

ESG Report 2021

ARA Venn



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Introduction

Welcome to the third annual Environmental Social Governance (ESG) Report for ARA Venn (the “Firm”) which should be read in conjunction with the 2021 ESG Report for ARA Asset Management Limited (“ARA”). This report summarises our approach to sustainability and demonstrates how we have incorporated 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. We strive to generate positive ESG outcomes and operate our business in accordance with the highest standards of corporate governance and in a way that promotes and respects our employees, whilst also supporting local communities and reducing our carbon footprint. We have similar objectives in our investment activity: to uphold the values of human rights and 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. In May 2021, we became, through ARA, a signatory to the PRI, a UN supported network of investors, which works to promote sustainable investment through the incorporation of ESG factors into investment decision making.¹

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 2021, 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 are incorporated into our investment process and provides examples of recent ESG positive investments.

This report is provided to you subject to the terms of the disclaimer set out on the final page.



“We believe that a sustainability led mindset is essential to delivering long term success. This mindset has directed our assessment and management of the ESG aspects of our business and provides a positive ethical impact on our own corporate performance and our investments, whilst also benefitting both local communities and the wider society.”

Gary McKenzie-Smith

Managing Partner and Head of Residential Mortgage Lending

¹ In 2022, ARA, including ARA Venn became part of the ESR Group. ESR became a signatory to the UN PRI on 8 June 2022. ESR is the principal signatory and ARA Venn and ARA Europe will operate under that listing.

2021 saw the firm undertake the following ESG related initiatives



January : We revised our existing **ESG policy** to include the firm's commitment to be carbon neutral, by seeking to both reduce and then offset the firm's direct carbon emissions, with retrospective effect from 2019.



February : Computers and hardware the firm had donated arrived in Nigeria for redistribution to local schools.



March : 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). £4,500 was raised and split between Thames 21 and London Youth Rowing.



May : ARA Venn, as a subsidiary of the ARA Group, became a signatory to the **UNPRI**.



June : Teaming up with Thames 21, 22 team members worked with grit and determination to pick up over two large containers full of rubbish, including hundreds of wet wipes, plastic items, clothing, shoes and debris from the banks of the **River Thames** by Battersea Bridge.



July : ARA Europe, through both ARA Venn and ARA Dunedin hosted its inaugural cycling event, the "**ARA Chiltern Classic**". Raising over £14,000, ARA and friends cycled some 160kms of inclines and escarpments around the Chilterns Massif to raise much needed funds for Coram, a specialist group of children's charities, committed to improving the lives of the UK's most vulnerable children and young people.



The ARA Group announced its **ESG Roadmap** for the next 5 years and beyond together with its commitment to create a carbon neutral build environment. We are looking forward to working together on implementing this plan.



The firm published its **Sustainability Report** for 2020, a copy of which is available on our website.



September : Mark Ebbinghaus and Roun Barry, cycled from **Land's End to John O'Groats** (a distance of 1,615km over a 9 day period) on behalf of ARA Europe (representing ARA Venn and ARA Dunedin), raising over £15,000 for Coram.



November : 13 team members spend the day assisting Thames 21 with a project to improve the bankside next to the **River Brent** in Perivale Park. This was a physically demanding activity that involved 'scrub bashing', cutting back small trees, nettles and other plants in order to create a small path running alongside the river.



We announced the issue of our first GBP 350m bond under the new **Affordable Homes Guarantee Scheme**, which will support the delivery of over 1,600 new affordable homes in England.



December : Several employees spent the day volunteering 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.



Launch of **StrideUp**, ARA Venn's home loan platform which provides an alternative pathway to home ownership for first time buyers in the UK.

Charities we supported included



better chances
for children
since 1739



Signatory of:



Principles for
Responsible
Investment

Section 1

About Us




ARA Venn is a specialist European -private 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 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 Partner's management team retaining a significant ownership stake. Under the transaction, Venn Partners was rebranded as 'ARA Venn.' ARA is part of the ESR Group (the "Group"), APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$149 billion in gross assets under management (AUM), its fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. Its purpose – Space and Investment Solutions for a Sustainable Future – drives it to manage sustainably and impactfully and it considers the environment and the communities in which it operates as key stakeholders of its business.

