

ARCANO

2022

Our
responsible
commitment

SUSTAINABILITY REPORT

Content

01	WELCOME	6
02	ARCANO AT A GLANCE	12
03	BENCHMARK IN ESG INVESTMENT AND IMPACT	20
04	PILLAR 1: COMMITMENT TO RESPONSIBLE INVESTMENTS AND ADVISORY SERVICES	30
	Pioneers in innovative ESG products	38
	Responsible investment in Private Equity	44
	Responsible investment in Sustainable Infrastructures	56
	Responsible investment in Venture Capital	66
	Responsible investment in Credit Strategies	70
	Responsible investment in Real Estate	86
	Responsible investment in Arcano Asset & Capital Finance	92
	Responsible advisory services	96
	The vision of our partners	104
05	PILLAR 2: ESG LEADERS AND PROMOTERS	106
	New partnerships in 2022	108
	Knowledge generation	110
	Participation in events	116
	Press and industry reports	122
06	PILLAR 3: DEVELOPMENT OF AN INTERNAL CULTURE OF RESPONSIBLE COMMITMENT	124
	Our employees	126
	The communities where we operate	130
	Charity campaigns	138
	Committed to the environment	143

A photograph of a penguin leaping from a large, white ice floe into the blue water. The penguin is captured mid-air, with its wings spread and tail tucked. The background shows a vast expanse of water and distant ice formations under a bright sky. Large, faint quotation marks are overlaid on the right side of the image.

Our firm continues to evaluate risks and look out for attractive ESG opportunities with the confidence that, in this way, we are acting for the benefit of all our stakeholders

ÁLVARO DE REMEDIOS
Chairman and Founder
of Arcano Partners

01 WELCOME

Wel come



**Álvaro
De Remedios**

Chairman and Founder
of Arcano Partners

For the third consecutive year, we present our annual report to continue working on the path of no return towards sustainability. As in previous years, we try to show how environmental, social and governance (ESG) issues are integrated into our daily work based on three key pillars: the commitment to responsible investments and advisory services, the promotion of ESG issues in the industry, and the development of an internal culture of responsible commitment among each and every one of us at Arcano.

ESG considerations continue to be paramount both in our investment decision-making and in the financial advice we provide to our clients. Our firm continues to evaluate risks and look out for attractive ESG opportunities with the confidence that, in this way, we are acting in the best interests of all our stakeholders and that, in addition, we are contributing directly and indirectly to promoting more responsible companies that generate sustainable value in the long term.

Commitment to responsible investments and advisory services

In 2022, we have been very active in responsible investment by participating in standards, initiatives and working groups that help us improve every day. In fact, for the third consecutive year, this effort has been rewarded with the highest rating for all our investment strategies in the United Nations Principles for Responsible Investment (*UN PRI*) assessment. The PRI also asked us to participate as panelists, together with a select group of investors internationally recognized for their commitment to sustainability, in the most relevant event on responsible investment worldwide: PRI in Person. In its annual assessment, *GRESB*, the ESG standard of reference in real assets, gave the Arcano Earth Fund, our sustainable infrastructure fund, a 100% rating, and the Arcano Value Added II, one of our real estate funds, an 80% rating. And this year, for the first time in this area, Real Deals magazine nominated us as finalists in the Environmental, Social and Governance - LP category.

Regarding an issue as significant as climate change, in 2022 we joined *Initiative Climat International*, promoted by UN PRI, to learn about the climate risks of portfolio companies. As part of this collaboration,

Arcano actively participates in the working group in charge of developing training materials for the entire private equity industry. We also joined the *ESG Data Convergence Project*, a project driven, among other investors, by CalPERs, which aims to help assemble standardized ESG data. We also joined FAIRR, whose mission is to create a global network of investors who are aware of the issues related to intensive livestock production.

In terms of impact investing and as part of our commitments under the *Operating Principles for Impact Management* initiative, the firm Deloitte verified that our Arcano Impact Private Equity Fund effectively complies with the principles of impact management.

