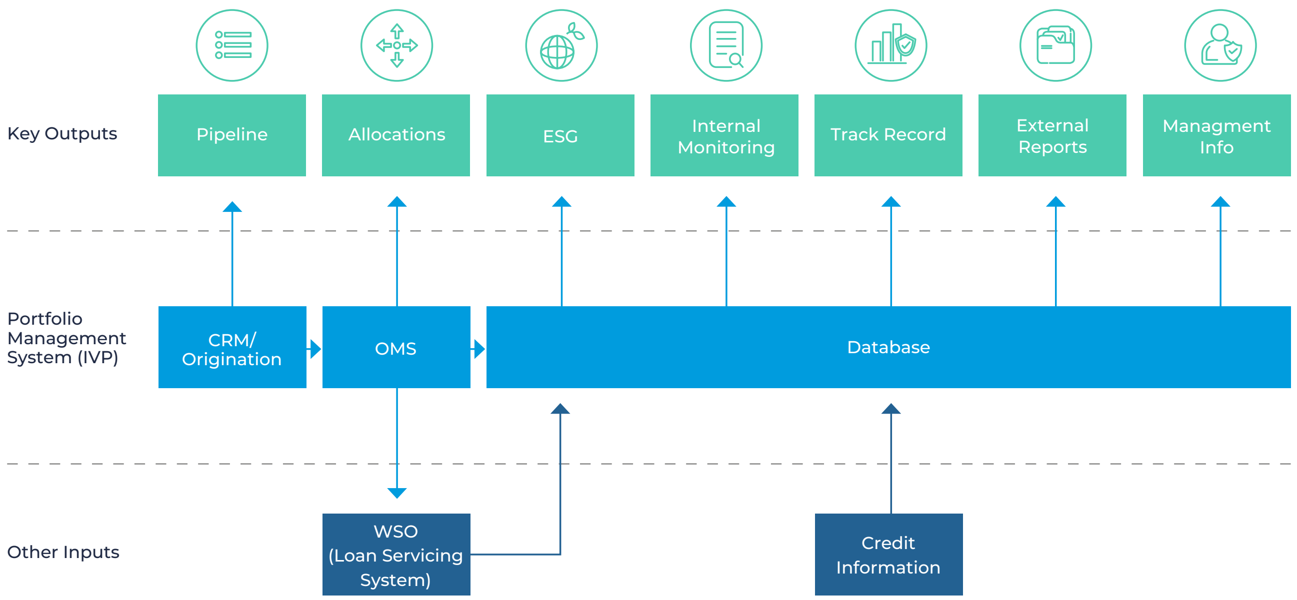
As part of the spin-out from BlueBay Asset Management, a Long-Term Incentive Plan (LTIP) was put in place to provide phantom equity ownership to all employees. As part of the Nuveen transaction all employees retained a significant equity share in the combined Nuveen Private Capital business to ensure that incentives remain aligned going forward. This means that every employee has a vested interest in the company's long-term success and is incentivised to ensure Arcmont is an effective steward of our clients' capital.

In terms of compensation, we seek to align individual performance and incentives with our clients' interests while complying with the applicable Financial Conduct Authority's (FCA) remuneration requirements. The Governing Body is responsible for reviewing and implementing Arcmont's Remuneration Policy. The make-up of remuneration for each role is set according to function and seniority within our incentive framework. For those individuals with ESG responsibilities, their contribution to the successful rollout of Arcmont's responsible investment strategy will typically feed into their overall performance reviews and career objective discussions

Further, to ensure economic alignment with Arcmont's clients, the Investment team and select other members of the firm participate in our carried interest scheme and are required to commit capital via a co-investment in each fund. We believe linking rewards to the performance achieved for our clients creates a greater alignment of interests.

Investment in systems, processes, research and analysis

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. All investee ESG data, both qualitative and quantitative, is captured in our system. This includes details of material ESG risks, GHG emissions data as well as engagement details and outcomes.



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Principle 2: Governance, Resources and Incentives

To support our responsible investment research and analysis, we leverage the following solutions:

Solution	Details	Relevance to Stewardship Activities
RepRisk	A third-party research and business intelligence organisation specialising in ESG data science.	We leverage the platform to source additional information on companies' business conduct. The platform allows us to (i) identify industry-specific material ESG risks in line with the Sustainability Accounting Standards Board (SASB) standards, (ii) assess companies' ESG risks through RepRisk's Sustainabile Development Goal (SDG) risk lens and (iii) monitor company ESG risks daily via a customisable watchlist and tailored email alert service. This allows us to make timely, better-informed investment and monitoring decisions as the platform uses artificial intelligence to screen our companies daily. Please refer to page 52 for further information on how the information is used in our investment process.
Insight ESG Outreach Solution	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. The solution provides embedded regulatory reporting templates and data extracts to support ESG reporting initiatives and requirements. It also provides benchmarking at the company level across key metrics against private market peers and public proxies.	We leverage the solution to fill any ESG data gaps where reported ESG data is not available, allowing us to meet our investors' disclosure demands.

Principle 2: Governance, Resources and Incentives

Extent to which service providers are used and the services they provide

During the reporting period, we engaged Bridgespan, a specialist impact consultant, to support the design our Impact Lending strategy (see page 45 for further details), increasing the number of key external parties who support our stewardship activities to three, vs the two reported in last year's Stewardship Report.

Provider Type	Details	Relevance to Stewardship Activities
dss+ (ESG Consultant)	A leading provider of operations management consulting services with a focus on sustainability. The team of experts in ESG and sustainable finance is dedicated to providing tailored solutions to effectively integrate ESG and impact considerations into the investment process. The dss+ team specialises in strategy and research, empowering their clients to create long-term value through the integrated management of economic, environmental, social and governance factors.	Assists us with the development and execution of our sustainability strategy, with a specific focus on responsible investment. The firm ensures we aware of industry best practices and provides us with specific subject-matter expertise. Additionally, dss+ serves as an independent layer of oversight, underpinning the integrity and thoroughness of our responsible investment commitment. Their team independently reviews all the responsible investment endeavours undertaken by our Investment team. This review occurs both during the pre-investment phase and on a quarterly basis post-investment, assuring continuous alignment with our responsible investment goals.
EcoAct (Climate Consultant)	An international climate consultancy and project developer, supporting businesses and financial institutions across all aspects of their net zero transformation.	Supports us with: i. Measuring our corporate GHG emissions; ii. Developing and delivering on our GHG emissions reductions road map; iii. Conducting Climate Scenario Analysis (CSA); and iv. Producing a Task Force on Climate Related Financial Disclosures (TCFD) report.
Bridgespan (Impact Consultant)	A wholly owned subsidiary of the Bridgespan Group, a global nonprofit organisation with the stated aim of making the world more equitable and just. The Bridgespan Group provides a range of impact services including strategy consulting and advising, sourcing and diligence, and leadership team support.	We engaged Bridgespan in 2023 to support the development of our Impact Lending strategy. Please refer to the Impact Lending Strategy Case Study under Principle 6: Client and Beneficiary Needs for further details on the strategy.

Please refer to Principle 8: Monitoring Managers and Service Providers for further details on each provider.

Note there are limited instances where Arcmont has voting shareholder rights, we therefore do not utilise third parties for proxy voting services. Please refer to Principle 12: Exercising Rights and Responsibilities for further details.

Principle 2: Governance, Resources and Incentives

Actions taken during the period to improve the effectiveness of our governance structures and processes in supporting stewardship

Progress against objectives set out in our 2023 Stewardship Report

Objectives in 2023 Report	Status	Details
Explore implementing responsible investment KPIs to evaluate the performance of the relevant individuals.	Deferred	Currently, for individuals with ESG responsibilities, their contribution to the successful rollout of Arcmont's responsible investment strategy typically feeds into their overall performance reviews and career objective discussions. We are currently exploring how we can formalise and enhance this approach.
Continue to train relevant employees on responsible investment to ensure they have the relevant knowledge and skills to execute their responsibilities effectively.	Achieved	Please refer to page 20 for select examples of training delivered during the period.
Prepare to undergo Nuveen's internal audit.	Deferred	The first Nuveen internal audit will take place in 2025. Please refer to page 13 for more details.
Obtain a Type 2 internal controls audit	Achieved	The Type 2 internal controls audit has been completed and we expect to receive the results in December 2024. Please refer to page 13 for more details.
Roll out ESG training to our employees to increase awareness and communicate its importance across the firm.	Achieved	During the reporting period, the Arcmont Green Team[1] held a Lunch and Learn session to introduce the team, educate employees on the importance of sustainable corporate actions (with a specific focus on recycling) and inform employees of the sustainability initiatives in Arcmont's London office.

Achieved   Partially Achieved   Deferred

[1] A group of passionate employees who are focused on driving forward our sustainable workplace practices.

Principle 2: Governance, Resources and Incentives

Future actions

In the year ahead, we plan to action the following to further improve the effectiveness of our governance structures and processes in supporting stewardship:

- Make progress on formalising responsible investment objectives for relevant individuals.
- Continue to train relevant employees on responsible investment to ensure they have the relevant knowledge and skills to execute their responsibilities effectively.
- Prepare to undergo Nuveen's internal controls audit in 2025.
- Obtain a Type 2 internal controls audit in 2025.
- Continue to roll out our ESG training to all our employees to increase awareness and communicate its importance across the firm.

Principle 3: Conflicts of Interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

At Arcmont, we seek to operate in accordance with the highest standards of compliance and ethical conduct. As detailed in our Conflicts of Interest Policy, we have established a comprehensive framework to identify, prevent and manage conflicts of interest to ensure that no client is disadvantaged. The policy and overall framework are overseen by our Conflicts of Interest Committee.

Below we provide information from our Conflicts of Interest Policy that explicitly addresses the requirements of the Code.

Identifying conflicts of interest

A conflict of interest may arise in a scenario where there is an incentive to serve one interest at the expense of another interest or obligation. All employees are required to report any situation where a conflict may occur to our Compliance team. Each committee is also responsible for identifying potential conflicts of interest. This is especially relevant for our Investment Committees and Deal Approval Committee.

Our conflicts of interest escalation framework is shown below:

Legal and Compliance

Advice to business units/individuals/committees/ in relation to transactions

Conflicts policies, processes and disclosure

Conflicts of interest training

Conflicts of interest monitoring and control testing by compliance

Employees

- Likely point of identification of conflicts: Each employee has a duty to follow established policies and processes in order to mitigate the conflict and/or escalate to their manager, Legal, Compliance, the Conflicts of Interest Committee or a member thereof.
- Members of others Committees must consider potential conflicts and their mitigation as part of their role as committee member.

Business unit management

- Ensure conflicts affecting the business unit are identified and addressed, including escalating as appropriate to senior management, Legal, Compliance, the Conflicts of Interest Committee or a member thereof.
- If conflicts arise between business units escalating as appropriate to senior management, Legal, Compliance, the Conflicts of Interest Committee or a member thereof.

