

# Sustainability Report 2020

ARA Venn



# Introduction

Welcome to the second annual Sustainability Report for ARA Venn (the “Firm”) which should be read in conjunction with the 2020 Sustainability Report for ARA Asset Management Limited (the “ARA Group”). This report summarises our approach to sustainability and demonstrates how we have incorporated Environmental, Social and Governance (ESG) factors throughout our business.

We define ESG to be any environmental, social or governance consideration that can have a positive or negative impact on either the Firm at a corporate level or the investments we make on behalf of our clients. Our goal is to operate our business in a way that promotes and treats our employees well, is in harmony with the environment, supports local communities and adheres to the highest standards of corporate governance. In our investment activity, we have similar aims to uphold the values of human rights, encourage positive labour practices, promote sustainable environmental impacts, and support corporate behaviour that ensures the well-being of each business unit and the wider stakeholders.

The first section of this report focuses on the Firm’s internal sustainability strategies and practices put in place to address the material ESG aspects of our own business activities. Covering the period from 1 January to 31 December 2020, 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.

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*“We endeavour to be a responsible investment manager. By adopting an ESG mindset we have the ability to identify, assess and manage ESG considerations in a way that promotes sustainability and provides a positive ethical impact on our own corporate performance and our investments, whilst also benefitting local communities and society at large.”*

**Gary McKenzie-Smith**  
*Managing Partner*

# Section 1

## About Us

ARA Venn is a specialist European asset backed credit manager, founded in 2009 and with offices in the UK and Spain and an affiliate office in the Netherlands. In March 2020, we welcomed the ARA Group<sup>1</sup> 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 Partner's management team retaining a significant ownership stake. Under the transaction, Venn Partners was rebranded as 'ARA Venn.'

The Firm specialises in creating investment products and providing investment management services that give investors access to compelling risk-return opportunities within real estate debt markets, whilst satisfying borrower demand for competitive, efficient, and transparent loan product. As of 1 January 2020, this included 3 main strategies: (i) a senior lending scheme in the UK private-rented sector on behalf of the UK Government, (ii) private real estate debt funds focused on real estate lending opportunities diversified across the UK and select European markets and across asset classes, and (iii) residential mortgage lending in the Netherlands. During 2020, we raised capital for 2 new strategies – each of which has a strong ESG angle – namely, (i) a new senior lending scheme to support the UK affordable housing sector on behalf of the UK Government and (ii) an innovative residential mortgage product to help first-time buyers in the UK.

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.

We are committed to delivering investment performance to our clients in a responsible manner, by considering the ESG impacts of the way we manage our own business and of our investment decisions:

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<sup>1</sup> 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.



### Environmental

- Minimising the impact of ARA Venn’s operations and continually improving its environmental performance, including a commitment to be carbon neutral
- Compliant ready across all relevant legislation, regulations and appropriate codes of practice
- Transparency: ARA Venn will foster environmental awareness and understanding in our business and our stakeholders through regular engagement and reporting
- Extensive due diligence, where relevant/appropriate, to assess the environmental implications of an investment



### Social

- Employee training, promoting the awareness and understanding of ESG issues within the business
- Employee well-being across physical and mental health
- Job Opportunities: ARA Venn is committed to being an equal opportunities employer and backs this up by aiming to identify candidates from a range of backgrounds in its recruitment process
- 1-1-1 Model: 1% of each of ARA Venn’s profits and people’s time are given to support community causes, together with a commitment by the firm to be carbon neutral
- Evaluation of the social benefit and community enhancement of an investment



### Governance

- Top-down board level responsibility for ESG issues
- Stringent governance: ARA Venn actively operates a code of ethics and policies for each of anti-money laundering, conflicts of interest, disciplinary and grievance, monitoring, inducements, gifts and anti-bribery, market conduct, personal account dealing and data security
- Transparency: We will maintain a transparent management structure with robust internal procedures and controls
- Corporate behaviour: ARA Venn will insist on the highest levels of personal and professional integrity, professionalism, and honesty from its staff
- Due diligence to assess strength of stakeholders’ corporate governance

As part of the wider ARA Group, we now benefit from their already extensive sustainability and ESG initiatives.

## Our approach to 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.”*

**Luke Venables**  
*Chief Operating Officer/Chief Financial Officer*

## Our Governing Board and responsibility for sustainability

ARA Venn's Governing Board is comprised of the Firm's two managing partners and its Chairman, Mark Ebbinghaus, who is also the CEO of ARA Europe.