Likewise, we have closely followed the regulatory developments affecting our management company and financial products, such as the Sustainable Finance Disclosure Regulation (SFDR) or the amendments to the MiFID II regulation on sustainability, incorporating all the issues that have arisen throughout the year.

In yet another example of our firm commitment to innovation and the pursuit of excellence, last year we dedicated a lot of time, effort, and resources to implementing a solid ESG structure in Arcano's investment banking area. Accordingly, we should mention the appointment of a senior professional as head of the area, in charge of expanding the knowledge of ESG consulting both to clients and to all the professionals that make up the team.

Promoting sustainability and impact

At Arcano we support different initiatives that have a positive impact on society and the planet. In 2022, we signed a collaboration agreement with the Open Value Foundation to promote the *Acumen Academy* training program in Spain, which is aimed at social leaders and innovators who seek to build a fairer, more inclusive, and sustainable world. We also support the Raise for Impact program promoted by the Social Nest Foundation, whose mission is to inspire, educate, and connect entrepreneurs, companies, governments, and investors to contribute to a better future for all.

At the same time, over the past year we continued to work with other institutions, such as the IESE business school, through the Arcano-IESE Impact Investing Competition, or with SpainNAB. We also kept on promoting our flagship corporate social responsibility program: the Arcano Social Entrepreneur Award, together with Ashoka. Similarly, at Arcano we work to transfer knowledge and best practices in the field of responsible investment and advice to the entire market. Along these lines, in 2022 we began working together with Fundspeople on the Arcano Alternative Assets Academy ("AAA Academy"), a comprehensive training initiative in alternative management that includes a chapter focused entirely on sustainability. We also participated in a study promoted by SpainCAP on impact investing and renewed our collaboration with the Instituto de Estudios Bursátiles in their sustainable finance program.

Development of an internal culture of responsible commitment

We have always recognized the work of our employees as our firm's most valuable asset, and that is why, year after year, we offer them new benefits, including an alliance with Soul Reconnect, a company specializing in coaching services for people suffering from oncological disease. Through this collaboration, we seek to accompany employees who have been diagnosed with cancer, as well as their families, providing them with support during this difficult time in their lives. Another interesting initiative was set up with the Baby Friendly organization with the aim of providing all the necessary support to our employees in the journey of becoming parents.

Through multiple activities we have continued to collaborate with different social entities such as A la Par Foundation, Integra Foundation, Juan XVIII Foundation, Auara, Ecoalf and Pequeño Deseo Foundation, among others.

We cannot leave aside our strong commitment to the environment. Once again in 2022, we recalculated and verified our firm-wide carbon footprint based on a clear plan to measure and manage our impact.

We can be very satisfied with our achievements to date, but we remain focused on the many challenges that lie ahead and are aware of the importance of community stakeholders joining efforts to promote different collaboration schemes to contribute to the improvement of the economic and social fabric. That is our duty as investors and financial advisors.

I therefore invite you to read our report in the hope that you will find it informative and inspiring. Looking ahead, we will continue to work hard to maintain and improve our commitment to sustainability.



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ÁLVARO DE REMEDIOS
Chairman and Founder
of Arcano Partners



**We are an independent
firm with twenty years of
experience in financial advice
and more than seventeen
in the management of
alternative assets at an
international level**

02
ARCANO
AT A GLANCE

Our Partners



Álvaro de Remedios
Chairman and Founder



Alejandro Adán



Unai Castañón



Alexandre Bruyelle



Rafael Castillo



Ignacio de la Torre



José Luis del Río



Miguel Doria



Eduardo Fernández-Cuesta



Jon Garaiurrebaso



Constantino Gómez



Emilio Hunolt



Sofia Mendes



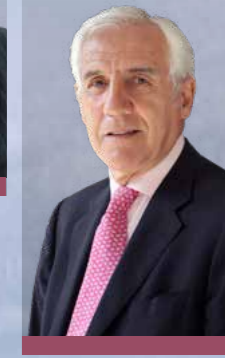
Manuel Mendivil



Borja Oria



Iñigo Susaeta



Jorge Vasallo



Javier Garicano



Pedro Hamparzoomian



Ignacio Marqués del Pecho



Ricardo Miró-Quesada



Pierre Sáenz Lafourcade

Leaders

in alternative management and investment banking

We are an independent firm with twenty years of experience in financial advice and more than seventeen in the management of alternative assets at an international level.