Conflicts of Interest Committee Members

- Appointed to the Committee and act as a focal point for identifying and resolving conflicts.
- Employees may query potential conflicts with Committee members, who in turn may escalate unresolved or significant conflicts either to senior management or the Committee.

Conflicts of Interest Committee

- Oversees the operation of the firm conflicts of interest register, the conflicts of interest governance structure, relating to identifying and resolving conflicts of interest.
- The Committee may assist with resolving conflicts of interest or escalating them to Board for resolution.

Principle 3: Conflicts of Interest

Preventing and managing any instances of actual or potential conflicts

Arcmont is required by the Financial Conduct Authority (FCA) to prevent and manage conflicts of interest fairly, both between Arcmont and our clients, and between one client and another client. To this end, we have established a robust conflicts of interest framework to effectively manage, assess and prevent such incidents including:

- Policies and procedures which are reviewed at least annually.
- Governance arrangements including but not limited to our Conflicts of Interest Committee, which is responsible for reviewing individual conflicts of interest and for overseeing our conflicts of interest framework.
- Embedding the FCA Treating Customers Fairly principles in our culture, policies and procedures as detailed in our Treating Customers Fairly Policy.
- Clearly defined and documented reporting lines and responsibilities.
- Alignment of firm and employee interests with clients' interests through the linking of remuneration to client portfolio performance.
- Contractual obligations for all employees to comply with compliance and HR policies which are designed to mitigate conflicts arising and encourage employees to report suspected conflicts.
- Mandatory conflicts of interest training for all staff as well as training on other applicable regulations.

Our Compliance team and Conflicts of Interest Committee regularly review the effectiveness of our conflicts of interest framework. In addition, our compliance consultant undertakes independent quarterly monitoring of our compliance framework which includes our policies, procedures and controls in relation to conflicts of interest.

Each year we also undertake, with assistance from our compliance consultants, a Conduct Risk Assessment which assesses the controls we have in place to reduce the risk of a negative outcome for our clients due to action taken by Arcmont or our employees. The Conduct Risk Assessment includes assessments of the arrangements we have in place to prevent poor conduct from the firm or employees in relation to conflicts of interest. We are pleased to report that the risk assessment undertaken during the period identified no areas of high residual risk of poor conduct.

Conflicts of interest relating to stewardship

As a Private Debt asset manager, we face limited situations where an actual or potential conflict could arise in relation to stewardship. One example of a situation where a conflict could potentially arise in relation to stewardship is where we have employees appointed as directors of one of our portfolio companies. A director of a company has statutory duties requiring them to act in the best interests of the company. The interests of a portfolio company and the interests of our clients on a particular issue (for example, certain climate-related commitments that may come at a significant cost to the portfolio company) may not always align. The monitoring and escalation framework described in this section would be used to identify such situations. Our Conflicts of Interest Committee would then be responsible for ensuring that steps are taken to adequately manage such a conflict.

All clients who have been in their investment periods during the last 12 months are subject to the same Responsible Investment Policy, meaning that their interests are aligned when we pursue ESG-related outcomes. As a result, we have not experienced any actual or potential conflicts in relation to stewardship in the 12-month period ending 31 October 2024.

Principle 4: Well-Functioning Markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

We seek to maximise risk-adjusted returns for our clients and beneficiaries. It is therefore in our interest to identify and respond to market-wide and systemic risks which have the potential to impact this objective, as well as support and advance initiatives that aim to reduce these risks.

As mentioned in Principle 2: Governance, Resources and Incentives the Arcmont Board of Directors (the "**Governing Body**") is ultimately responsible for instilling an appropriate risk culture within the firm, aligning risk with the business strategy, defining the firm's risk appetite and approving risk policies and infrastructure. Accordingly, the Governing Body has established a robust risk management framework to ensure risks are identified, assessed and managed appropriately, including market-wide and systemic risks. Each business function is responsible for identifying and managing risks in their individual areas, however, they are supported and overseen by our subject specific committees as well as our Enterprise Risk Manager and Compliance team.

In terms of our investment activities, the Portfolio Management Committee is responsible for carrying out quarterly and periodic reviews of the entire investment portfolio to monitor credit quality, diversification, current yield dynamics and downside protection. The Portfolio Management Committee is comprised of the Direct Lending Investment Committee and Co-Heads of Capital Solutions Strategy. Our Chief Compliance Officer also attends every meeting as an observer.

Identifying and responding to market-wide and systemic risks

We have access to information and expertise on market wide and systemic risks through our investment activities (e.g. expert calls and commissioned subject-specific reviews), subscriptions to various news platforms, participation in various industry initiatives and regular conversations with third parties (e.g. legal advisors, industry bodies and regulators). In addition, external parties (banks, economists and consulting firms) often present to the Investment team on various topics, including macroeconomic trends and the Direct Lending market. We are therefore kept well informed on market movements and systemic risk developments.

Case Study

Identifying macroeconomic trends

As reported in last year's Stewardship Report, on a regular basis (usually monthly), using information obtained from data providers, subscriptions, macro experts and other sources, members of the Investment team produce a European Leveraged Finance Market Update document which is circulated to our Investment, Client Services and Business Development teams. The content of the document varies; however, it often covers macro events (including geopolitical issues and interest rates), the European High Yield market, the European Leveraged Loan market, a forward-looking calendar of pipeline deals and short-term market trends. This information is often discussed at Investment Committee meetings to ensure the full team understand the economic and market factors that can impact our investments.

Principle 4: Well-Functioning Markets

We adopt both a top-down and a bottom-up approach to market-wide and systemic risk identification, assessment and management as showcased below.

Top-down approach

Case Study

Leveraging technology to identify and manage risk

We leverage our internal monitoring system to gain valuable insights into the wider macroeconomic trends running through the portfolio. The Portfolio Management Committee meets regularly with our internal IT department to adapt our reporting and tracking systems to leverage our over 88,000 issuer data points, turning a wealth of data into an analytical tool. Our recently created risk monitoring dashboard allows the Investment team to organise and stratify performance, identifying broader trends affecting the portfolio. This analysis also aids in generating both more transparency for investors and better investment outcomes.

Case Study

Managing environmental risks - climate scenario analysis

The ESG Committee is also able to commission top-down portfolio reviews. For example, as reported in last year's Stewardship Report, the Committee made the decision to engage a climate consultant, EcoAct, to undertake Climate Scenario Analysis (CSA) with the aim 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. During the reporting period, EcoAct completed the analysis. Please refer to pages 30 – 36 in our 2023 TCFD Entity Report for the CSA results.

Principle 4: Well-Functioning Markets

Bottom-up approach

Case Study

Identifying systemic risks amongst investments – Arcmont's Universe of ESG Issues

As detailed in Principle 7: Stewardship, Investment and ESG Integration, and as reported in last year's Stewardship Report, our responsible investment approach encompasses a systematic assessment of ESG risks, including systemic risks. We specifically leverage a tool titled "Arcmont's Universe of ESG Issues" to ensure the most relevant and material ESG risks for our investment universe are considered and assessed prior to executing a transaction and on an ongoing basis during our holding period.

Within this tool, we capture certain ESG issues that have the potential to pose systemic risks, including biodiversity loss (Biodiversity ate change (Physical, Transitional and Regulatory), pollution (Toxic Emissions and Waste Management), water scarcity (Water Stress), human rights (Labour Practices & Human Rights), cybersecurity (Customer Privacy and Data Security) and corruption (Business Ethics).

The tool was created in conjunction with subject matter experts and was built with reference to the Sustainability Accounting Standards Board (SASB) Standards, SASB's Climate Risk Technical Bulletin, Arcmont's bespoke GICS mapping tool and other sources. The tool is reviewed and updated regularly to ensure the risk factors remain relevant and appropriate. Please see below the current issues list.

Environmental

- Biodiversity and Land Use
- Climate Risk (Physical)
- Climate Risk (Regulatory)
- Climate Risk (Transitional)
- Energy Management
- Material Sourcing and Efficiency
- Toxic Emissions and Waste Management
- Water Stress

Social

- Access and Affordability
- Community Relations
- Customer Privacy and Data Security
- Employee Wellbeing, Health and Safety
- Human Capital Development
- Labour Practices and Human Rights
- Product Design and Lifecycle Management
- Product Quality and Safety
- Selling Practices and Product Labelling
- Supply Chain ESG Standards and Monitoring

Governance

- Business Ethics
- Enterprise Risk Management
- Management of the Legal and Regulatory Environment
- Ownership and Control
- Tax Transparency and Accounting

Principle 4: Well-Functioning Markets

Case Study

Managing systemic risks - climate risk

As further described in Principle 9: Engagement, and as reported in last year's Stewardship Report, since July 2022 we have been focused on encouraging certain primary borrowers to improve their climate change mitigation practices via sustainability-linked margin ratchets[1]. This helps us to mitigate a systemic risk amongst our portfolio companies. Please refer to Principle 9: Engagement for select examples of the ratches we have implemented.

As of 30 September 2024:

- Of the 30 documented ratchets to date, 23 (77%) contain a climate related key performance indicator.
- Of the 10 ratchets documented during the reporting period, 9 (90%) contain climate related key performance indicators.

Working with other stakeholders to promote continued improvement of the functioning of financial markets

We recognise that it is in our own interest, our investors and society as a whole to have well-functioning financial markets. Accordingly, the firm and members of the firm participate in and support initiatives to promote well-functioning financial markets. During the reporting period, our Chief Operating Officer joined the Institutional Investors Group on Climate Change's (IIGCC) Private Debt Industry Focus Group, please see further details below.

Initiative	Extent of Involvement	Status	Description
IIGCC's Private Debt Industry Focus Group	Active	Employee membership	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. Please see the case study below for further details.
UN PRI Private Debt Advisory Committee (PDAC)	Moderate	Employee membership	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	Employee membership	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.
UN PRI	Basic	Signatory	Arcmont became a signatory of the UN PRI in December 2019, continuing the affiliation that began in July 2013 while part of BlueBay Asset Management. Following the Nuveen transaction (see the About Arcmont section for further details), our responsible investment activities will be captured in Nuveen's UN PRI reporting.
Taskforce on Climate-related Financial Disclosures (TCFD)	Basic	Supporter	Arcmont is a public supporter of the TCFD recommendations. In 2023, we published information relating to FY2022 in line with the TCFD guidelines in our 2022 Sustainability Report. From 2024, Arcmont is mandated to produce a TCFD Entity Report. Please find our inaugural TCFD Entity Report here.

[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

Principle 4: Well-Functioning Markets

Case Study

Institutional Investors Group on Climate Change (IIGCC)'s Private Debt Industry Focus Group

The IIGCC Private Debt Industry Focus Group was established to steer and contribute to the development of the IIGCC's Net Zero Investment Framework for the Private Debt Industry which was published in May 2024. The guidance establishes an industry-wide approach for measuring progress towards Net Zero and provides a consistent foundation for Private Debt asset owners and managers to align their portfolios with Net Zero by 2050 (or before). Member of the focus group were consulted, both individually and collectively, at key milestones as the guidance was developed.

