



Sustainability Report 2019

Venn Partners LLP



Introduction

Welcome to the Venn Partners LLP (“Venn”, “the Firm”) inaugural sustainability report which is intended to highlight our approach to sustainability and demonstrate how we consider and apply Environmental, Social and Governance (ESG) factors throughout our business. This report covers the 2019 calendar year and is provided to you on the terms of the disclaimer set out on the final page.

We strive to be a responsible investment manager and believe that the ability to identify, assess and manage ESG considerations promotes sustainability and provides a positive ethical impact on our investments and corporate performance, whilst also benefitting local communities and society at large. As we continue to grow as an enterprise, we firmly believe that the ESG aspects of our business are integral to both our economic success and our broader stakeholder obligations and aspirations. ESG factors will increasingly influence the directions of our business plans, policies, and decisions, as well as our engagement with our various stakeholders.

The first section of this report focuses on Venn’s own sustainability strategies and practices put in place to address the material ESG aspects of our business activities. Covering the period from 1 January to 31 December 2019, the report provides a brief overview of our performance and describes how ESG initiatives were implemented through our 1-1-1 project. Section 2 of this report focuses on how ESG considerations were incorporated into our investment process.



“ESG should be an important consideration for any business and we support its ever-growing profile within the investment management arena. We are committed to taking it into account both as a company and an investor and to make a positive impact on the community, our people and the environment.”

Gary McKenzie-Smith
Managing Partner

Section 1

About Us

Venn is a specialist investment manager in European real estate private debt, founded in 2009 and with offices in the UK and Spain and an affiliate office in the Netherlands.

The Firm specialises in creating investment products and providing investment management services that give investors access to compelling risk-return opportunities, whilst satisfying borrower demand for competitive, efficient, and transparent loan product.

We serve the investment needs of a diversified range of government entities, leading global institutions, and private investors. We underwrite and invest in our transactions, aligning ourselves with our investors and borrowers. To achieve this, we have assembled a team of experienced professionals that pull together credit origination, underwriting, liability structuring and risk management skills, and a deep understanding of investor and borrower requirements.

Governance Approach

Our Corporate Governance

As a regulated investment manager, we hold a fiduciary responsibility to manage our investments in the best interests of our clients. We are committed to upholding high standards of corporate governance throughout our business activities, and seek to maintain a robust governance system, supported by clear policies, effective internal controls, and strong oversight by the Board.

Our Governing Board and Responsibility for Sustainability

Venn's Governing Board is comprised of the two managing partners, 2 partners and 3 non-executives appointed by its external shareholders. The Board meets at least once per quarter.

Supporting the Board is Venn's Steering Committee, comprising its 6-person management team (each of whom is a partner) who are the heads of each of the firm's business and corporate functions. The Firm benefits from the perspectives of the Board members and management team who collectively possess the relevant industry knowledge and capabilities relevant to the growth and governance of the business.

The Board takes the lead in driving responsible business practices, enhancing performance targets and systems, and improving the disclosure processes relating to the ESG impact of its investments. The Firm's approach to ESG practices and approach are evaluated to ensure continued progress and development.

Venn also has a designated 1-1-1 Committee which is comprised of representatives across its key business units and functions. This Committee supports the Board and helps ensure that the Firm's 1-1-1 policy (described in more detail below) is implemented.

The Firm's current ESG policy was approved by the Board in December 2018. A copy of this Policy is available upon request, email info@ara-venn.com.

Ethical Business Conduct

The Firm has robust policies in place dealing with code of ethics, whistle blowing, and an internal code on dealing in securities and anti-bribery and corruption. All employees carry out an annual fit and proper certification.

An orientation and induction programme is in place for new joiners whereby employees are briefed on Venn's core values and the various policies in place. All these governance policies are uploaded on the Firm's internal server and are accessible to employees. Employees are required to read the policies and sign a declaration form to confirm that they understand these policies and will comply with them during their employment.

Venn's governance policies are reviewed on a regular basis to ensure that they are current and comply with the applicable rules and regulations. Any material changes to any governance policies are circulated and explained to employees. In 2019, there were no material incidences of non-compliance with the Venn governance policies.




Venn Governance Policies	Guidance on
Code of Ethics	<ul style="list-style-type: none"> Ethical behaviour Equal opportunity, health, and safety Conflicts of interest
Code of Business Conduct	<ul style="list-style-type: none"> Remuneration code Disciplinary & Grievance Procedure Complaints policy Social media policy Best Execution policy Market Conduct, Policies and Procedures Data security and protection
Whistle Blowing Policy	<ul style="list-style-type: none"> Allows employees and external parties to report possible improprieties directly to the Board in a responsible and effective manner
Personal Account Dealing Policy	<ul style="list-style-type: none"> Disclosure of brokerage accounts and prohibitions on certain personal transactions
Bribery and Corruption Policy	<ul style="list-style-type: none"> Prohibition of employees on acceptance of bribes Gift declarations

Regulatory Compliance

Venn is committed to ensuring its business operations comply with all relevant laws and regulations. The compliance team work closely with external legal professionals and business units' compliance personnel on regulatory matters and monitors changes to such requirements.