Asset Management

We offer an alternative asset management platform that makes access to diversified vehicles easier for institutional investors, family offices and private banking clients. Since the beginning of our activity, we have managed and advised more than 9 billion euros of assets.

Investment Strategies

Private Equity: investment in funds and companies in the middle market segment with a focus on Europe and the US. Access to top-tier managers through primary investments, secondary transactions, and direct co-investments.

Venture Capital: investment in funds and companies in the seed, early and growth phase with a focus on the US, Europe, and Israel. Exclusive access to managers with the potential to generate very attractive returns.

Sustainable Infrastructure: investment in essential infrastructure for society with a focus on Europe and the US. High decorrelation with financial markets and partial protection against inflation.

Credit Strategies: investment management of high-yield European fixed income investments, ranging from liquid ESG corporate fixed income strategies to alternative credit strategies.

Real Estate: investment in real estate, residential and tertiary assets, seeking attractive returns through value-added strategies. We have received a mandate by the European Investment Bank (EIB) to invest and manage approximately 100 million euros in sustainable urban development projects in Andalusia.

Asset Management

+17 Years investing in alternative assets

+120 Professionals in the asset management area

€9.1 Billion in assets and advice since we started

45% International investor base

6 Alternative asset investment strategies

+80 Vehicles under management and advice

#1 Managing single-client mandates in Spain in alternative assets

+14 Years of adherence to UN PRI and committed to responsible investment **5-star rating**

We offer an alternative asset management platform that facilitates access to diversified vehicles for institutional investors, family offices, and private banking clients



Investment Banking



~75

Multidisciplinary professionals



~25

Transactions closed by 2022



International alliance

With Baird



Industry expertss

Retail, food and beverage, healthcare, industry, energy and infrastructure, financial institutions, real estate, hotels and leisure, technology, and sustainability.

We lead the way in advising on M&A, refinancing, restructuring and capital markets transactions for companies in a variety of industries, as well as providing a cross-sector digital approach

From this area we have consistently led the financial advisory market in Spain and Portugal by number of transactions in recent years. We also continue to focus on specialization by sector and product to offer our clients the best service and advice. In addition, we have made progress in sustainability and digitalization, and currently integrate them into our activity as added services to provide maximum value in all transactions.

Services:

- **Mergers and acquisitions:** sale and purchase of companies, mergers and capital increases, joint ventures, private placements, spin-offs/carve-outs, sale & lease backs, etc.

- **Debt:** search for financing alternatives (financial institutions, debt fund, hybrid funds, MARF and AJAF bonds), refinancing, leveraged transactions (LBO, MBO, MBI), financing of real and intangible assets..

- **Capital markets:** MAB/MARF registered advisor, issuance and placement of bonds, notes and other debt instruments, IPOs supported by Baird and secondary offerings and block trades.

- **Restructuring:** debt restructurings with all types of financial creditors, rescue financing and distressed financing transactions, distress M&A (production units, pre-packs), purchase of single-name NPLs.

An underwater photograph showing a vibrant coral reef in the foreground and a school of small blue fish swimming in the clear blue water. Sunlight rays penetrate the water from the surface, creating a bright, shimmering effect. The background shows the surface of the water with ripples and reflections of the sky.