Actions taken during the period to respond to market-wide and systemic risks and to promote well-functioning financial markets

Progress against objectives set out in our 2023 Stewardship Report

Objectives in 2023 Report	Status	Details
Continue to commission portfolio reviews in response to market events and trends	Achieved	The Portfolio Management Committee has continued to monitor portfolio risk analysis metrics, taking action where appropriate.
Further enhance our ESG analysis by rolling out an ESG questionnaire to portfolio companies to collect reported ESG data and facilitate tracking fund-level metrics	Deferred	Instead of rolling out an ESG questionnaire, we have first prioritised engaging with portfolio companies and sponsors to assess what data is currently available. Our intention is to select specific KPIs to track for every portfolio company. Once these KPIs have been selected, we will then roll out an annual questionnaire to collect annual performance data.
Explore joining specific UN PRI and other working groups, with a specific focus on stewardship and climate change.	Achieved	During the reporting period, Arcmont's Chief Operating Officer joined the IIGCC Private Debt Industry Focus Group. Please refer to the case study above for details on what the group has accomplished.
Produce a full TCFD report for FY2023 in 2024 informing readers on the climate-related risks and opportunities we face and the measures we have in place to mitigate them.	Achieved	We are pleased to report that we published an inaugural TCFD Entity Report during the period covering the FY2023 period.

Assessment of effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets

To assess our effectiveness in identifying and responding to market-wide and systemic risks, we believe investors can look at our low performance volatility and our demonstrated track record.

In terms of our effectiveness in promoting well-functioning financial markets, it is difficult to measure the extent of our contribution or effectiveness of our participation in the aforementioned initiatives. There is therefore always scope for improvement and we intend to get more actively involved in existing and new initiatives to deliver measurable outcomes that mitigate systemic and market-wide risks.

Achieved | Partially Achieved | Deferred

Principle 4: Well-Functioning Markets

Future actions

In the year ahead, we plan to action the following to improve further our effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets:

Continue to commission portfolio reviews in response to market events and trends.

Further enhance our climate risk analysis by rolling out an ESG questionnaire to portfolio companies and begin to track fund level metrics.

Produce our second TCFD Entity Report in 2025 relating to FY2024, documenting the improvements we have made in managing climate-related risks and opportunities and progressing towards full alignment with the recommendations of the TCFD.

Make progress towards setting product level Net Zero targets now that the IIGCC's Private Debt component has been published.

Principle 5: Review and Assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Stewardship policies

We operate in accordance with a number of responsible investment-related policies as listed below. These policies provide transparency on our responsible investment framework and serve as a formal guide to readers. Like all Arcmont policies, they are reviewed on at least an annual basis to ensure they remain relevant and appropriate and reflect our ambitions. As outlined in Principle 2: Governance, Resources and Incentives, we have a robust responsible investment framework in place to ensure these policies are adhered to. Please refer to the section for further details.

Policy Name and Link	Effective Date	Date of Last Review
ESG Exclusions Policy[1]	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	October 2024

Case Study

Reviewing ESG policies to ensure they enable effective stewardship

During the period, our responsible investment-related policies were reviewed and subsequently reissued. Please see below a summary of the changes made, if any. Note that the policies are reissued annually, even if no changes are made, to evidence that they have been reviewed. Also note that any updates apply to the Arcmont funds that are still in their investment periods at the time changes are made. Funds that are no longer investing will not be subject to the new requirements.

Policy Name and Link	Updates
ESG Exclusions Policy	During the period, a new exclusion policy was rolled out for subsequent Capital Solutions fund vintages. The update made to Arcmont's ESG Exclusions Policy simply reflects the issuance of this new policy. For the avoidance of doubt, no exclusions in Arcmont's ESG Policy were amended.
Responsible Investment Policy	Enhancements were made to better clarify our existing ESG due diligence process as well as our engagement process and objectives. No material updates were made to Arcmont's existing processes.
Climate Change Addendum	
Voting Policy (internal)	No change. Our Co-Chief Investment Officers and Co-Head of Portfolio Management concluded that the contents of the policy remained appropriate and relevant.

[1] This policy applies to all Senior Loan and Direct Lending co-mingled funds and associated vehicles as well as Capital Solutions Fund I and associated vehicles. A different exclusion policy applies to subsequent Capital Solutions fund vintages.
[2] When part of BlueBay, we adhered to the firm's Controversial Weapons Investment Policy.

Principle 5: Review and Assurance

Ensuring our stewardship reporting is fair, balanced and understandable

As further described under Principle 6: Client and Beneficiary Needs, we are committed to providing timely, transparent and comprehensive reporting to our clients on our stewardship activities, both at the corporate and fund levels, giving them clear insights into our processes and activities. To ensure all reporting is fair, balanced and understandable, we follow a stringent review process to ensure that all communications are written in plain language, contain relevant content and are easy to read.

Our internal review process requires at least a four-eye internal review to ensure the information published is complete, accurate and free from errors. We may also leverage external consultants to support the drafting of certain reports. Depending on the content and intended audience, external communications may be reviewed by an external party where we feel it is necessary to ensure compliance with the relevant regions' regulatory requirements.

Case Study

External review – SFDR disclosures

As mentioned in last year's Stewardship Report, 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 Sustainable Finance Disclosure Regulation (SFDR). During the reporting period, we included the appropriate SFDR disclosures in the relevant funds' 2023 audited accounts which provide transparent information on the sustainability characteristics of the funds, giving readers clear insights into our stewardship activities. These were initially drafted with support from Luxembourg legal counsel. As part of our year end audit procedures, our auditors reviewed the disclosures to confirm they were consistent with the financial statements and had been prepared in accordance with applicable legal requirements.

Case Study

External assurance – UN PRI reporting

As mentioned in last year's Stewardship Report, as a UN PRI signatory Arcmont is required to submit annual reporting to the initiative. During the reporting period, we received the results of our 2023 UN PRI assessment (covering 2022 calendar year). Subsequently, we performed a detailed GAP analysis together with our ESG Consultant, dss+, focusing on the questions where full marks were not received. This review allowed us to identify areas of improvement which we have already started to address.

Also during the reporting period, we submitted reporting to the UN PRI under Nuveen for the 2024 reporting cycle (covering the 2023 calendar year). As mentioned in Principle 1: Purpose, Strategy and Culture, following the Nuveen Transaction (see the About Arcmont section for further information), Arcmont operates as a Nuveen Affiliate and Nuveen's firm-wide signatory status now encompasses Arcmont's activities.

The information submitted in Nuveen's UN PRI report was verified prior to submission. The verification process included:

- Independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in the PRI report, which resulted in a formal assurance conclusion;
- An internal audit of selected processes and/or data related to the responsible investment processes reported in the PRI report;
- An internal review of the entire of the PRI report before submission to the PRI; and
- Senior executive-level staff (or equivalent) sign off on the report.

Although the results of the assessment are not yet available, participating in the process has helped us to identify areas of improvement against best industry practices as well as other Nuveen affiliates which has fed into our objectives for the year ahead.

Principle 5: Review and Assurance

Case Study

External assurance – internal controls audit

As mentioned in last year's Stewardship Report, and as mentioned in Principle 1: Purpose, Strategy and Governance, we completed a Type 1 internal controls audit[1] with respect to our portfolio management services as of 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.

We have since completed our first Type 2 internal controls audit[2] covering the period 01 September 2023 to 31 August 2024. This independent oversight will give us and our investors confidence that we have robust processes and structures in place to protect the value of their investments. We expect to receive the results in December 2024.

Case Study

External assurance – BlueMark verification

As described in further detail in the Impact Lending Strategy case study, Arcmont will shortly be launching an Impact Lending strategy. The entire impact management process is structured around the Nine Operating Principles for Impact Management (the "**Impact Principles**"), an industry standard for integrating impact throughout the investment lifecycle.

As a signatory of the Impact Principles, Nuveen engaged BlueMark to independently verify the alignment of Nuveen's impact management practices with the Impact Principles. This covered the impact management systems of all Nuveen Affiliates with impact strategies, including Arcmont. BlueMark independently verified Arcmont's extent of alignment with the Impact Principles. The BlueMark process was completed in September 2024 and the finding cover both areas of strength and areas for improvement, as reflected in the Verifier Statement.

BlueMark is a leading provider of independent impact verification and intelligence for the impact and sustainable investing market. BlueMark's verification methodologies draw on a range of industry standards, frameworks, and regulations, including the Impact Management Project, the Operating Principles for Impact Management, the Principles for Responsible Investment (PRI), Sustainable Development Goal (SDG) Impact, and the Sustainable Finance Disclosure Regulation (SFDR).

BLUE MARK PRACTICE VERIFIED NOVEMBER 2021

[1] A Type I audit checks control design and implementation at a service organization at a certain time.
[2] A Type II audit is an extension of the Type I audit, providing a more comprehensive evaluation of the service organization's controls. While the Type I audit focuses on control design, the Type II audit assesses the operating effectiveness of these controls over a specified period, typically six to twelve months.

Principle 5: Review and Assurance

Assessing the effectiveness of our stewardship activities

Progress against objectives set out in our 2023 Stewardship Report

Objectives in 2023 Report	Status	Details
After our UN PRI results have been received, address the improvement areas identified ahead of the next reporting cycle.	Achieved	Please refer to the External Assurance – UN PRI Reporting case study in this section for further details
Review our responsible investment policies on annual basis, making updates where necessary to integrate evolving best practices and communicate the enhancements made to our processes.	Achieved	Please refer to the Reviewing ESG policies to ensure they enable effective stewardship case study in this section for further details.
Explore opportunities for third-party assurance procedures, including SFDR and PRI assurance	Partially Achieved	Please refer to the External Assurance – UN PRI Reporting case study in this section for further details.
Perform a Type 2 controls audit in 2024, giving users comfort on the design and operating effectiveness of the controls over a period of time.	Achieved	Please refer to the External Assurance – Internal Controls Audit case study in this section for further details.

Achieved
Partially Achieved
Deferred

Principle 5: Review and Assurance

Future actions

In the year ahead, we plan to action the following to strengthen and improve our stewardship policies and processes:

Review all responsible investment policies, making updates where necessary to integrate evolving best practices and communicate the enhancements made to our processes.

Continue to participate in the UN PRI assessments under Nuveen.

Perform a Type 2 controls audit in 2025, giving users comfort on the design and operating effectiveness of the controls over a period of time.