ARA Venn 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. This currently includes 4 main strategies:

- establishing and managing a government guaranteed bond programme to fund the UK Government's £3 billion Affordable Homes Guarantee Scheme
- residential mortgage lending in the Netherlands and the UK
- a senior lending scheme in the UK private-rented sector on behalf of the UK Government; and
- private real estate debt funds focused on real estate lending opportunities diversified across the UK and select European markets and across asset classes.

The Firm serves 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 impact of the way we manage our own business and of our investment decisions:

		
<p>Environmental</p> <ul style="list-style-type: none"> • 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 	<p>Social</p> <ul style="list-style-type: none"> • Employee training promoting the awareness and understanding of ESG and D&I issues within the business • Ensuring 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 or strategy 	<p>Governance</p> <ul style="list-style-type: none"> • 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 maintain a transparent management structure with robust internal procedures and controls • Corporate behaviour: ARA Venn insists 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 ESR Group, we now benefit from their already extensive Sustainability and ESG initiatives.

Our approach to Corporate Governance



“As a regulated investment manager, we have a fiduciary responsibility to manage our business and our investments in the best interests of our clients. Our governance framework has been designed to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources.”

Luke Venables

Chief Operating Officer/Chief Financial Officer

Our Governing Board and responsibility for Sustainability

ARA Venn upholds the high standards of corporate governance throughout its business activities, and maintains a robust governance system, supported by clear policies, effective internal controls, and strong oversight by the Governing Board.

The Governing Board is comprised of the Firm’s two managing partners and its Chairman, Mark Ebbinghaus, who is also the CEO of ARA Europe. For 2022, the Board has been further supported by three observers, Moses Song (CEO of ARA), Josh Daitch (ESR Group Head of Capital & New Economy Fund Management) and Sir Hugo Swire (Independent NED of ESR), who offer advice and assistance.

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 from across its key business units and functions, representatives from ARA Europe and the ESR Group 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.

ESG sets a clear strategic imperative for real and lasting change, and it sits firmly on the C-Suite agenda. 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.



“ESG is viewed 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 complete list of which is set out below. All employees conduct an annual fit and proper certification and all 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. All 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 2021, 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"> • Ethical Behaviour • Equal Opportunity & Diversity, Health and Safety • Conflicts of Interest
Code of Business Conduct	<ul style="list-style-type: none"> • Remuneration Policy • Complaints Policy • Social Media Policy • Best Execution Policy • Market Conduct, Policies and Procedures • Anti-Money Laundering Procedures • Data Security and Protection • Senior Managers Certification Regime • Business Continuity Policy
Whistle Blowing Policy	<ul style="list-style-type: none"> • Allows employees and external parties to report potential improprieties directly to the Head of Compliance in a responsible and effective manner





Our Governance Policies	Guidance on
Personal Account Dealing Policy	<ul style="list-style-type: none"> • Disclosure of brokerage accounts and prohibitions on certain personal transactions
Inducements, Gifts, Benefits and Anti-Bribery Policy	<ul style="list-style-type: none"> • Prohibition of employees on acceptance of bribes • Gift declarations
Human Resources	<ul style="list-style-type: none"> • Equal opportunities policy • Recruitment policies aimed at promoting D&I • Health & Safety • Risk Assessments • Disciplinary & Grievance Procedure

Regulatory compliance

ARA Venn is committed to ensuring that 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 2021, 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
 Paul House <i>Managing Partner</i>	<ul style="list-style-type: none"> • Member of the British Property Federation
 Beatrice Dupont <i>Partner Commercial Real Estate</i>	<ul style="list-style-type: none"> • Member of Women Talk Real Estate
 Richard Green <i>Partner Commercial Real Estate</i>	<ul style="list-style-type: none"> • Member of the British Property Federation • Member of the Built to Rent Committee
 Oriane Auzanneau <i>Director Commercial Real Estate</i>	<ul style="list-style-type: none"> • Member of Women Talk Real Estate

Social Considerations



"We believe that a rich and diverse variety of viewpoints, personal experiences and professional expertise leads to innovative thinking and business practices. We value every member of staff and endeavour to support everyone reach their full potential 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 believe that a diverse workforce promotes innovation and growth through independent thinking and new ideas.