**In 2020, our firm prepared
the first Corporate Social
Responsibility Plan based
on the most relevant
issues identified by our
stakeholders**

TERESA GONZÁLEZ
Head of Sustainability and ESG

03 BENCHMARK IN
ESG INVESTMENT
AND IMPACT

20

Landmarks

Our awards and achievements

22



UN PRI

Obtaining the highest rating (5 stars) in all our investment strategies. Investment and active dialogue, credit, real estate, private equity, infrastructure

- ☆☆☆☆☆ Investment and active dialogue
- ☆☆☆☆☆ Credit
- ☆☆☆☆☆ Real State
- ☆☆☆☆☆ Private equity
- ☆☆☆☆☆ Infraestructure



GRESB

100/100 in Sustainable Infrastructure and 80/100 in Real Estate



Private Equity Awards 2022

Finalists in the Environmental, Social and Governance – LP category.



LuxFlag label

On Arcano Low Volatility European Income Fund - ESG Selection.



Impact Management Operating Principles Disclosure Statement

Verified by Deloitte

Compliance with SFDR Disclosure Regulation and MiFID II amendments on sustainability



Speakers at PRI in Person

Closing panel by José Luis del Río, Managing Partner, co-CEO Arcano Capital - Private Equity, Sustainable Infrastructure & Real Estate



Members and promoters of the ESG Data Convergence Project

Among our managers



Members of Forum per la Finanza Sostenibile



Members of Initiative Climat International

And collaboration with the Training Materials working group in the creation of the Greenhouse Gas Accounting and Reporting Guide





Verification and registration of our 2021 carbon footprint with MITECO



ESG integration in the investment banking area



Collaboration with the Open Value Foundation

To support Acumen Academy



Participation in the second edition of Arcano IESE Impact Investing Competition



Selection of the Arcano Social Entrepreneur 2022: Ana Urrutia

Commitment to the Inclusion Awards 2022

On behalf of the Prodis Foundation



Collaboration with ESADE's Master of Science in International Management

On alternative asset allocation, including sustainable products, through family offices



Development of Arcano's Responsible Purchasing Policy



Collaborating in the preparation of the Study of the Impact Investment Ecosystem in Spain

By SpainCap



New social benefits for employees

Soul Reconnect and BabyFriendly



Strategic Pillars

Our Sustainability Plan

Our Corporate Social Responsibility Plan is based on three pillars through which Arcano has strengthened its commitment and continues to promote new initiatives.

The Plan includes the objectives and initiatives to be consolidated and implemented in the medium term, to bring us closer to the Sustainable Development Goals' (SDGs) growth and development model, and to address the major global challenges for the benefit of people and the planet.

In 2020, our firm developed its first Corporate Social Responsibility Plan

01 Commitment to responsible investments and advisory services

On the one hand, we seek to implement initiatives that minimize the negative impacts that may arise from our business activity, mainly through the integration of environmental, social and governance (ESG) issues in our investment and advisory process; and, on the other hand, to promote the development of products that explicitly seek to generate a positive impact on society and the planet, while simultaneously creating social and economic value.



02 Leaders and drivers of ESG

We seek to use our capabilities to promote legal, institutional, or other necessary changes (global alliances to combat specific problems, improvement of sectoral policies for the benefit of the environment, etc.) that contribute to the resolution of some of our society's main concerns at a global level.



03 Development of a culture of responsible commitment

We want to conduct our business with the highest ethical and governance standards, while caring for our employees and the communities where we operate.



Co mmitttee

The Social Responsibility Committee monitors the corporate social responsibility and the responsible investment and advisory policies, procedures, and activities. It is represented by one of our partners and has ultimate responsibility for the main areas of the group. All decisions taken by this Committee are supervised by Arcano's Board of Directors.