Investment Approach

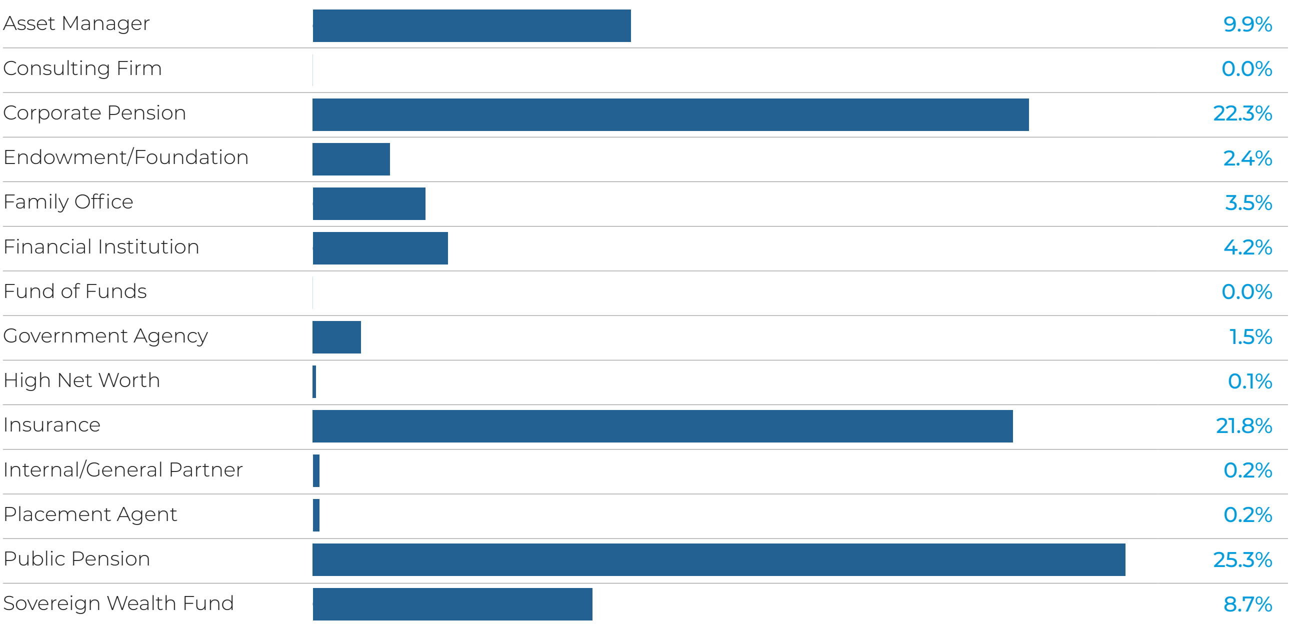
Principle 6: Client and Beneficiary Needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Investor base breakdown[1]

Arcmont is one of Europe's leading Private Debt asset managers with over €29.7 billion[2] of capital raised from over 420 investors since inception, with a broad investor base covering institutional, pension and insurance clients.

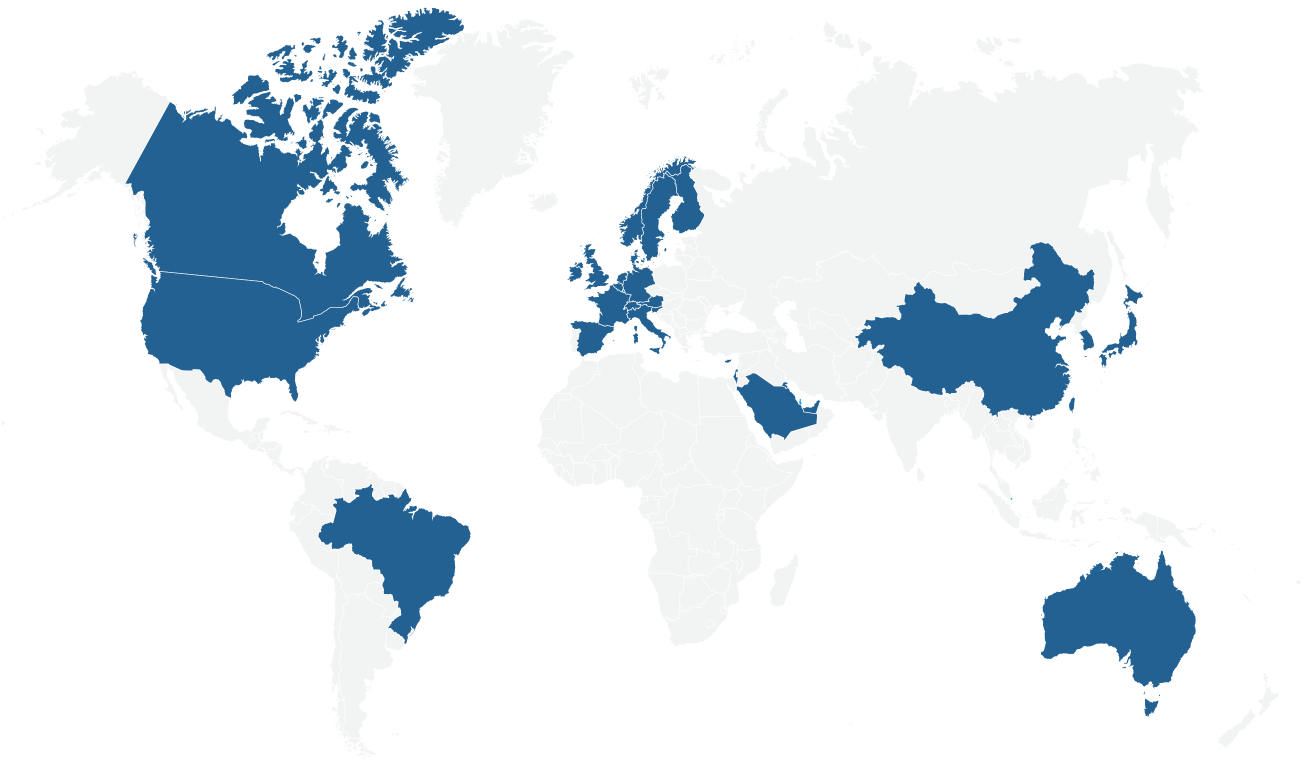
Investor by type



[1] Arcmont data as of 30 September 2024. Investor commitments including leverage.
[2] Capital raised includes separately managed accounts, co-investment commitments and available leverage.

Principle 6: Client and Beneficiary Needs

Investor by geography[1]



Australia	0.3%
Austria	0.5%
Bahrain	0.0%
Belgium	0.8%
Bermuda	0.2%
Brazil	0.0%
Canada	5.7%
China	1.9%
Cyprus	0.1%
Denmark	1.1%
Finland	5.5%
France	0.4%
Germany	7.1%
Hong Kong	1.2%
Ireland	0.1%
Israel	3.9%
Italy	4.2%
Japan	5.8%
Kuwait	1.8%
Luxembourg	0.1%
Netherlands	5.2%
Norway	1.3%
Saudi Arabia	0.1%
Singapore	7.4%
Slovenia	0.0%
South Korea	3.3%
Spain	0.2%
Sweden	3.7%
Switzerland	1.5%
Taiwan	0.4%
United Arab Emirates	0.1%
United Kingdom	18.8%
United States	17.4%

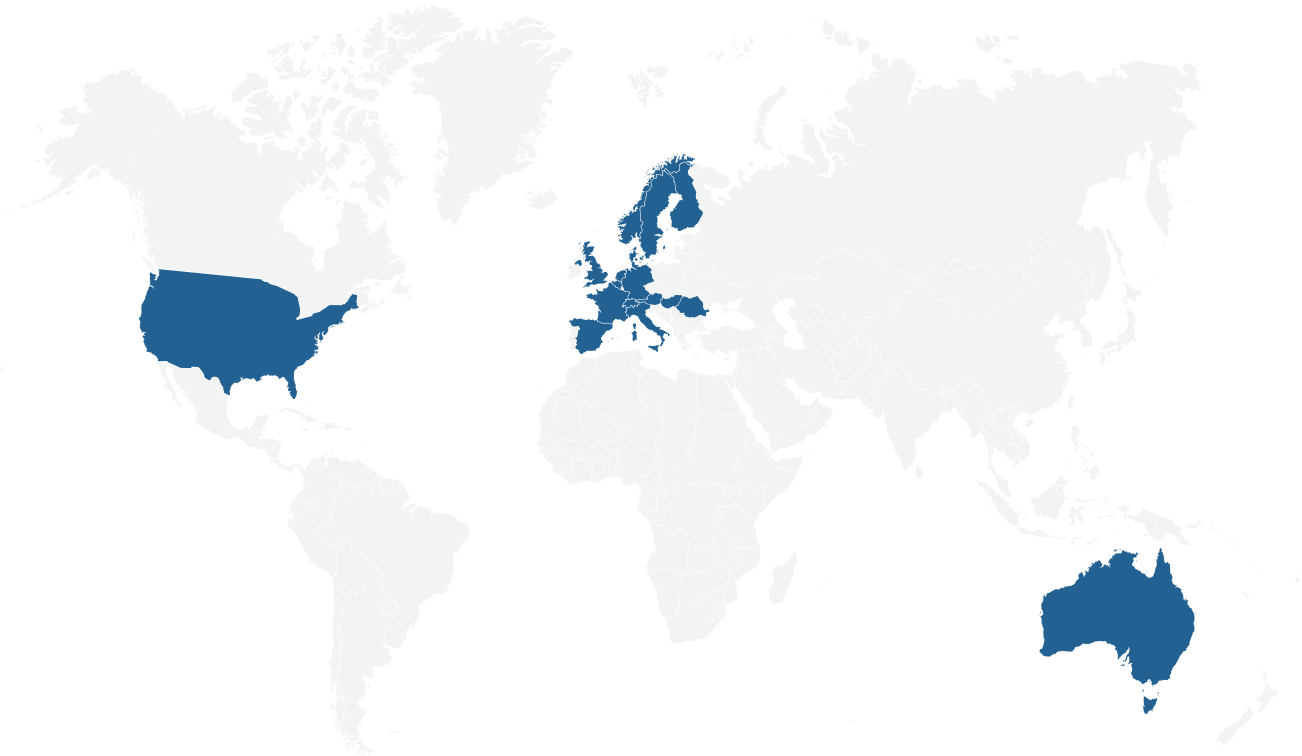
[1] Investor commitments including leverage.

Principle 6: Client and Beneficiary Needs

Deployed capital breakdown[1]

As of 30 September 2024, we have committed €29.3 billion in over 400 transactions across 18 geographies[2].

Deployed capital by geography



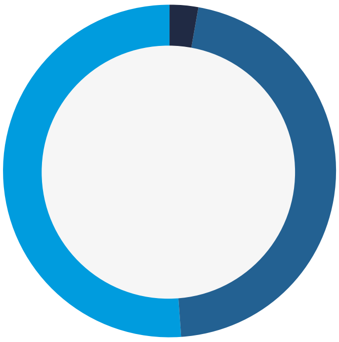
Country of risk

Country	%
Australia	0.4%
Austria	0.7%
Belgium	0.2%
Denmark	1.4%
Finland	1.6%
France	17.5%
Germany	21.1%
Hungary	0.3%
Italy	4.6%
Malta	0.1%
Netherlands	4.1%
Norway	2.1%
Romania	0.7%
Spain	7.7%
Sweden	2.8%
Switzerland	2.5%
United Kingdom	31.6%
United States	0.5%

[1] Arcmont data as of 30 September 2024.
[2] Country of risk.