The Firm's Equality, Diversity and Inclusion Policy outlines that all employees (temporary and permanent), partners, contract workers and job applicants are treated fairly and are offered equal opportunities in selection, training, career development, promotion and remuneration. 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 organization. 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 determined to embed diversity and inclusion principles across the Firm, and our ESG consultant and Chief of Staff regularly discuss this important topic and report back to the ESG committee. We recognise that further progress is needed to change the composition and diversity of our management and investment committees. This starts with improving diversity amongst junior and mid-level grades, who rise into leadership positions over time. For more information on this, please see the recruitment section below. Various policies, training sessions and new initiatives are being developed, including a re-configured D&I sub-group, and will be implemented throughout 2022.

In addition to implementing diversity initiatives internally, we are keen 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. Employees are signed 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.

Demographics

This following section of the report describes the Firm's demographics for the year ending 31 December 2021.

Female representation

In 2021, approximately 28% of all staff members were female. At a senior level, 20% of staff members (3 out of 15) at director level or above were female and, in addition, to this there was one female Board Observer. Within the Commercial Real Estate team, 25% of the team and 40% of the Portfolio Managers (2 out of 5) were female.

The ESG committee and the Governing Board regularly reviews the gender split across the organisation and are considering ways to address the issue of underrepresentation of women, particularly in senior management. We are actively trying to recruit more females into an industry which is still predominately male. For example, there is a commitment to gender-balanced shortlists of candidates at the beginning of a recruitment process. We have been working to put in place the strategies, policies and cultural changes required to address the gender balance and gap and we have made some considerable progress; in 2021, 50% of the 12 new joiners were 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.

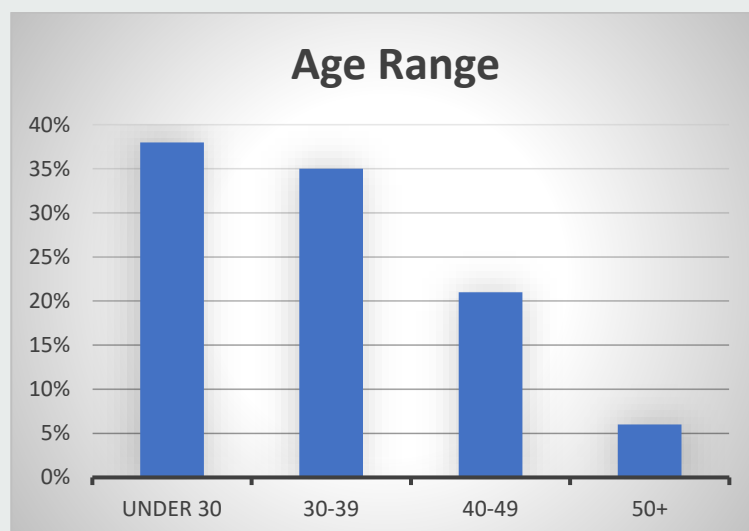
For ARA, there were three female directors at Board level, comprising about 38% of the Board gender composition. 50% of all new hires in 2021 were female.