Corporate Social Responsibility

Members of the CSR Committee

Álvaro de Remedios
Chairman and Founder of Arcano

Borja Oria
Managing Partner and CEO
of Investment Banking

José Luis del Río
Managing Partner and co-CEO of Arcano
Capital: Private Equity, Sustainable
Infrastructures & Real Estate

Manuel Mendivil
Managing Partner, Co-CEO Arcano Capital,
Head PM Credit Funds

Eduardo Fernández-Cuesta
Real Estate Partner

Jon Garaiurrebaso Eguía
Managing Partner of Asset & Capital Finance

Teresa González Barreda
Head of Sustainability and ESG





In 2022, we were very active in responsible investment and sustainability, participating in standards, initiatives and working groups that help us deepen and challenge ourselves to be leaders in the asset management industry

04

**PILLAR 1:
COMMITMENT
TO RESPONSIBLE
INVESTMENTS
AND ADVISORY
SERVICES**

Pillar I

Commitment to responsible investments and advisory services

At Arcano, we believe that all investments can have a positive or negative impact on society and the planet, and therefore ESG issues should be considered in the same way that profitability and risk are considered in the investment decision-making process. For this reason, in 2022 we were very active in responsible investment and sustainability, participating in standards, initiatives and working groups that help us to deepen and challenge ourselves, to improve and to be leaders in the asset management industry.

In 2022 and for the third consecutive year, we achieved the highest possible rating (five stars) in the latest UN PRI assessment report for all our investment strategies: private equity, sustainable infrastructure, credit and real estate assets, as well as in the investment policy and engagement module of our asset manager. Furthermore, José Luis del Río, Partner and co-CEO of Arcano Asset

Management participated as a keynote speaker in the most important event on responsible investment at international level, PRI in Person, together with a select group of investors internationally recognized for their commitment to sustainability.

Our 2022 ratings were outstanding according to GRESB, a benchmark institution when it comes to assessing ESG in real assets. In the last assessment, we received a 100% rating for Arcano Earth Fund, a sustainable infrastructure fund, and an 80% rating for Arcano Value Added II, a real estate fund.

As a result of our commitment to ESG issues, we were nominated as finalists in the Environmental, Social and Governance - LP category at the annual Private Equity Awards presented by Real Deals magazine. This category of awards evaluates, rates, and recognizes the best market practices in responsible investment.

In relation to such a relevant issue as climate change, last year we joined Initiative Climat International, promoted by UN PRI and made up of the main private market managers and investors, which seeks to understand and manage the risks associated with climate in the underlying companies. In addition, we actively participated together with other leading international private equity managers in the working group in charge of developing training materials for the entire industry, resulting in the Greenhouse Gas Accounting and Reporting Guide.

In 2022, we joined the ESG Data Convergence Project initiative, driven by CalPERS, among other investors. This initiative seeks to provide industry wide standardized ESG data to compare information on six metrics: Scope 1 and 2 greenhouse gas emissions, renewable energy consumption, board diversity, workplace accidents, job creation and employee satisfaction. Until 2021, the initiative had received data from 659 European companies owned by private equity funds. The results show that 77% of the companies for which data was submitted already had responsible investment processes in place, showing clear progress on ESG within the industry.

Furthermore, in 2022 we decided to become a member of FAIRR, a network of investors seeking to raise awareness on the ESG risks and opportunities involved in intensive livestock production.

In terms of impact investing, in 2020 we adhered to the Operating Principles for Impact Management (OPIM), an initiative driven by the International Finance Corporation together with other benchmark investors, which aims to implement nine principles and requires its members to detail both compliance and implementation. In our case, the verification was carried out in 2022 by the firm Deloitte.

In 2022, as in previous years, we closely followed regulatory developments affecting the fund level, such as the Sustainable Finance Disclosure Regulation (SFDR) or the MiFID II amendments to include sustainability preferences in the suitability test, as well as those affecting the asset level, such as the Taxonomy Regulation and the Corporate Sustainability Reporting Directive, to incorporate them on a case-by-case basis into our investment products and processes.