Venn's compliance regime is supported by an established comprehensive compliance framework, which includes compliance checklists, regular training, and continuous monitoring. In 2019, there were no known material breaches of regulations, including any reprimands, fines, or sanctions. The Firm is authorised and regulated by the Financial Conduct Authority.

Affiliates with Industry Bodies

Venn Representative	Industry Body & Appointment
 <p>Paul House <i>Managing Partner</i></p>	<ul style="list-style-type: none"> Member of the British Property Federation
 <p>Beatrice Dupont <i>Partner Commercial Real Estate</i></p>	<ul style="list-style-type: none"> Member of Women Talk Real Estate
 <p>Richard Green <i>Partner Commercial Real Estate</i></p>	<ul style="list-style-type: none"> British Property Federation Member of the Built to Rent Committee

Social Considerations

At Venn, our employees are our most important asset. We have nurtured a team of competent and motivated individuals to drive growth and deliver sustainable results for our stakeholders. We strive to be an employer of choice and create a workplace environment that promotes diversity, equality, development, trust, and teamwork.

We aim to be an equal opportunities employer and we are determined to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, age, disability, religion, belief, sexual orientation, marital status or race, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

In 2019, approximately 29% of Venn's staff members were female, including one female partner and Board member.

Staff retention and development

Venn has a structured staff classification for progression. Salary review is conducted annually considering the Firm's profitability, employee performance, and market conditions.

The remuneration policy aims to promote staff retention by ensuring compensation is fair, performance-based, and competitive within the industry. Routine benchmarking exercises are conducted for the Firm's different practice areas to ensure that our compensation packages are competitive. Employees are motivated and incentivised through a performance-based culture with fixed and variable pay components. In 2019, the remuneration ratio of men to women was generally on a par across all levels of management and staff with comparable roles, responsibilities, and experience.

Adopting an open appraisal system, line managers hold in-person performance reviews with individual staff at the beginning of the year. During these appraisals individual performance is reviewed and areas for development/ objectives are identified and discussed.

Staff turnover in 2019 was approximately 22%.

Training

The Firm's chief of staff works with the partners, chief operating officer, and managers to identify training needs. Technical teach-ins are held regularly to keep staff informed of relevant topics.

Employee Occupational health and safety

The health and safety of our employees is important to us. We have put in place several initiatives at our office, such as water filtration systems, healthy snacks in the kitchen, comprehensive medical coverage and raising building safety awareness (e.g. fire drills, evacuation, and emergency response plans).

The chief of staff tracks absenteeism and sick days. The absentee rate for 2019 was 0.5%.

Venn aims to promote a positive work-life balance and encourages staff to lead an active and healthy lifestyle. We organise various employee wellness activities, ranging from social events (dinners, drinks, skiing weekends), sport and fitness events including weekly boot camps and yoga classes. Staff are provided facilities for showering and catering.



Venn celebrating its 10th anniversary with a weekend in the Cotswolds

Flexible working arrangements

As our workforce continues to grow and becomes increasingly diverse, Venn recognises the need to cater for individuals and, where appropriate, implement flexible working arrangements. This includes allowing staff to work from home and allowing some flexibility around working hours. We believe this helps to increase productivity, enhance employee well-being, and improve staff retention and diversity.

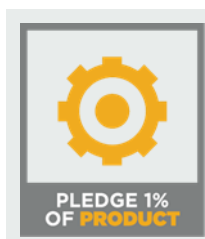
Environmental Responsibility

Venn recognises the importance of protecting the environment and seeks to:

- Minimise the impact of its operations and continually improve its own environmental performance. We are committed to both reducing and offsetting the Firm's carbon footprint. For 2019, we calculated our corporate-level emissions to be approximately 210 tonnes of CO₂e which was offset by purchasing carbon credits to support tree planting projects in both the South East of England and the Amazon.
- Ensure that it is compliant ready across all relevant legislation, regulations, and appropriate codes of practice.
- Carry out extensive due diligence to assess the environmental implications of an investment (see below for more information).

The 1-1-1 Approach

As part of our commitment to ESG, we have adopted the following 1-1-1 model:



All ESG ratings are uploaded into our VeRA system and monitored against our ESG corporate goal of having at least 1% of our AUM in ESG positive investments. A more detailed explanation of how ESG considerations are embedded within the Firm's decision-making and due diligence process is set out later in this report.



At least 1% of our people's time should be spent on community or charitable causes, some examples of which are shown below.



In addition to time spent on charitable endeavours, ARA Venn contributes 1% of its profits to charitable donations. See below for more details on the charities Venn supported in 2019.

Community Investment and Development

Venn employees are encouraged to participate in various charitable cause. The Firm's 1-1-1 policy states that at least 1% of all employees' time should be spent on charitable causes.



In July 2019, several Venn employees spent 2 days clearing rubbish on the beaches in Bournemouth. This not only served the community it was a great bonding exercise for the team.