Supporting the Board is ARA Venn's Steering Committee, comprising its 6-person management team 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.

ARA Venn also has a dedicated ESG Committee which is comprised of representatives across its key business units and functions and an external ESG consultant. This Committee meets each month and takes the lead in driving forward and overseeing the Firm's sustainability and ESG strategies, which are then reported to and approved by the Board.

The Board regularly evaluates and reviews the progress and development of its ESG practices and updates its ESG policy accordingly. The Firm's current ESG policy was approved by the Board in February 2021. A copy of this policy is available upon request, email [info@ara-venn.com](mailto:info@ara-venn.com).



*“ESG is increasingly seen by investors not only through a risk management lens, but through a strategic lens as an opportunity to innovate, differentiate and create value. By having a dedicated ESG committee and a well-integrated ESG strategy we can demonstrate our deep commitment to both financial performance and social purpose.”*

**Beatrice Dupont**  
*Partner, Commercial Real Estate, and member of ESG Committee*

## Ethical business conduct

The Firm has robust procedures and protocols in place including a Code of Ethics, and policies dealing with Whistleblowing, Personal Account Dealing, Anti-bribery and Corruption, a list of which is set out below. All employees carry out an annual fit and proper certification and relevant managers and employees have been certified pursuant to the Senior Managers Certification Regime.

Orientation and induction programmes are in place for new joiners whereby employees are briefed on the Firm'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 all 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 throughout their employment.

ARA Venn's governance policies are reviewed on a regular basis to ensure that they are current and comply with all applicable rules and regulations. Material changes to any governance policies are circulated and explained to employees. In 2020, there were no material incidences of non-compliance with the Firm's governance policies.





Our Governance Policies	Guidance on
Code of Ethics	<ul style="list-style-type: none"> <li>• Ethical Behaviour</li> <li>• Equal Opportunity &amp; Diversity, Health and Safety</li> <li>• Conflicts of Interest</li> </ul>
Code of Business Conduct	<ul style="list-style-type: none"> <li>• Remuneration Policy</li> <li>• Disciplinary &amp; Grievance Procedure</li> <li>• Complaints Policy</li> <li>• Social Media Policy</li> <li>• Best Execution Policy</li> <li>• Market Conduct, Policies and Procedures</li> <li>• Anti-Money Laundering Procedures</li> <li>• Data Security and Protection</li> <li>• Senior Managers Certification Regime</li> </ul>
Whistle Blowing Policy	<ul style="list-style-type: none"> <li>• Allows employees and external parties to report possible improprieties directly to the Board in a responsible and effective manner</li> </ul>
Personal Account Dealing Policy	<ul style="list-style-type: none"> <li>• Disclosure of brokerage accounts and prohibitions on certain personal transactions</li> </ul>
Inducements, Gifts, Benefits and Anti-Bribery Policy	<ul style="list-style-type: none"> <li>• Prohibition of employees on acceptance of bribes</li> <li>• Gift declarations</li> </ul>

## Regulatory compliance

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

The Firm's compliance regime is supported by an established, comprehensive compliance framework, which includes compliance checklists, regular training, and continuous monitoring. In 2020, 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.

## Affiliations with industry bodies

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

## Social Considerations



*“Our employees are our most valued resource and we have nurtured a team of highly skilled, motivated individuals to drive growth and deliver results for our stakeholders. We strive to be an employer of choice by creating a workplace environment that promotes diversity, equality, development, trust and teamwork”.*

**Gary McKenzie-Smith**  
*Managing Partner and head of Residential Mortgage Lending*

## Equal opportunities

We are 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 in any way disadvantaged by conditions or requirements which cannot be shown to be justifiable.

## Diversity

ARA Venn is committed to providing its employees with an inclusive and diverse work environment and empowering them to learn and grow within the organisation. Working towards improving performance around diversity is not just good practice and the right approach but is also critical to our business, to attract the best talent and to understand and better serve our clients’ needs.

We are striving to embed diversity and inclusion principles across the firm, and our dedicated Diversity Group meets on a regular basis to discuss this important topic and reports back to the ESG committee. Various policies and new initiatives have been developed and will be implemented throughout 2021.