Leading manager in sustainability and impact in Spain for +14 years

FPdGi
Patronage Princesa de Girona

PRI Principles for Responsible Investment
1st independent Spanish alternative fund manager UN PRI signatory since 2009

1st report UN PRI

Creation of internal ESG team

GRESB
1st fund manager member of GRESB (global benchmark for ESG in real assets)

LUXFLAG Supporting Sustainable Finance
Arcano is the 1st Spanish fund manager to launch a fixed income fund with ESG LuxFlag criteria. Integration of RepRisk in our DD

COP25 CHILE MADRID 2019 **INVESTOR AGENDA**
Arcano was the 1st Spanish independent asset manager that, on the occasion of COP25, together with more than 600 institutional investors, supported the fulfillment of the Paris Agreement

FOROIMPACTO Secretaría Técnica de España VII
Arcano is a leader in an initiative that seeks to promote impact investing

Operating Principles for Impact Management

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
Support for the Task Force on Climate-related Financial Disclosures (TCFD)

EU
Arcano adopts the requirements of Regulation of Regulation 2019/2088 (SFDR)

Spain nab
Members of SpainNAB, an independent, cross-sectoral advisory body representing Spain before the Global Steering Group

ALAS20 Institución Líder en Inversiones Responsables GANADOR ESPAÑA 2021

PRI Principles for Responsible Investment
★★★★★
UN PRI Score 2021
5 stars on all our strategies

GRESB INFRASTRUCTURE **GRESB** REAL ESTATE
GRESB Score 2022
100% Arcano Earth Fund **80%** Arcano Value Added II

Members of **FAIRR** A COLLIER INITIATIVE

ARCANO **IESE** Impact Investing Competition
Partnership for university impact projects

ACUMEN ACADEMY
Collaboration with Open Value Foundation to support Acumen Academy Spain

ICI Initiative Climate International
Private equity action on climate change
ICI Training Materials working group participants

2009

2012

2015

2018

2019

2020

2021

2022

Arcano's ESG and impact funds

SUSTAINABLE INFRASTRUCTURES
Arcano Earth Fund

CREDIT STRATEGIES
Arcano LOVEI ESG Selection

REAL STATE
Impact Andalusia - Sustainable Urban Development Fund

PRIVATE EQUITY
Arcano Impact Private Equity Fund

SUSTAINABLE INFRASTRUCTURES
Arcano Earth Fund II & Art.9 SFDR Arcblue

CREDIT STRATEGIES
Arcano EIF & ESFF ESG Selection

Pioneers

in innovative ESG products

2018

Arcano Earth Fund:

a fund that invests in sustainable infrastructure in the US and Europe, promoting ESG criteria and sustainable development goals through investment in funds and co-investments whose underlying assets are mainly infrastructures focused on energy transition, water, sustainable transportation, and digital infrastructure.

Arcano Low Volatility European Income Fund–ESG Selection:

investment in European corporate bonds and loans where, since September 2019, ESG criteria are integrated in 100% of the portfolio.

2019

Arcano Impacto Andalucía:

a fund with the aim of boosting sustainable urban development in Andalusia with resources from the European Investment Bank (EIB), through the promotion of smart cities, support for energy efficiency in public infrastructure, the development of sustainable urban mobility, investment in waste management, the improvement and modernization of water facilities, and actions to protect cultural heritage and infrastructure that promote social inclusion. In 2022, the EIB has decided to extend the financing to EUR 74 million in addition to the EUR 100 million initially committed.

2020

Arcano Impact Private Equity Fund:

a fund with the goal of investing in managers that take positions in companies generating a social and environmental impact while providing a financial return to our investors. This product is focused on four impact themes: contributing to the ecological transition, promoting health and well-being, developing sustainable ecosystems, and ensuring quality and equal-access education.

2021

Arcano Earth Fund II: a fund that invests in sustainable infrastructure, with a special focus on energy transition, digital infrastructure, sustainable transportation and water and waste treatment infrastructure, building an optimal portfolio of geographically and sector diversified assets.

European Senior Floating Rate Fund–ESG Selection (ESFF):

a fund that promotes ESG in 100% of the portfolio through investment in syndicated senior secured loans and floating rate notes of European companies.