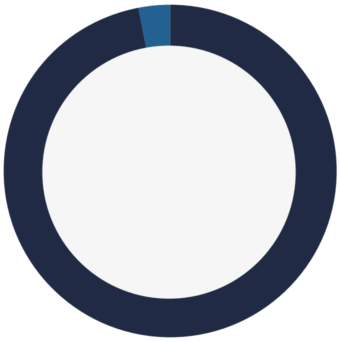
Principle 6: Client and Beneficiary Needs

Deployed capital by strategy



Fund Strategy	
Capital Solutions	3.4%
Direct Lending	45.6%
Senior Loans	51.0%

Deployed capital by asset type



Asset type	
Debt	97.3%
Equity	2.7%

Investment time horizon we consider appropriate to deliver to the needs of clients

The majority of vehicles offered by Arcmont are closed-ended, with investment periods of three to four years, followed by a two- or three-year harvesting period. These timeframes were designed based on the team's experience and investment realisation timeframes as well as our investors' target returns. Furthermore, our funds allow for a minimum of two one-year extensions to ensure our clients receive the most appropriate value for their investments with an orderly exit for investments that remain unrealised, thus avoiding forced liquidations that are not in the best interest of our portfolio companies and clients. In addition to closed-ended commingled funds, Arcmont also manages certain separately managed accounts ("**SMAs**"). The timeframe for each SMA is designed to specifically meet the needs of the underlying investor and includes the possibility for the SMA to be an evergreen structure to allow the vehicle to maintain its underlying exposure through recycling.

Principle 6: Client and Beneficiary Needs

How we have taken account of the views of clients

Investor due diligence

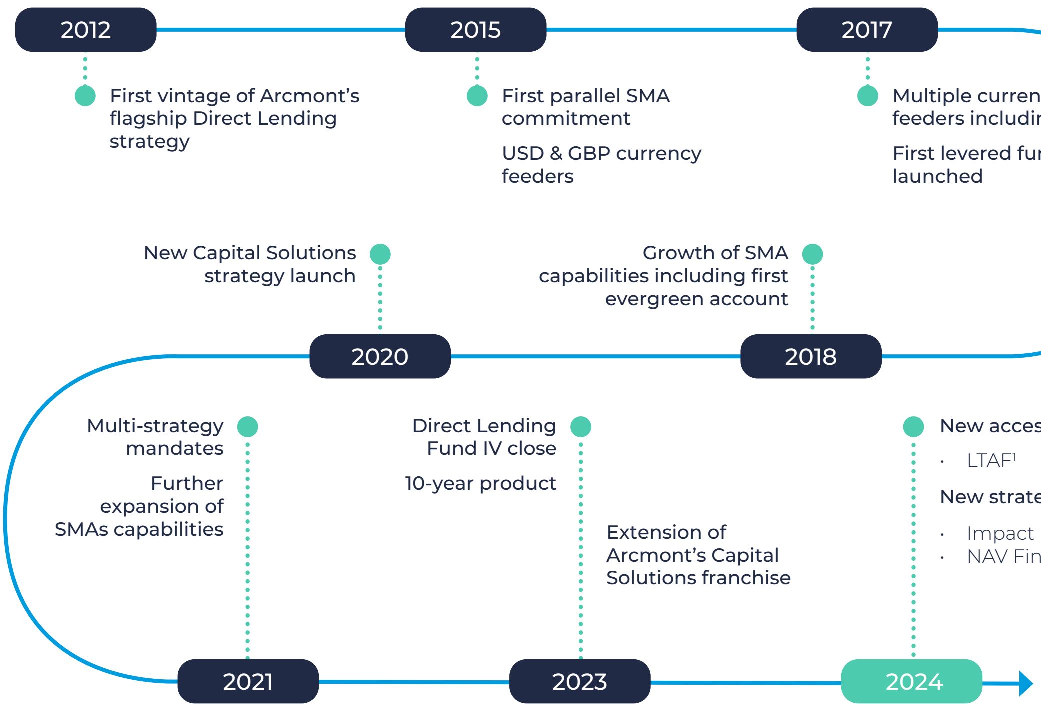
Prospective investors undertake detailed due diligence of Arcmont prior to making a commitment. This gives them a clear insight into our operations and investment processes, including those relating to our stewardship activities. Any additional investor requirements are documented in a side letter. This means that from the outset, investors' expectations are clearly documented and understood.

Ongoing investor communication

We have regular and ongoing dialogue with our investors and receive regular investor questions and data templates to complete. We therefore have good insight into their evolving needs and are able to easily identify areas of interest.

Product offering

Since inception, we have sought to deliver innovative solutions to meet the diverse objectives of our investors, as illustrated below. 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 offering, please contact clientservices@arcmont.com.



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

Principle 6: Client and Beneficiary Needs

Case Study

New products with extended time horizons

Over the 12-month period ending 31 October 2024, we have expanded our product range to address growing demand for flexible fund structures to access Private Debt, launching both our first evergreen structure and first open-ended structure, offering limited quarterly liquidity. In addition to alternate structures, we are currently developing a number of complementary strategies to our core Direct Lending offering, leveraging our existing platform and expertise to provide investors with a diversified range of investment opportunities – see two examples below.

Case Study

Impact Lending Strategy

Impact investing is defined as "investing with the intention to generate positive, measurable environmental and/or social impact alongside a financial return"[1]. Over the last 18 months, in response to increasing demand from investors, we have dedicated time and resources into developing an Impact Lending strategy, with support from Bridgespan, a specialist impact consultant. We have also had strategic input from key limited partners, some of whom are considered among the thought-leaders in the impact investing space. Together, we have built an Impact lending strategy that is anchored in industry best-practice industry frameworks, specifically the Nine Operating Principles for Impact Management and the Five Dimensions of Impact, and builds on our established investment process and origination capabilities. At the time of drafting, we are aiming to launch the strategy in Q4 2024.

Case Study

NAV Financing Strategy

During the reporting period, we hired a Head of NAV Financing to spearhead the development of a dedicated NAV Financing strategy which focuses on providing capital at the fund-level or the GP-level backed by diversified portfolios of underlying companies. We believe the strategy represents strong growth potential and synergistic properties to our existing Direct Lending strategy. We are therefore seeking to capitalise on the market opportunity, leveraging our strong sourcing capabilities in the mid-market (both in Europe and through Churchill in the U.S.) as well as our extensive asset knowledge base. At the time of drafting, we are aiming to launch the strategy in Q4 2024.

Communications to investors about our stewardship and investment activities

The Client Services team manages all investor relations during the life of our funds and beyond, leveraging the firm's expertise and resources to provide excellent servicing. Where investor requests relate to Arcmont's responsible investment activities, our Head of Corporate Sustainability and Responsible Investing or Chief Operating Officer (chair of the ESG Committee) will assist as subject matter experts. In addition to the unfettered access to the Client Services team and receiving regular responsible investment reporting (see details below), we host regular investor updates via video-link and in-person via our Annual General Meetings, during which our responsible investment activities are discussed.

[1] GINN: What are impact investments?

Principle 6: Client and Beneficiary Needs

Type of stewardship information provided, methods and frequency of communication

At Arcmont, we are committed to providing timely, transparent, and comprehensive reporting to our investors on our responsible investment activities, giving them clear insights into our stewardship activities. As detailed in our Responsible Investment Policy, we provide our investors and stakeholders with the below reports which detail our responsible investment activities.

Product reporting

We produce the following product level reports for investors.

- Quarterly ESG Reports: The funds' quarterly ESG reports contain information on our approach to responsible investment, details of any material ESG events in the relevant period, and a summary of the ESG characteristics of the fund. The reports also include each portfolio company's ESG Risk Score, updates on the ESG Monitoring Areas identified, details of engagement efforts, as well as alignment to the SDGs, if applicable.
- Annual ESG Data Reports: Please see the case study below.
- Sustainable Financial Disclosure Regulation (SFDR) disclosures: The required SFDR disclosures (pre-contractual, website and periodic) are provided to investors, giving them insights into the sustainability characteristics of the relevant products.

Public disclosures

We produce the following reports on an annual basis which are made publicly available.

- Corporate Sustainability Report: Contains information on our sustainability strategy, progress made during the year and objectives for the year ahead.
- UN PRI Transparency Report: As a signatory to the UN PRI, we are required to report on our responsible investment activities each year in a Transparency Report[1].
- Stewardship Report: As a UK Stewardship Code signatory, we are required to submit a Stewardship Report to the Financial Reporting Council (FRC) to maintain our signatory status.
- TCFD Entity Report: As mandated by the FCA, from 2024 onwards, we are required to publish a dedicated climate report in line with the TCFD guidelines. Please see further details in the case study below.

Case Study

Product level ESG data reports

During the reporting period, we expanded the number of ESG data points provided to investors. We now issue annual ESG data reports on request. The reports provide investors with key environmental and social metrics for each investment, including GHG emissions, energy consumption and diversity data, and associated metrics for each product.

[1] Arcmont became an independent signatory to the UN PRI in December 2019. Prior to this, the firm was a signatory under BlueBay. Following the Nuveen transaction which closed in 2023, Arcmont's activities are captured in Nuveen's Transparency Report.

Principle 6: Client and Beneficiary Needs

Case Study

TCFD Entity Report

During the reporting period, we published our first TCFD Entity Report which details how Arcmont takes climate-related matters into account in managing and administering investments on behalf of clients. In the report, we have disclosed in alignment with five of the TCFD recommendations and partially in alignment with five others. We also disclose the result of the climate scenario analysis that was conducted for the Arcmont funds' investments. Future reports will disclose our progress towards future alignment with the remaining recommendations.

Actions taken during the period

Progress against objectives set out in our 2023 Stewardship Report

Objectives in 2023 Report	Status	Details
Explore seeking regular direct investor feedback e.g. via an investor-wide survey	Deferred	Although not completed during the reporting period, this has been discussed and is on our agenda for the year ahead.
Continue to keep our investors well-informed via our extensive reporting and regular updates.	Achieved	During the reporting period, in addition to providing investors with the product level reports described above, we published our first TCFD Entity Report, our second Stewardship Report and our third Sustainability Report. We also provide investors with quarterly updates (three investor update videos and hosted our AGM).
Continue to enhance and develop our ESG reporting to better reflect our investors' requirements. We are specifically focused on providing more quantitative ESG data.	Achieved	During the reporting period, we expanded the number of ESG data points provided to investors. Please refer to the Product level ESG Data Reports case study in this section for more information.
Explore providing investors with the European ESG Template (EET) in response to increasing demand.	Deferred	Although not completed during the reporting period, this is on our agenda for the year ahead.
Publish annual product-level GHG emissions reports as part of our standard reporting.	Achieved	Please refer to the Product level ESG Data Reports case study in this section for more information.
Publish a full TCFD report for FY2023 in 2024 in line with Financial Conduct Authority (FCA) requirements to provide readers with confidence that our climate-related risks are appropriately assessed and managed.	Achieved	Please refer to the TCFD Entity Report case study in this section for more information.
Continue to explore new product opportunities to suit our evolving investor requirements	Achieved	Please refer to the Product Offering section for more information.