In addition to implementing diversity initiatives internally, we are also seeking to support diversity in the wider community. Two senior team members have registered to speak at events organised by Women Talk Real Estate, which seeks to raise the visibility and profile of under-represented groups within the property sector. We have recently encouraged employees to sign up to *Inspiring the Future*, a charity which seeks to inspire young people, by connecting volunteers with state schools and colleges to talk to young people about their careers. This excellent charity supports diversity by seeking to broaden the horizons of thousands of children across the UK by giving them the opportunity to meet a wide range of role models to inspire and motivate them. Several employees and partners have already signed up and we look forward to hearing all about their involvement going forward.

This following section of the report describes the Firm's demographics as at 31<sup>st</sup> December 2020.

## Female representation

In 2020, approximately 27% of staff members (8 out of 30) were female. At a senior level, 18% of staff members (2 out of 11) at director level or above were female and in addition to this there was one female Board observer. Within the Commercial Real Estate team, 40% of the Portfolio Managers (2 out of 5) were female.

We are actively trying to recruit more females into an industry which is still predominately male. We have made some progress; in 2020 half of all new joiners and a third of senior hires were female. Already in 2021, 50% of new joiners have been female. In addition, we have actively sought to assist women seeking to re-enter the workplace after having taken a career break by providing more flexible working opportunities.

For the ARA Group fund management entities, the number of females at director level and above was 39.7%, with three females on the Board. 61.4% of all new hires in 2020 were female.

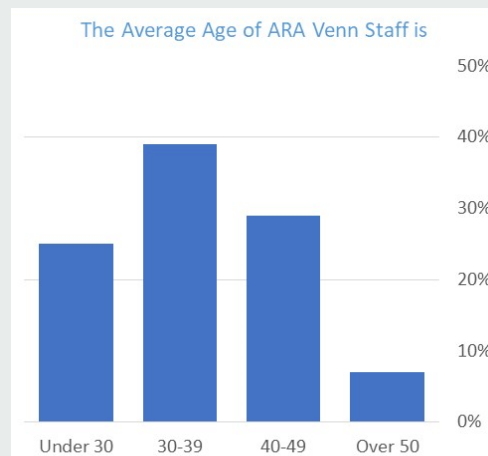


# Nationality, age and ethnicity

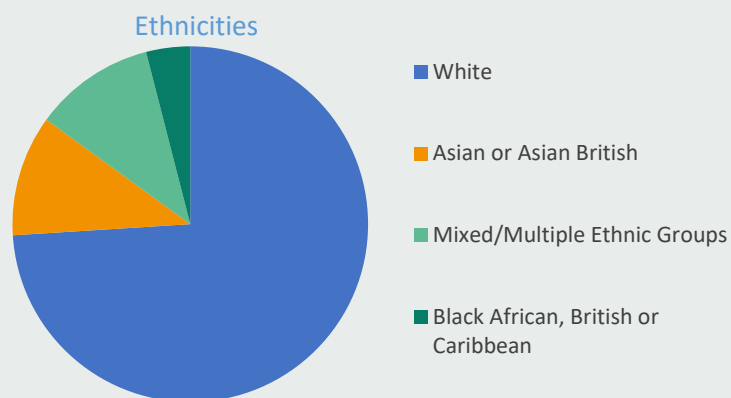
## Nationality



## Age



## Ethnicity



## Recruitment

Recruiting professionals from a diverse range of backgrounds at all levels, allows us to gain access to a wide variety of viewpoints, perspectives, and innovative thinking. Promoting and supporting diversity in recruitment, involves respecting and valuing differences in individuals in relation to their sex or gender (including marital status, civil partnership and gender reassignment), race and ethnicity, age, religion, disabilities, education and socio-economic background.

To support our aims and objectives in this area, when looking to select a new hire, we are committed to:

- ensuring that the Firm’s diversity protocol is always considered as first point of reference;
- preparing a written well-defined role and specific selection criteria upon which we will assess candidates for each potential new hire;
- engaging with recruiters around diversity to facilitate access to more diverse talent pools;
- focusing on ensuring that we are bringing the maximum number of candidates with the above-listed personal characteristics and backgrounds to the interview stage;
- where possible, having all genders represented as interviewers during the process;
- appointing on merit and in line with the pre-agreed specific selection criteria, without bias and disregarding personal characteristics unrelated to the role.

## Staff retention and development



*“The Firm actively supports the personal and professional development of employees through a range of initiatives within both the business and the communities in which we work. We will continue to place a strong emphasis on creating an environment of which everyone can feel a part and to which they can contribute.”*

**Catherine Riley**  
*Chief of Staff*

The Firm 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 2020, the remuneration ratio of men to women was 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 each year. During these appraisals individual performance is reviewed, and key areas for development and objectives, are identified and discussed.