Nationality, age and ethnicity

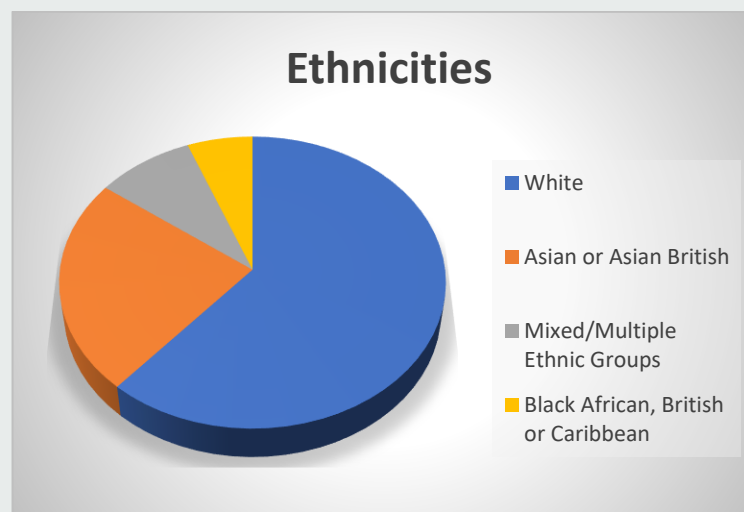
Nationality



Age



Ethnicity



Recruitment Policy

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 Survey

In autumn 2021, the Firm conducted a staff survey, with responses to be provided anonymously. The survey covered several key operational areas to ascertain the areas in which we are doing well but also to identify any areas where we could be doing better. We received positive feedback in areas such as: the quality of the work provided, relationships with other team members, team morale and inclusivity. We identified a few areas for development around training and mentorship and will be working on several initiatives to support these in 2022, including the establishment of a training committee.

Staff retention and development



"The success of our business is driven by the experience, dedication, and integrity of our employees. We are proud of the people who work at ARA Venn and we invest in their training, qualifications and development, whilst providing a work environment that also supports their health and well-being."

Catherine Riley
Chief of Staff

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 continue to place a strong emphasis on creating an environment of which everyone can feel a part and to which they can contribute.

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 2021, 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.

We've also recently introduced the ARA Venn town halls, which take place twice a year and provide the opportunity to update team members on the most recent developments of the business together with its goals and values, and to highlight any operational changes of which employees should be aware. It also provides an informal forum for employees to ask questions of management and provide their feedback.

Training

The Firm's Chief of Staff works with the partners, Chief Operating Officer, and managers to identify training needs. Compliance training continues to be 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 occasionally arranges for external speakers to speak on relevant topics of interest.

For 2022, we intend to establish a dedicated Training Committee with a view to putting a training framework in place to provide more training and support to employees and teams through a variety of learning platforms and in person training.

Flexible working arrangements

All employees are entitled to work one day a week from home and requests for more flexible arrangements are considered on merit and usually approved. 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 in the office and at home and procedures to raise building safety. In addition, the Chief of Staff and Office Manager undertook formal first aid training in 2021. Staff are provided with facilities for showering and catering and the Firm also ensures the regular provision of healthy snacks in the kitchen.

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 2021 was very low at 0.06%.

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 over the last two years when the Covid-19 pandemic presented the world with an unprecedented challenge. With another nationwide lockdown imposed at the start of 2021, we once again moved swiftly to implement our Business Continuity Plan and pandemic escalation matrix. Adhering to Government guidelines, all employees were immediately requested to work from home and given all the necessary equipment to ensure that they could do so safely and productively.

Staff were regularly 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 quiz nights were held virtually throughout 2020 and 2021 to ensure that the team remained connected throughout a challenging period.

The Firm also continued to implement various procedures to ensure that the office was “Covid safe” for when employees were allowed to return to the office. 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

Climate change is the defining issue of our time and, as responsible investors, we feel a responsibility to drive action. The Firm 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 2021, we calculated our corporate-level direct emissions to be approximately 12 tonnes of CO₂e 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 and climate change factors into the investment decision-making, monitoring processes and investor reporting.

The 1-1-1 Approach at the heart of our ESG Policy



“Our 1-1-1 initiative, which is a fundamental component of our overall ESG strategy, continues to inform and facilitate firm-wide engagement on important social and environmental issues.”

Luke Venables

Chief Operating Officer/Chief Financial Officer

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 profits and people’s time are given to support community causes. In February 2021, the Board approved a revision to the 1-1-1 policy, replacing its previous 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.



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 we supported in 2021



We revised our existing ESG policy to include the firm’s commitment to be carbon neutral by seeking to both reduce and then offset the firm’s direct carbon emissions, with retrospective effect from 2019

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



"We seek to be a responsible corporation and we are committed to contributing to and benefitting the wider society. The 1-1-1 initiative sits at the heart of our ESG framework, and staff members enthusiastically give their time and energy to support a variety of meaningful charitable pursuits."

Paul House

Managing Partner and Head of Commercial Real Estate

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. We therefore encourage our employees participate in various charitable causes arranged by the ESG Committee. This helps to foster collaboration and enhance team spirit and camaraderie, whilst also supporting a wide range of superb initiatives.