Achieved   Partially Achieved   Deferred

Principle 6: Client and Beneficiary Needs

Future actions

In the year ahead, we plan to action the following to further strengthen our insight of investor views related to stewardship:

- Continue to explore seeking regular direct investor feedback e.g. via an investor wide survey.
- Explore providing investors with the European ESG Template (EET) in response to increasing demand.
- 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.
- Publish a TCFD report for FY2024 in 2025.
- Continue to explore new product opportunities to suit our evolving investor requirements.

Principle 7: Stewardship, Investment & ESG Integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

ESG factors are a driver of investment value and a source of investment risk. They are therefore systematically considered at every stage of the deal lifecycle to protect the value of our clients' assets. Our approach is documented in our Responsible Investment Policy and applies to all Investible Capital Commitments[1].

[1] Includes SMAs, available leverage and strategy co-investment commitments.

Principle 7: Stewardship, Investment & ESG Integration

Processes to integrate stewardship and investment

Below we outline our ESG-integrated investment and portfolio management process. Note that every investment undergoes this process, regardless of asset type and geography.

Stage 1	Preliminary 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 each 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 Arcmont's ESG consultant to independently review and agree the score.
Stage 3	Final investment decision	The relevant Investment Committee considers the credit analysis, including the results of the ESG due diligence, before making their decision to pursue the opportunity.
Stage 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. A member of the Responsible Investing team is required to sign off on the deal from an ESG perspective as part of this process.
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 Arcmont's ESG consultant.
Stage 6	Engagement (Stewardship)	Arcmont primarily engages with borrowers via sustainability-linked margin ratchets. Please refer to page 56 for further details.
Stage 7	Reporting	Investors are provided with product-level quarterly ESG reports, annual ESG data reports on request and the relevant Sustainable Finance Disclosure Regulation (SFDR) disclosures.

Principle 7: Stewardship, Investment & ESG Integration

Material ESG issues

As mentioned in Principle 4: Well-Functioning Markets, we leverage a bespoke tool titled "Arcmont's Universe of ESG Issues" that was created with sustainability experts. The tool captures the most relevant and most material ESG issues for the companies in Arcmont's investable universe and was built with reference to Sustainability Accounting Standards Board (SASB) Standards' issues categories as well as other guidance materials. These issues (see page 30 for the full list) are prioritised for assessing investments, both at the pre-investment stage and during our holding period. The tool is reviewed on an annual basis to ensure the issues remain appropriate.

During the 12-month period 31 October 2024, the issues were reviewed but no changes were made. Both the Responsible Investing team and dss+ concluded that the issues categories remain appropriate for our investment universe and responsible investing strategy.

ESG Appendix Generator

We leverage a bespoke "ESG Appendix Generator" that was created with sustainability experts to ensure a comprehensive and systematic evaluation of ESG factors during due diligence. The Appendix includes all the issues in Arcmont's Universe of ESG Issues list (see above). By selecting an investment's industry classifications (GICS and SICS), the Generator will highlight potential material issues (leveraging e.g. MSCI and SASB materiality matrixes, SASB's Climate Risk Technical Bulletin, Arcmont's bespoke GICS mapping tool and other sources) and provide corresponding questions for the deal team to address. This helps the deal team determine whether the suggested issue is material for the business in question. The questions consider a company's business activities, geographic location and other pertinent factors that were determined by our external ESG consultant. The deal teams answer the questions using the information available as part of the due diligence process and information that is publicly available.

Once material issues have been identified for an investment, they will be monitored on a quarterly basis throughout our holding period. The deal teams will periodically ask for updates on each issue as well as an update on general ESG performance and objectives. Based on these updates, the ESG Risk Scores will be updated. If a new material issue arises during our holding period, the score will be adjusted appropriately, and the issue will be monitored going forward.

Examples of how information gathered through stewardship has informed acquisition, monitoring and exit decisions

ESG exclusions policies used to inform investment decisions

At the deal origination stage, business activities that are deemed too risky from an ESG risk perspective are filtered out with an initial screening framework. In general, we believe it is preferable to engage with companies on ESG matters to try and correct any controversial practices and improve a company's ESG risk profile. However, at the deal origination stage, we believe that some activities are fundamentally counter to our responsible investment objectives and those of our investors. We, therefore, elect to limit our exposure to borrowers engaging in these activities using a combination of industry specific and principles-based exclusions across all our funds as detailed in our ESG exclusions policies.

Principle 7: Stewardship, Investment & ESG Integration

Case Study

Deals rejected due ESG reasons

During the period, we declined to participate in a number of transactions due to ESG reasons. Please see below select examples.

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.

RepRisk used to inform acquisition and monitoring decisions

As mentioned in Principle 2: Governance, Resources and Incentives, we utilise RepRisk to source additional information on companies' business conduct. The platform allows us to (i) identify industry-specific material ESG risks in line with the SASB standards, (ii) assess companies' ESG risks through RepRisk's SDG risk lens and (iii) monitor company ESG risks daily via a customisable watchlist and a tailored email alert service. This allows us to make timely, better-informed investment and monitoring decisions as the platform uses artificial intelligence to screen our companies daily.

In terms of investment decision making, should a major controversy be identified by RepRisk prior to investment, we will conduct further due diligence. We specifically review the severity and frequency of the event, the company's degree of complicity as well as the measures implemented to prevent repeats of the incident. If preventative measures are not adequate to prevent a reoccurrence, the investment will not be pursued. In terms of monitoring activities, RepRisk prompts us to engage with borrowers on issues in a timely manner.

During the 12-month period ending 31 October 2024, every existing and prospective borrower was screened using RepRisk.

Principle 7: Stewardship, Investment & ESG Integration

Case Study

ESG risk incidents identified by RepRisk

During the reporting period, RepRisk identified three risk incidents for a prospective investment. Although the company has a RepRisk rating of AA (low ESG risk exposure), this prompted the Responsible Investing team and deal team to perform further due diligence which included reading the articles related to the risk incidents that RepRisk had flagged and performing desk-based research to assess the company's involvement and the severity of incidents. One of the articles did not mention the company and the other two articles covered potential competition concerns following an acquisition performed by the company. However, following the publication of these articles, no formal anti-competition procedure was initiated, and the company continued to operate on a "business as usual" basis. Further, the acquired company was sold in 2021, prior to our pre-investment due diligence. Nonetheless we reviewed the information received as part of the transaction and were comfortable that the company has appropriate risk management practices in place to address the issues flagged.

ESG Risk Score used to inform acquisition and monitoring decisions

Pre-investment scores

Every prospective investment undergoes a comprehensive ESG materiality assessment using the ESG Appendix Generator and is assigned an ESG Risk Score. The score ranges from +6 (Very Low) to -6 (Very High) and quantifies the likelihood of a negative financial impact on the investment due to ESG risks, given the information available. We have a policy not to invest in a company with a score of less than -3 (High) to protect the value of our clients' assets. This represents a company that is highly exposed to ESG risks, and those risks are not sufficiently managed.

During the 12-month period ending 31 October 2024, no deals were rejected due to their ESG Investment Risk Scores. Please note this is not an indication of a lack of effectiveness, in fact, we believe that this reflects the strength in our ESG integration as our Responsible Investing team, external ESG consultant and ESG Committee are engaged from the outset to form a view where there are material ESG concerns, which is more often than not, conservative.

Post-investment scores

As mentioned above, during our holding period, the deal team maintains an active dialogue with borrowers. A formal review takes place on a quarterly basis where the deal teams engage with portfolio companies on the material ESG issues identified as well as an update on general ESG performance and objectives. Based on these updates, the ESG Risk Scores will be updated. This allows us to track and closely monitor the ESG profiles of our portfolio companies over our holding period moving to take appropriate action should the score continue to lower to protect our clients' interests.

We observe that the ESG Risk Scores of our borrowers generally move on an upwards trajectory during our holding period due to borrowers and sponsors increasingly recognising the importance of managing ESG risks.

Ensuring service providers have received clear and actionable criteria to support the integration of stewardship and investment, including material ESG issues

Prior to onboarding services providers to support our responsible investment efforts, we assess their abilities to support our stewardship abilities and ambitions. This will include a deep dive into the relevant service areas, including but not limited to processes, technology, quality of data, staff and senior management and platform useability. Further, we have contracts in place detailing our expectations and scope of work. This ensures they have clear and actionable criteria and can be held accountable.

Principle 8: Monitoring Managers and Service Providers

Signatories monitor and hold to account managers and/or service providers.

Service providers

We use a variety of service providers to support our operations and the services provided to our clients. As outlined in Principle 2: Governance, Resources and Incentives, we utilise the below service providers to support us with our stewardship-related activities.

- RepRisk
- Insight ESG Outreach Solution
- dss+
- EcoAct
- Bridgespan

We have contracts in place with each provider detailing the scope of work. This ensures they have clear and actionable criteria and can be held accountable.

Note that as a Private Debt asset manager, we have limited opportunities to participate in votes and therefore do not utilise external proxy voting services.

Vendor due diligence

During the reporting period, 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.

Case Study

FY2023 vendor due diligence

As reported in last year's Stewardship Report, we perform routine vendor due diligence. As part of the FY2023 process, a tailored questionnaire was sent to the selected key vendors. 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 have received due diligence to date.

Case Study

Impact Consultant

As mentioned under Principle 6: Client and Beneficiary Needs, during the period we designed an Impact Lending Strategy with the support of a specialist Impact consultant. For further details on the strategy, please refer to the Impact Lending Case Study. From the outset, we intended to onboard an Impact consultant to support with the (i) design of the strategy in the pre-deployment phase and (ii) ongoing operation of the strategy in the post-deployment phase. To select the consultant, we first conducted a market research/sounding exercise to create a short list of reputable firms with relevant service offerings and experience. We then engaged with the two firms for which we received the most positive feedback. Each firm responded to a Request for Proposal for the mandate and subsequently pitched to us. We received strong, high-quality pitches from both firms but ultimately selected one due to their non-profit background, strong expertise and track record, and the fact that they could fulfil both our pre-deployment and post-deployment needs. The decision was taken by a broad group of individuals involved in the strategy who sit across various teams at the firm. Before onboarding the firm for the pre-deployment engagement, key deliverables and milestones were agreed. As the engagement progressed, performance was reviewed at regular intervals. At the time of drafting, the pre-deployment work has been completed and we believe this has been a highly successful engagement.