Staff turnover in 2020 remained low at 3.77%.

## Training

The Firm’s Chief of Staff works with the partners, Chief Operating Officer, and managers to identify training needs. Compliance training is now conducted via Skillcast, an online training system, to ensure all staff are

fully trained and assessed on relevant topics. In addition, internal sessions are held regularly to keep staff informed of relevant developments and topics across the Firm's business areas. The Firm also arranges for external speakers to speak on relevant topics of interest; for example, Mark Prisk, the former Minister of State for Housing hosted a discussion on the UK's affordable and social housing sector.

## Flexible working arrangements

As our workforce continues to grow and becomes increasingly diverse, we recognise the need to cater for individuals and, where appropriate, implement flexible working arrangements. We believe this helps to increase productivity, enhance employee well-being, and improve staff retention and diversity.

## Employee occupational health and safety

We have several initiatives in place at our office that promote employee safety and wellbeing. These include comprehensive medical coverage, DSE checks, the regular provision of healthy snacks in the kitchen, and procedures to raise building safety. Staff are provided with facilities for showering and catering.

In addition, the Firm aims to promote a positive work-life balance and encourages staff to lead an active and healthy lifestyle. We organise a variety of employee wellness activities, including weekly boot camps and yoga classes in the private gardens near to the office, and we also participate in the Government's Cycle to Work Scheme. We arrange a wide variety of social events to assist with team bonding and morale.

The Chief of Staff tracks absenteeism and sick days. The absentee rate for 2020 was 0.37%.



ARA Venn celebrating its 11<sup>th</sup> Birthday with an offsite in the Surrey Hills.

## Employee occupational health and safety during Covid-19

The health and safety of our employees is always of utmost important to us but no more so than during 2020 when the Covid-19 pandemic presented the world with an unprecedented challenge. The Firm swiftly implemented its Business Continuity Plan and pandemic escalation matrix and adhered to Government guidelines. All employees were immediately requested to work from home and were given all the necessary equipment to ensure that they could do so safely and productively.

Staff were provided with up-to-date guidance on how to minimise the risk of contracting and/or communicating the virus. The Chief of Staff and Office Manager kept in regular contact with all employees to ascertain their physical and mental well-being. Bi-weekly team meetings, weekly exercise and yoga classes, and regular drinks and quiz nights were held virtually throughout 2020 to ensure that the team remained connected throughout a challenging period.

The Firm also implemented various procedures to ensure that the office was "Covid safe" for when employees returned to the office on a voluntary basis in the Autumn. Following a detailed Covid risk-assessment, a strict

protocol was put in place and various social distancing and enhanced hygiene measures were implemented to ensure the safety of all returning employees.




## Environmental Responsibility

The Firm recognises the importance of protecting the environment and seeks to:

- Minimise the impact of its own operations and continually improve its own environmental performance. We are committed to both reducing and offsetting the Firm's carbon footprint as part of our 1-1-1 initiative, which is described in more detail below. For 2020, we calculated our corporate-level direct emissions to be approximately 40 tonnes of CO<sub>2</sub>e which was offset by purchasing carbon credits through Carbon Footprint.
- Ensure that it is compliant ready across all relevant legislation, regulations, and appropriate codes of practice.
- Investments: In accordance with their individual investment strategies, each underlying business unit, has where appropriate, developed a framework for incorporating environmental factors into the investment decision-making, monitoring processes and investor reporting.

## The 1-1-1 Approach

Our ESG framework is designed around a set of common principles which apply across all aspects of the Firm's business. Central to this framework is our 1-1-1 initiative, pursuant to which at least 1% of each of our product, profits and employees' time are given to support ESG and/or community causes.

 <p>PLEDGE 1% OF PRODUCT</p>	<p>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.</p>
 <p>PLEDGE 1% OF TIME</p>	<p>At least 1% of our people's time should be spent on community or charitable causes, some examples of which are shown below.</p>
 <p>PLEDGE 1% OF PROFIT</p>	<p>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 we supported in 2020.</p>

In February 2021, the Board approved a revision to the Firm's 1-1-1 policy, replacing its commitment that at least 1% of its AUM be in ESG positive investments (which in reality was far exceeded) with a singular

commitment that the Firm would become carbon neutral in respect of its own direct emissions. This felt like a more significant commitment, which was supportive of the wider initiatives in the real estate industry to tackle climate change risk. More information on this initiative is provided below.