Despite justifiable and continued restraints on corporate volunteering in 2021 due to the continued global pandemic, our employees participated in the following community projects:



As part of our 2020/21-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) raising £4,500 to be split between Thames 21 and London Youth Rowing. Two amazing charities!



Throughout the year, several employees 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.



ARA Europe, through both ARA Venn and ARA Dunedin hosted its inaugural cycling event, the ARA Chiltern Classic. Raising over £14,000, ARA and friends cycled some 80-kms of inclines and escarpments around the Chilterns Massif to raise much needed funds for Coram, a specialist group of children's charities, committed to improving the lives of the UK's most vulnerable children and young people.



Mark Ebberghaus (Chairman) and Roun Barry, cycled from Land's End to John O'Groats (a distance of 1,615km over a 9-day period) on behalf of ARA Europe (representing ARA Venn and ARA Dunedin), raising over £15,000 for Coram.



Teaming up once again with Thames 21, 22 team members worked with grit and determination to pick up over two large containers full of rubbish, including hundreds of wet wipes, plastic items, clothing, shoes, and debris from the banks of the river Thames by Battersea Bridge.



13 team members spent the day assisting Thames 21 with a project to improve the bankside next to the River Brent in Perivale Park. This was a physically demanding activity that involved 'scrub bashing', cutting back small trees, nettles and other plants in order to create a small path running alongside the river.



In February 2021, computers and hardware we had donated arrived and were distributed to schools in Nigeria. Not only did we donate several items of useful equipment, we also contributed to the shipping and distribution costs. In 2022, further I.T. and computer equipment was also sent to the Freedom School, Moniya, in Nigeria.

Other charitable projects supported by our employees in 2021 included:

- Assisting Sheen Mount Primary School with the school's Safeguarding provision and supporting the Pupil Premium Grant Scheme for disadvantaged children
- Volunteering through Inspiring the Future; and
- Attending a quiz night and a dinner gala to raise money for Marie Curie.

1% of profits donated to charitable causes



“The Firm’s 1-1-1 initiative allows us to make a financial donation to a variety of deserving causes, which has been greatly appreciated by the many people and organisations continuing to struggle as a result of the global pandemic, international conflicts and the cost-of-living crisis.”

James Smith
Head of Operations and Finance

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 2021 we provided financial support to the following organisations:

coram



LandAid
THE PROPERTY INDUSTRY CHARITY



Already for 2022, financial donations have been made to:

- Smart Works
- The Disaster Emergency Committee fund for Ukraine; and
- Coram.

100% carbon neutral, our commitment to the environment



“We recognise the importance of protecting the environment and therefore seek to not only minimise the impact of our own operations but to also offer support to various environmentally-friendly charities and initiatives.”

Beatrice Dupont

Partner, Commercial Real Estate, and member of ESG Committee

We believe that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. It is currently estimated that within the real estate industry, buildings contribute approximately 40% of the global greenhouse gas emissions. We are therefore committed to minimising our own environmental impact and continually improving our environmental performance. In February 2021, we updated our 1-1-1 model and the Firm’s ESG policy to reflect our commitment to both reducing and offsetting the Firm’s direct carbon footprint, with retrospective effect from 2019. We have engaged an environmental consultant, who calculates our corporate level Scope 1 emissions and offers advice on how we can reduce our carbon footprint. For 2021, our corporate-level direct emissions have been calculated to be approximately 12 tonnes of CO₂e, which we have offset by purchasing carbon credits to plant trees in the UK.

Other recent initiatives include:

- Switching to a more energy efficient gas and electrical supplier.
- Actively seeking to minimise waste and promoting recycling.
- Encouraging employees to use more environmentally friendly modes of transport when travelling on business.
- Encouraging employees to sign up to the Government’s Cycle to Work scheme.
- To the extent possible, purchasing products and services that do the least damage to the environment.
- Participating in environmentally friendly volunteering projects, for example river cleans, vegetation management and tree planting initiatives.

We are also seeking to implement several additional emission-reducing initiatives now that employees are working back in the office.

Section 2

ARA Venn's Investment Principles and Overall Responsible Investment Strategy



"As a Firm we 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."