Engagement

Principle 9: Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Quarterly dialogue

As noted in Principle 7: Stewardship, Investment and ESG Integration, we conduct an ESG materiality assessment on every prospective borrower as part of our routine pre-investment due diligence process. On the back of this assessment, financially material ESG issues are identified and are monitored throughout our holding period.

On a quarterly basis, the deal team will engage with portfolio companies, asking for updates on the material issues that have been identified as well as an update on general ESG performance and objectives. This provides a natural mechanism for stewardship, particularly targeted engagement (see below). Note that at Arcmont, the deal team that execute the transaction are the same team that will monitor the portfolio company over the life of our investment. We believe this structure fosters better relationships, improving the likelihood of the success of our targeted engagements.

Targeted engagements

Arcmont leverages the 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"[1]. Using this definition, we primarily engage with portfolio companies via sustainability-linked margin ratchets.

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

We endeavour to engage with every (i) new primary borrower since April 2021 and (ii) existing primary borrower who is provided additional financing after April 2021, regardless of the size of our holding. To this end, we have a policy in place that commits us to doing so. Note that ratchets are voluntary, and borrowers elect whether or not to participate.

Each ratchet is bespoke. Therefore the number of KPIs and SPTs varies for each investment as does the financial incentive which is determined based on the size of our holding and the ambition of the plan.

To ensure the integrity of our offering, we follow the Loan Market Associations' Sustainability-Linked Loan Principles to the extent possible. This means we prioritise KPIs that are:

- Relevant, core and material to the borrower's overall business, and of high strategic significance to the borrower's current and/or future operations;
- Measurable or quantifiable on a consistent methodological basis; and
- Able to be benchmarked (i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition).

[1] ICSWG Engagement Reporting Guide

Principle 9: Engagement

We endeavour to include a climate change-related KPI in every ratchet and have a specific focus on encouraging borrowers to set and achieve science-based GHG emissions reduction targets[1]. 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. We also prioritise systemic issues that are relevant to each borrower, including human rights, cybersecurity and biodiversity.

Ratchet statistics

As of 30 September 2024, €4.4 billion of current committed capital2 is linked to sustainability-linked provisions.

During the 12-month period ending 30 September 2024:

We agreed and documented 10 ratchets, nine of which are linked to at least one climate key performance indicator), bringing the total number signed to 30.

Fourteen borrowers with a documented ratchet met an agreed sustainability performance target.

Please see below examples of our sustainability-linked margin ratchets as well as the outcomes.

Case Study

Encouraging the use of recycled raw material inputs

As reported in last year's Stewardship Report, we agreed a sustainability-linked margin ratchet with a company that produces of polyethylene packaging for the food and hygiene sectors. At the time the ratchet was agreed, only parts of the group were tracking the share of recycled raw materials used for non-food packing. In 2020, these parts of the group used c. 20% of recycled raw materials in non-food packaging. We saw an opportunity to encourage the company to do more within an accelerated timeline. We therefore designed and implemented a ratchet that financially incentivises the company to increase the share of recycled raw materials used for non-food packaging across the group. The ratchet was discussed as part of the original deal documentation and signed and documented in December 2021.

Outcome update

As of November 2023, the company had met all three of the sustainability performance targets set and has been awarded the agreed discount on margin.

[1] 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.

[2] Cost Amount GIR EUR.

Principle 9: Engagement

Case Study

Encouraging GHG emissions intensity reductions

As reported in last year's Stewardship Report, 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.). The portfolio company was happy to agree as our proposal was in line with their own sustainability objectives. Discussions began in January 2022. The ratchet was agreed in October 2022 and was documented in December 2022.

Outcome update

We are pleased to report that the company met its first sustainability performance target in November 2023 and its second in July 2024. It has therefore been awarded with the agreed discount on margin.

Case Study

Encouraging renewable energy use

As reported in last year's Stewardship Report, we agreed a sustainability-linked margin ratchet for a global retail company portfolio company that requires it to increase its renewable energy ratio. At the pre-investment stage, we became aware that 100% of the company's energy came from non-renewable sources. Given the vast scale of its operations – 21 retail stores in Australia, 14 in the USA, and 8 in the UK and Europe, and 166 production sites across 16 countries – we deemed this to be a material issue for the business, especially in light of increasing energy prices and climate regulations in its core markets. The portfolio company was happy to agree as our proposal was in line with their own sustainability objectives. Discussions began in December 2021 and the ratchet was documented in August 2022.

Outcome update

Although we exited in December 2023, during our holding period the company met its first and second Renewable Energy Ratio target, ultimately achieving a renewable energy ratio of c. 100% at exit, and was therefore awarded the agreed discount on margin.

Principle 9: Engagement

Case Study

Encouraging GHG emissions intensity reductions

As reported in last year's Stewardship Report, we agreed a sustainability-linked margin ratchet with a UK accountancy firm during the reporting period. At the time the ratchet was agreed, the company had been measuring its emissions since FY20. However, this data was internally calculated and had never been verified. The Scope 3 emissions were also incomplete, i.e. only certain elements of each category were measured, including Categories 5 & 6. In addition, the company had also not set GHG emissions reduction targets. We therefore designed and implemented a ratchet that financially incentivises the company to reduce its Scope 1 & 2 GHG emissions intensity as well as its Scope 3 categories 5 & 6 GHG emission intensity (two material categories), in line with the Paris Agreement. The portfolio company was happy to agree as our proposal was in line with their own sustainability objectives. Discussions began in July 2023 and the ratchet was documented in September 2023.

Outcome update

The delivery date for the audited financial statements and therefore the first test date of the ratchet (September 2024) has been extended to November 2024. Given that the first the first test date has not yet passed, we are currently unable to provide details on the outcome of the engagement. Nonetheless, by signing into the agreement, the portfolio company demonstrated its commitment to meeting the objectives set.

Actions taken during the period to improve our engagement approach

During the 12-month period ending 31 October 2024, we organised training for the ESG Committee on sustainability-linked loan best practices to ensure the committee has the relevant knowledge and skills to approve every sustainability-linked margin ratchet. Please refer to page 20 for more information on the training session.

Principle 10: Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

At Arcmont, we are committed to working with others to promote stewardship within our investment activities. This includes other lenders, private equity owners ("**sponsors**") in addition to wider stakeholders.

Below we outline instances where we engage with other lenders and sponsors specifically to implement sustainability-linked margin ratchets. Although sustainability-linked margin ratchets have become common practice in the Private Debt market, market participants have adopted different approaches and have different focus areas. Therefore, we have to collaborate to agree on an approach.

In all circumstances we endeavour to ensure that any sustainability-linked margin ratchet proposed to us or by us is designed in line with the Loan Market Association's Sustainability Linked Loan Principles (SLLPs), the same framework used to evaluate our own ratchets as described in Section 9: Engagement. We have in more than one instance refused to implement a sustainability-linked margin ratchet because of a lack of alignment with the SLLPs, specifically where the key performance indicators were not material or targets proposed to us were not ambitious enough. We believe that providing this feedback to market participants will preserve the integrity of the sustainability-linked loans and assist with creating guidance for sustainability matters for the Private Debt industry.

Collaborating with other lenders

In some instances, we may invest in a company alongside other lenders. Here, we work with them to not only agree on an optimal debt solution but also to agree on an engagement plan to improve a portfolio company's sustainability profile.

Case Study

Collaborating with other lenders to agree a sustainability-linked margin ratchet

As reported in last year's Stewardship Report, we collaborated with a co-lender to agree a sustainability-linked margin ratchet for a managed services provider. The ratchet focuses on three material areas: (i) cybersecurity, (ii) the Power Usage Effectiveness of its two data centres and (ii) the proportion of its fleet that are electric vehicles. In this case, the company proposed key performance indicators (KPI) and sustainability performance targets (SPT) for us to consider. In order to agree to the proposal, together with our external ESG consultant, we assessed it against the SLLPs. Following our review, we subsequently requested that two of the PUE targets were revised to ensure they were ambitious and represented a material improvement in performance. Although the co-lender had adopted a different approach for their own sustainability-linked margin ratchet programme, the firm was happy to agree to our proposal as the ratchet captured the core principles of the SLLPs. The co-lender was also supportive of our proposed revisions which made the targets more challenging. The portfolio company was happy to agree as our proposal was in line with their own sustainability objectives. Discussions began in July 2022 and the ratchet was signed and documented in December 2022.

Outcome update

To date the company has met SPT 1 and 2 and has therefore been awarded with the agreed margin discount.

Principle 10: Collaboration

Collaborating with sponsors

As the owners of our portfolio companies, sponsors can exercise their influence and force companies to implement positive ESG changes to meet the sustainability performance targets set. Understanding where our ESG objectives align and focusing our engagement efforts in these areas improve sponsors buy-in and the success of engagement efforts.

Case Study

Agreeing to a sustainability-linked margin ratchet, designed by the financial sponsor

As reported in last year's Stewardship Report, we collaborated with a sponsor to agree a sustainability-linked margin ratchet for a portfolio company that manufactures protective clothing for motorcyclists and dynamic sports. The ratchet focuses on two material areas: (i) supplier social assessments and (ii) GHG emissions reductions. In this case, the sponsor proposed key performance indicators and sustainability performance targets for us to consider. In order to agree to the proposal, together with our external ESG consultant, we assessed it against the SLLPs. Following our review, we subsequently requested revisions to better align the plan to the principles as well as to grant us additional rights in the legal documentation, including allowing us to review the GHG emissions reduction targets once the baseline assessment had been completed to ensure alignment with the Paris Agreement. Although the co-lender had adopted a different approach for their own sustainability-linked margin ratchet programme, the firm was happy to agree to our proposal as the ratchet captured the core principles of the SLLPs. The co-lender was also supportive of our proposed revisions which made the targets more challenging. Further, the portfolio company was also happy to agree as our proposal was in line with their own sustainability objectives. The ratchet was signed and documented in May 2022.

Outcome update

The first test date has passed (May 2023), and we are pleased to report that the company met both KPIs. It was therefore awarded the agreed discount on margin.

Collaborating with wider stakeholders

Arcmont is involved in several industry memberships and initiatives, which serve a variety of purposes. Our participation in these helps to inform and develop our internal practices, contribute to the creation of Private Debt -specific industry best practice and serves to bring about positive environmental, social, and economic change.

Please refer to Principle 4: Well-Functioning Markets, specifically the Working with other stakeholders to promote continued improvement of the functioning of financial market for a list of the initiatives as well as the IIGCC Private Debt Industry Focus Group case study for an example of the output of our collaboration efforts.

Principle 11: Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

We leverage the UN PRI's definition of escalation in the context of stewardship, which is the approach an investor takes if initial stewardship approaches are unsuccessful at achieving its objectives over a given time period[1].