## 1% of employee's time to community investment and development



*“The 1-1-1 initiative helps create a real sense of camaraderie across the Firm. It is really rewarding to see how enthusiastically staff members have given their time and energy to support a variety of meaningful charitable pursuits.”*

**Paul House**

*Managing Partner and Head of Commercial Real Estate*

We believe that a successful corporation is not only defined by its business needs and achievements, but also by the positive role that it can play in the community. We place a strong emphasis on creating a working environment that everyone can feel part of and to which they can make a valuable contribution. ARA Venn's employees are therefore encouraged to participate in various charitable causes arranged by the ESG Committee. This helps to foster collaboration and enhance team spirit, whilst also supporting a wide range of superb initiatives.

Despite justifiable restraints on corporate volunteering in 2020 due to the global pandemic, our employees participated in the following community projects:



*In December 2020, employees spent the day volunteering with Thames 21, assisting with a project to regenerate the former Royal hunting ground of Enfield Chase by planting new trees along the Salmon's Brook. Restoring the area's tree cover reduces the flood risk for local homes and businesses whilst also benefitting the local wildlife. The teams' competitive spirit kicked in with over 500 trees being planted throughout the day.*



*Employees also volunteered at City Harvest, a charity that collects surplus food from all segments of the food industry and then redistributes it to those that need it the most. Employees spend a busy day sorting through food donations and making deliveries.*





*As part of our 2020 time commitment, employees participated in London Youth Rowing’s “Race the Thames Challenge.” Three teams of eight worked together to cover the equivalent of the distance from the source of the Thames to the estuary (346km in total or a minimum of 43km per person). Blood, sweat and some tears were shed but also £4,500 was raised and split between Thames 21 and London Youth Rowing. Two amazing charities!*



*We participated in a scheme to donate old computers and hardware which were recently redistributed to schools in Nigeria. Not only did we donate several items of equipment, we also contributed to the shipping and distribution costs.*

Other volunteering projects supported by our employees in 2020 included:

- Serving meals at the Southwark Day Centre for asylum seekers;
- Assisting Sheen Mount Primary School with the school’s Safeguarding provision and supporting the Pupil Premium Grant Scheme for disadvantaged children;
- Making Christmas box donations through the Young Lives Foundation and Operation Christmas Child;
- Supporting a conservation project in Gloucestershire.

## 1% of profits donated to charitable causes



*“With so many charities adversely affected by the global pandemic, offering financial donations through the Firm’s 1-1-1 initiative is more important than ever. We know how appreciated these donations are and it is wonderful to be able to support some extremely worthwhile causes.”*

**Luke Venables**  
*Chief Operating Officer/Chief Financial Officer*

In addition to time spent on charitable endeavours, ARA Venn contributes 1% of its annual profits to charitable donations. The ESG committee decides which charities the Firm will support each year, although employees are invited to nominate organisations for consideration.

In 2020 we provided financial support to the following organisations:



## 100% carbon neutral, our commitment to the environment

It is currently estimated that within the real estate industry, buildings contribute approximately 40% of the global greenhouse gas emissions. Recognising the ever-growing concern surrounding climate change and keen to play our part, we engaged an environmental consultant to calculate our corporate-level emissions and advise on how best we could reduce the Firm's carbon footprint. The consultant suggested several emission-reducing initiatives, which we are currently seeking to implement. We have accordingly updated our 1-1-1 model to reflect our commitment to both reducing and offsetting the Firm's direct carbon footprint with retrospective effect from 2019.

For 2020, our corporate-level direct emissions have been calculated to be approximately 40 tonnes of CO<sub>2</sub>e, which we have offset by purchasing carbon credits to support the planting of trees in the UK and verified carbon standard (VCS) projects guaranteeing carbon savings in Brazil.

## Section 2

### ARA Venn’s Investment Principles and Overall Responsible Investment Strategy



*“We see our role as accelerating the deployment of capital into assets that not only make good financial sense from an investment perspective but that also consider the assets’ impact on the wider environment and society. Climate change, political uncertainty, rising inequality and a global pandemic, present society with many challenges and we, as responsible investors, seek to be part of the solution.”*

**Paul House**

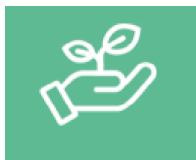
*Managing Partner and Head of Commercial Real Estate*

Investors are increasingly expressing the importance they place on ESG and climate change and expect meaningful action, progress, and the integration of ESG practices and reporting from their investment managers.