Paul House

Managing Partner and Head of Commercial Real Estate

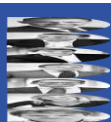
We work collaboratively with our investors to understand and, to the extent possible, address their sustainability requirements and when considering a potential investment:



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.

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 therefore 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, war, rising inequality and the continued global pandemic, present society with many challenges and we, as responsible investors, seek to be part of the solution.

We therefore 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.

We take an active approach to long-term sustainable investment which is based on a foundation of robust ESG principles. We believe climate change will be a defining driver of the global economy, social and financial markets in the future and that investors will be unable to avoid the impact of this. We therefore use environmental criteria to assess how effectively a company stewards the natural environment, assists with the transition to a low carbon economy and complies with relevant laws and regulations. Through a social set of standards, we evaluate the company's approach to health & safety, labour standards and working conditions as well as the relationships it has with its stakeholders and surrounding communities. In terms of corporate governance, we look to ensure that our portfolio companies and partners adhere to the highest standards of corporate conduct. We undertake regular studies, inspections, surveys and risk assessments to ensure this always remains the case.

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. 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.
- Our new UK residential mortgage strategy, launched in December 2021 seeks 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 December 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 support the delivery of over 1,600 new affordable homes in England. We are responsible for establishing and managing the scheme, including the origination, underwriting and on-going management of the loans and the government guaranteed bond programme. In November 2021, we announced the issue of the first £350m bond under the Scheme. Of the GBP350 million 30-year bonds issued, £350 million will be funded immediately at close and on-lent to three private registered providers, B3 Living, Vivid and Watford Community Housing, to support the development of new affordable homes. The balance of the bond issuance will be retained to fund other successful loan applications currently being processed. The bond issuance, due to being guaranteed by the UK Government, is very competitively priced, allowing the benefit of cheaper finance to be passed on directly to borrowers.



“The social benefits that this scheme provides are a reflection of ARA Venn’s commitment to long term responsible investment as part of its overall approach to ESG.”

Richard Green

Partner and Portfolio Manager for the AHGS

- **Property development in Valencia** – the development of a 162-bed student residence located in the western part of Valencia city centre was considered ESG positive due to a number of factors: - As a new build, the planned development is expected to be efficient from an energy, water and waste aspect. EPC rating targeted is A++. The building will be developed to a BREEAM outstanding standard. The proposed asset will also provide a much-needed supply of high specification student accommodation in Valencia. This will serve to increase the quality of the university experience for many students and create the much-desired sense of community. In addition, the construction of the asset will help the employment of various contractors and suppliers. The finished product will also create 5-10 jobs for the ongoing management of the asset, and 25 jobs during the construction period.
- **Property redevelopment in Dublin** – the redevelopment of a large property in the middle of Dublin is considered ESG positive. As a new development, the building will benefit from an efficiency perspective, demonstrated by an EPC rating of A2 and from a Green Building Certificate (LEED Gold). The project will also be creating new employment opportunities as well as a new social hub for the community. The principal sponsor is also felt to have strong ESG credentials, being a signatory to the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, promoting a diverse and inclusive culture that encourages employees to grow professionally, as well a supporter of Level 20 and 100 Women in Finance.
- **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.

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

In May 2021, as part of ARA¹ we became a signatory of the PRI a UN supported network of investors, with the aim of reporting publicly for the first time in 2024. Whilst we are supportive of all the UN Sustainable Development Goals (SDGs), we will primarily be focussing on the goals which align with our own ESG objectives, both through the investments we sponsor and through our own corporate behaviour. Over the next year, we intend to work with the wider group to develop a prioritised set of SDGs.

As we continue to grow as an enterprise, we firmly believe that the ESG and the D&I aspects of our business are integral to both our economic success and our broader stakeholder obligations and aspirations. Our 1-1-1 initiative will continue to remain a fundamental part of our overall ESG strategy, facilitating Firm-wide engagement on these important issues. As part of the wider ESR Group, we also benefit from their extensive sustainability and ESG policies, and we will work collaboratively to further our sustainability efforts.

We remain proud of the progress we have made towards our sustainability and ESG initiatives during 2021 and remain committed to regularly reviewing and improving these policies. We look forward to sharing our progress with you in our 2022 report.

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Dated: 22 December 2022