Arcano European Income Fund–ESG Selection (EIF):

a fund that promotes ESG in 100% of the portfolio through investment in a diversified range of fixed income instruments, such as senior secured liquid loans, floating rate notes, short duration high-yield and fixed-rate bonds of medium and large European companies, and an allocation of up to 10% in senior secured direct loans.



Throughout this chapter we analyze the ESG performance of products where responsible investment is most relevant. To this end, we use indicators and case studies to highlight the progress we have made and the opportunities for improvement



Responsible Investment

in Private Equity



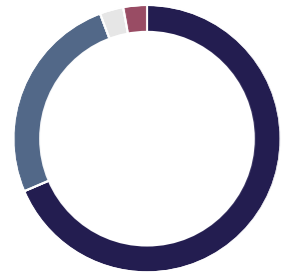
Through this strategy, we invest in private companies through commitments in primary funds, secondary market transactions, and direct co-investments, offering a global solution to both our investors and the managers we work with. Thanks to this flexibility and to the integration of ESG criteria we can offer investment vehicles that generate attractive and sustainable returns over the long term. Since 2005, we have invested and advised over EUR 5.5 billion through more than 30 investment programs that have invested in over 300 private equity funds mainly focused on buyout and growth capital strategies in Europe and North America.

Private Equity: results of ESG analysis on Arcano Secondary Fund XIV

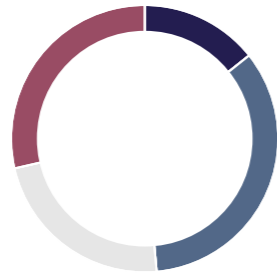
PRE - investment

Manager commitment

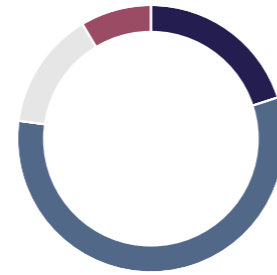
Investment



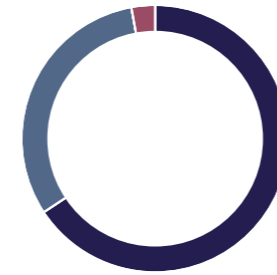
ESG Investment Policy



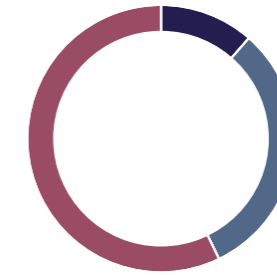
ESG Commitment



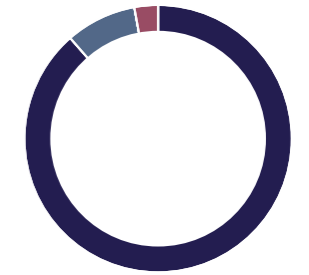
Governance & Accountability



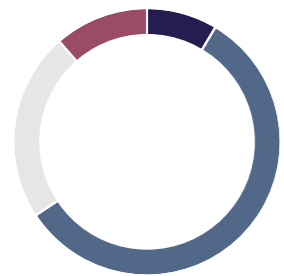
ESG in Due Diligence



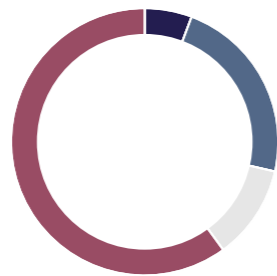
ESG in valuation



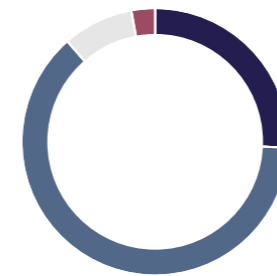
ESG in Deal Structuring