We endeavour to be a responsible investor and are committed to delivering investment performance to our clients in a responsible manner. Empowered by a sustainability mindset, our investment professionals aim to deliver value for our stakeholders by managing ESG risk effectively and delivering enhanced value from the assets in which we invest. We consider ESG factors to be of at least 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 for our investments, local communities, and society at large.

Our ESG framework, which has been tailored to reflect the fact that we operate in the private credit sector, is designed around a set of common principles which apply across all aspects of the Firm’s business. It outlines our approach to the investment process including the evaluation of investment strategies, pre-investment considerations, post-investment monitoring and the disclosure process.

We work collaboratively with our investors to understand and, to the extent possible, address their sustainability requirements, and 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 therefore 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 for its discretionary funds business, 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, the CRE team will 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 the 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 percentage or structure of an investment may need to be amended.

In our residential mortgage business, we reflect ESG considerations in various ways. For our Dutch residential mortgage strategy, we offer customers up to 6% of additional financing against their home to be spent on energy-saving features – whilst the very premise of our new UK residential mortgage strategy is to unlock home ownership for first time buyers who are otherwise forced to rent.

## Some recent examples of ESG positive schemes/investments

- **The Affordable Homes Guarantee Scheme** – in October 2020, following a competitive public procurement tender process, ARA Venn was delighted to be appointed by the UK Government to manage a £3 billion Affordable Homes Guarantee Scheme (“AHGS”). The scheme is available to finance social rent, affordable rent and shared ownership housing to increase the supply of such critical housing. The Firm is responsible for establishing and managing the scheme, including the origination, underwriting and on-going management of the loans, and developing and managing a government guaranteed bond programme to efficiently fund them.



*“ARA Venn has a strong commitment to ESG, firmly believing in long term responsible investment, and delivering a positive social impact from this scheme is a reflection of that.”*

**Richard Green**

*Partner and Portfolio Manager for the AHGS*

- **Loan to bridge a change of use from a city centre shopping centre into a residential led mixed use new development** – 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 new development will also benefit from green characteristics versus the existing grey space provided by the older shopping centre.
- **Property Development** – the development of new student accommodation in the city of Malaga, Spain, was deemed to be ESG positive. The development will be efficient from an energy, water, and waste perspective, with an anticipated EPC rating B. The proposed asset will provide a much-needed supply of high specification student accommodation; this will improve the quality of the University experience for many students, create a sense of community and enhance the University’s reputation. The construction

of the asset will help with local employment in the construction and supply sectors. Additionally, the ongoing management of the asset is expected to create jobs.

- **Property Redevelopment** – another loan we considered to be ESG positive was for the re-development and refurbishment of an outdated and poorly EPC-rated building (D) located in a large city centre in Scotland. The business plan includes external repair and Category A works which are expected to improve the property’s EPC rating. The new property will provide significantly more office space and bring employment opportunities and economic growth to the area.
- **Property refurbishment** – the sponsor’s proposed refurbishment of over 600 units in a residential property in Madrid included several environmentally beneficial initiatives and was therefore considered to be ESG positive. The sponsor’s commitment to the UNPRI, annual ESG reporting and strong corporate governance were all relevant factors during our due diligence process.
- **Property enhancement** – this loan was for the redevelopment of a 1930’s office building in central London. The sponsors intend to refurbish the office space to a carbon neutral and BREEAM excellent standard. The sponsor has its own set of ESG principles which it used in the evaluation of proposed investments.
- **Residential mortgage product for first time buyers** – since 2018, we have been working on an innovative residential mortgage product that is specifically aimed at improving access to home ownership for first time buyers. We passionately believe in this initiative, given the benefits that home ownership brings to families, local communities and the economy. In late 2020, we secured over £250m of funding commitments for this strategy and plan to launch in 2021.

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](mailto:info@ara-venn.com).

## Summary and looking ahead

We are proud of the progress we have made towards our sustainability and ESG initiatives during 2020 and remain committed to regularly reviewing and improving these policies. 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 direction of our business plans, policies, and decisions, as well as engagement with our various stakeholders. Our 1-1-1 initiative will remain a fundamental part of our overall ESG strategy, facilitating Firm-wide engagement on these important issues.

We look forward to sharing our progress with you in our 2021 report.

# Disclaimer

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