The primary asset class in which the funds Arcmont acts as portfolio manager to invests is debt. All Arcmont funds are also European focused. Therefore, our escalation approach does not differ across funds or geographies.

We will escalate any issue that is not in line with our responsible investment objectives or those of our clients. As a lender to our portfolio companies, as opposed to an owner, the methods of escalation available to us are more limited than managers of other asset classes. Nonetheless, we are committed to communicating our concerns to drive positive change. In all circumstances, our escalation process begins with us raising our concerns directly with management teams, other lenders and equity owners, leveraging our relationships to enact change. We are committed to exhausting all available avenues in an attempt to remedy any situation rather than divest immediately.

Escalation methods

As a UN PRI signatory, we leverage the guidance provided by the initiative on how to act if a stewardship approach is deemed unsuccessful i.e. an escalation event occurs. The UN PRI offers examples of steps that investors can take as escalation measures but recognises that these differ by asset class[2]. Below we summarise the escalation measures available to us as a lender.

Escalation Measure	Available to Arcmont as a Lender?
Joining or broadening an existing collaborative engagement or creating a new one	Yes
Divesting	Yes
Publicly engaging the entity, e.g. signing an open letter	Yes
Litigation	Yes
Filing, co-filing, and/or submitting a shareholder resolution or proposal	No
Voting against the re-election of one or more board directors	No
Voting against the chair of the board of directors, or equivalent, e.g. lead independent director	No

[1] UN PRI: Reporting Framework glossary
[2] UN PRI Reporting Framework: Stewardship – Escalation

Principle 11: Escalation

ESG escalation events

Below we list examples of instances that may result in us engaging in escalation activities and the corresponding objectives of the escalation.

Event	Necessary actions	Objectives for escalation
Material ESG controversy	Although we have a strong focus on pre-investment due diligence to mitigate the risks of ESG controversies arising during our holding period, they may occur. Should such an event occur, we will first engage with the issuer to understand why the event occurred, assess the impact and ensure proper remedial measures are implemented.	To encourage management to take action to mitigate the negative impacts of the controversy and implement actions to mitigate such a controversy arising again.
Unsuccessful engagement	We deem an unsuccessful engagement to be one where a company has agreed to participate in our sustainability-linked margin ratchet programme but consistently fails to meet a sustainability performance target or has not taken proactive sets to meet a sustainability performance target. In such events, we will escalate our concerns to the company and sponsor and advocate for changes. Should the sustainability performance targets be deemed to be too ambitious, we will revisit the plan, pinpoint the causes of the inadequate outcomes, and implement improved engagement efforts.	To ultimately encourage our portfolio companies to improve their sustainability performance.

Collaboratively engaging the entity with other investors

As described in Principle 10: Collaboration, we work with other investors across our investments. Should an escalation event occur, we will collaborate with these parties to ensure appropriate action is taken. As owners of our portfolio companies, sponsors can exercise their influence to force the companies to implement the appropriate remedial action.

Divesting

Should a portfolio company not take appropriate action to remedy an ESG escalation event, we may mitigate our risk exposure by considering selling our position to a third party if the value is compelling, however, this has situation has not yet arisen for Arcmont.

Publicly engaging the entity and litigation

While these are measures that Arcmont has available as a lender, they would only be pursued in extreme circumstances.

Principle 11: Escalation

Voting

As further explained in Principle 12: Exercising Rights and Responsibilities and as detailed in our internal Voting Policy, Arcmont may be able to vote in limited instances where investments take on an equity element and we are granted shareholder voting rights. However, for the overwhelming majority of Arcmont's current equity positions, we only hold a minority stake in voting shares and, given our votes are not required to pass shareholders' resolutions and the majority of our portfolio companies are private companies, we are not typically consulted prior to a vote on matters being put to a shareholder vote, including ESG matters. However, in the event that we do have shareholder voting rights, we will pursue the voting measure prescribed by the UN PRI, where possible, to escalate our concerns and advocate for positive change. To date, this opportunity has not yet arisen for Arcmont.

Case Study

Escalation events

During the 12-month period ending 31 October 2024, two portfolio companies with a documented ratchet failed to meet their agreed sustainability performance targets for the second consecutive year. As a result, they are currently deemed to be unsuccessful engagements. Consequently, we have escalated our concerns to the companies and sponsors and are seeking to understand the reason why they have failed to meet the targets set. Our ultimate objective is to pinpoint the reasons for the inadequate outcomes to determine the appropriate next steps. We will provide an update on the subsequent actions taken in next year's report.

Exercising Rights and Responsibilities

Principle 12: Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities.

Arcmont is a Private Debt asset manager and is therefore a lender rather than an owner for the vast majority of investments and is not typically granted voting rights. Further, Arcmont does not typically invest in listed equities and therefore the UK Stewardship Code reporting requirements for this asset class have not been addressed in this section.

Resources

The Investment team receives regular specific negotiation and other related training. We also have an experienced internal Legal team who support the Investment team's efforts. The team is responsible for providing input on and reviewing all investment documentation, whilst working alongside our external legal advisors to support the Investment team in negotiations.

Investment team training

For example, during the 12-month period ending 31 October 2024, multiple training sessions were delivered to the Investment team members on a wide variety of topics including key deal-related terms and lender protections.

Rights and responsibilities

In making any given investment, we actively negotiate terms, conditions, rights and responsibilities to not only ensure the investments are attractive for our clients, but also to ensure that Arcmont is able to exercise appropriate levels of rights and responsibilities, if necessary.

While each agreement is bespoke, in all cases we aim to ensure downside protection. Accordingly, the vast majority of our agreements include incurrence covenants and/or maintenance covenants together with non-financial covenants. These covenants allow us to take enforcement action should a covenant breach not be remedied during the relevant grace period granted. Currently, we do not have sustainability-linked covenants in our legal documentation. We do, however, have sustainability-related rights and responsibilities for those investments where we have implemented a sustainability-linked margin ratchet.

We would like to highlight that where we have become an owner of a business following a restructuring relating to financial performance deterioration, we will exercise our rights as an owner to encourage better ESG performance once performance has stabilised.

Sustainability-linked margin ratchets

Many primary loan agreements now include sustainability-linked margin ratchets, granting the relevant parties sustainability-related rights and responsibilities. At Arcmont, we endeavour to include standard sustainability-linked margin ratchet[1] language in our primary loan agreements, however, this language typically includes an "agree to agree" condition, where a borrower agrees to participate but the key performance indicators (KPIs) and sustainability performance targets (SPTs) are agreed post-closing. This ensures that the ratchet does not delay the closing of the transaction and also affords us time to ensure that our ratchets capture the core characteristics of sustainability-linked products as prescribed by the Loan Market Association's Sustainability Linked Loan Principles.

Although margin rachet discounts are currently the most common type of sustainability-linked margin ratchets (i.e. if a portfolio company meets a SPT, they are rewarded with an interest rate decrease), we have successfully implemented margin ratchet increases in some cases (i.e. portfolio companies are penalised if they fail to meet a SPT). Margin rachet increases ultimately drive better engagement outcomes as portfolio companies are better incentivised to meet the SPTs set. In these cases, although we cannot take enforcement action as we can where there is a covenant breach, the company is penalised should it not improve its performance as planned.

[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 in place over the life of the Fund.

Principle 12: Exercising Rights and Responsibilities

Sustainability-Linked Margin Ratchet Statistics

As of 31 October 2024, four sustainability-linked margin ratchets include margin rachet increases in addition to decreases. The details of all our sustainability-linked margin ratchets are formally documented in a legal agreement. In all cases, we ensure we have the right to receive performance data relating to the KPIs.

Voting

The funds Arcmont acts as portfolio manager to (the "**Arcmont Funds**") hold varying levels of rights and responsibilities across their portfolio of investments depending on the investment strategy in question. The primary asset class in which the Arcmont Funds invest is debt. However, the Arcmont Funds do sometimes take equity positions alongside the debt investments they make. These will typically be minority investments (generally representing between 5% and 10% of the aggregate equity interests in the asset) and structured as either a shareholding or as a Limited Partner (LP) investments in a co-invest fund.

It is generally fair to say that the Arcmont Funds are typically passive equity investors. In equity investments structured as co-invest, the Arcmont Funds will be LPs and so the asset will be managed on their behalf, with no voting or consent rights as regards the asset. For equity investments structured as shareholdings, the Arcmont Funds' holding is typically so small that their consent is not required for any decision, and they will typically not be consulted, subject to certain market-standard protections for minority investors. Note that this scenario excludes cases where the Arcmont Funds hold all, or substantially all, equity interests in an asset due to having enforced over their debt or where the Funds hold a more meaningful minority stake in a given asset.

For debt investments, in restructuring scenarios and the few equity investments where the Arcmont Funds will typically hold substantial, or even decisive, voting positions, Arcmont has a fiduciary duty to act in its clients' best interest. In order to meet this duty, we have adopted policies and procedures designed to ensure that we vote in the best interests of its clients. These are detailed in our internal Voting Policy.

As outlined in the policy, our general principle is to exercise voting rights wherever possible. We may apply additional criteria when deciding whether to participate in shareholders' meetings of companies in which Arcmont managed vehicles hold voting positions. We may exercise the right to attend and vote at shareholders' meetings if the matters that are to be dealt with may have consequences that, depending on the result of the vote, could add or subtract economic value to the investment vehicle and consequently to the benefit of our clients, or could have a significant impact on ESG matters.

In conjunction with the Legal team, the relevant Investment Committee members are, in general, in the best position to exercise voting authority attached to relevant securities held by Arcmont vehicles and have access to appropriate information to do so.

In exercising any voting rights, we take into account all relevant factors. We value engagement with companies in order to receive information on the issues to be voted on and/or to convey their voting expectations. The results of this dialogue can influence the direction of the vote. We tend to support proposals that increase the value of the Arcmont vehicles' investments. We may abstain from voting or vote against cases where we have reservations about the governance of the company, the resolution discussed contravenes the interests of the Arcmont vehicles and underlying investors, the resolution is unclear, there is insufficient information available, or it contravenes our responsible investment objectives, or those of our clients.

In limited circumstances, we may refrain from voting proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting and the anticipated benefit to our clients.

Contact Us

To ensure we continue to meet our key stakeholder needs and interests, we welcome feedback on the contents of this report.

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Appendix 1: 2024 Objectives set out in our 2023 Sustainability Report

Pillar	Priority Area	2024 Objectives
Responsible Operations	Human Capital	• 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	• 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	• 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	• 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.

Appendix 1: 2024 Objectives set out in our 2023 Sustainability Report

Pillar	Priority Area	2024 Objectives
Responsible Operations continued	Investors	• 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	• 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.
Responsible Governance	Ownership, Control and Governance	• 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	• 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.
Responsible Investment	Governance	• 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	• 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]
	Advocacy	• 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.

[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.

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