In October 2019, Venn employees raised over £6,500 in an Apprentice Style challenge to raise funds for Indigo Volunteers, a charity that recruits volunteers and connects them with humanitarian projects across the globe. Two teams spent the day in fierce competition, using their skills to raise as much money and as many prize donations as possible. We raised over £1,200 in cash donations and managed to obtain some brilliant prizes including a night in a luxury hotel, dinner for two at several exclusive restaurants, tickets to various sporting fixtures and some desirable sporting memorabilia. These prizes were subsequently auctioned off at a wine tasting event hosted by Indigo. It is estimated that the teams raised a combined total of £6,574 for the charity, and it is hoped that the auctioned value of the prizes took the total amount raised towards £10,000.



The Venn team also took part in a charity football match against NBKI, with both teams donating £500 to Indigo Volunteers.

Charities Venn supported in 2019

In addition to time spent on charitable endeavours Venn contributes 1% of its profits to charitable donations. For 2019 this has been shared amongst the following charities:



Section 2

Venn's Investment principles and overall Responsible Investment Strategy



“Venn’s investment strategy aims to create real value for our stakeholders, not only for our investors but also the users and communities of the assets we invest in. Our ESG framework is designed around a set of principles that apply across all aspects of the firm’s business and is tailored to reflect the fact we operate in the private credit sector.”

Paul House

Managing Partner and Head of Commercial Real Estate

We endeavour to be a responsible investor and are committed to delivering investment performance to our clients in a responsible manner. We consider ESG factors to be of equal importance to other financial metrics when considering investments and believe that the ability to identify, assess and manage ESG considerations can provide sustainability benefits and a positive ethical impact on our investment and corporate performance, local communities, and society at large. The Firm’s ESG policy outlines our approach to the investment process including the evaluation of investment strategies, pre-investment considerations and post-investment monitoring.

We work collaboratively with our investors to understand and, to the extent possible, address their sustainability requirements when considering a potential investment:



We use environmental criteria to assess how it will affect the natural environment, comply with relevant laws and regulations, and assist with the transition to a low carbon economy.



Applying a social set of standards, we evaluate the borrower’s approach to health & safety, labour standards and working conditions as well as the relationships it has with its stakeholders and the surrounding community.



We strive to accommodate the sustainability requirements of our investors and encourage all stakeholders to adhere to the highest level of corporate conduct and governance.

A comprehensive assessment of ESG factors is an inherent part of our risk management framework and is embedded within the firm’s decision-making and due diligence processes. In addition, and consistent with their individual investment strategies, each underlying business unit has its own methods for incorporating ESG factors into the investment decision-making and monitoring processes.

For example, when carrying out due diligence on an investment opportunity, the Commercial Real Estate Team uses a bespoke ESG questionnaire (which incorporates guidance from the GRESB Debt Assessment Guide). This helps capture all the ESG factors, risks and developments that can impact the future performance of the investment. Based on this questionnaire, we propose an ESG rating of Negative, Neutral or Positive for the

investment. The ESG assessment and rating is subject to Investment Committee approval as part of our overall credit assessment, following which the team will incorporate within its investment memo a section containing an analysis of the potential impact of ESG Factors and the extent to which the pricing %, or structure, of an investment may need to be amended.

Recent examples of ESG positive investments

- **Property redevelopment in a large city centre** - we considered this loan to be ESG positive because it facilitates a residential-led redevelopment in a large city centre providing much needed housing, a revamped shopping centre and the rebuilding of a leisure centre for the local council, thereby providing significant social and economic benefits to the community. The Sponsor was also seeking to significantly improve the developments existing EPC Score.
- **Property Redevelopment** - another loan we considered to be ESG positive was for the redevelopment of an outdated and poorly EPC rated building (D), replacing it with an A rated property. The new property will provide significantly more office space and bring employment opportunities and economic growth to the area.
- **Property enhancement** - sponsors sought advice about how to make an existing property carbon neutral, which will improve the ESG rating of the investment.

More information on the Firm's investment approach can be found in our ESG policy, a copy of which is available upon request. Please contact info@ara-venn.com.

Summary and looking ahead

We are proud of the progress we have made towards our sustainability and ESG initiatives during 2019 and remain committed to regularly reviewing and improving these policies as the Firm continues to grow.

In March 2020, Venn will welcome ARA Asset Management Limited ("ARA") via its UK subsidiary, ARA UK Asset Management Limited, as a majority shareholder to help drive the Firm's next phase of growth, with Venn's management team retaining a significant ownership stake. Under the transaction, Venn Partners will be rebranded as 'ARA Venn.'

ARA manages listed and unlisted real estate investment trusts (REITs), private real estate credit and equity funds and infrastructure funds in 28 countries. Built on a foundation of strong corporate governance and business integrity, ARA counts some of the world's largest pension funds, sovereign wealth funds, financial institutions, endowments, and family offices as its investors. As part of the wider ARA Group, Venn will benefit from ARA's already extensive sustainability and ESG initiatives and we look forward to working together in 2020 and beyond.

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