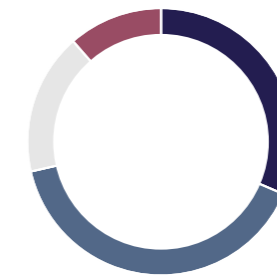
Training



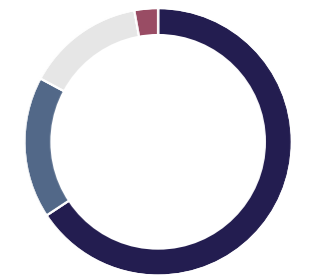
External Contribution ESG



IC - ESG Risks & Opp



IC - Climate Change Risks & Opp

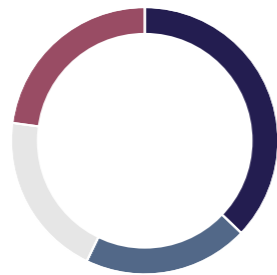


Post-IC Approval

Screening



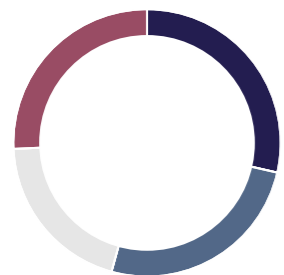
ESG Screening Process



Negative Screening



Best-In-Class

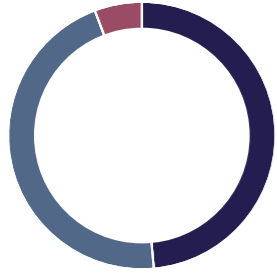


End-In-Mind ESG Screening

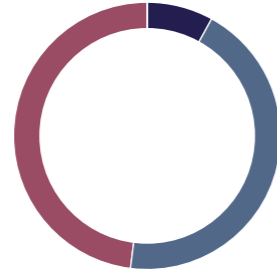


POST - investment

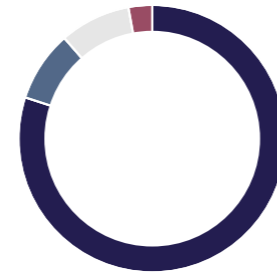
Monitoring



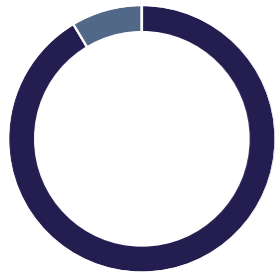
ESG team



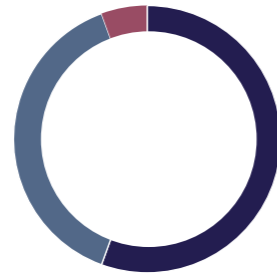
Compensation Linked to ESG



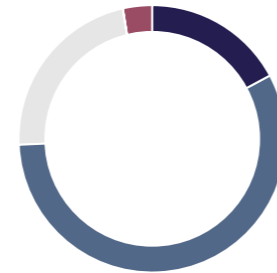
Fund Level - Monitoring



Troubleshooting

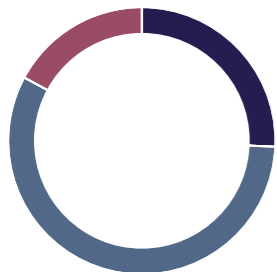


Company Level - Monitoring



Exit ESG Assessment

Reporting



ESG Discussion with Buyer



Internal



External



Arcano Impact Private Equity Fund

Arcano Impact Private Equity Fund (AIPEF) is a thematic impact private equity fund with an investment approach that supports attractive companies that address key global, social, and environmental challenges, while seeking attractive returns. Through AIPEF, we are building a diversified portfolio of over 300 companies in Europe and the US whose mission is aligned with the United Nations Sustainable Development Goals and the creation of a more sustainable world. More specifically, this fund focuses on four impact investment themes: health and well-being, quality education, ecological transition, and agribusiness and sustainable food.

Investment strategy

Impact themes and impact strategy

100%

Generalist approach across four themes

100%

Profitable purpose-driven & thematic funds

Investment strategy and investment type

> 80%

Buyout & capital expansion

< 20%

Venture Capital

> 70%

Primary

< 30%

Secondary & co-investments

Geographic diversification and regulatory classification

> 80%

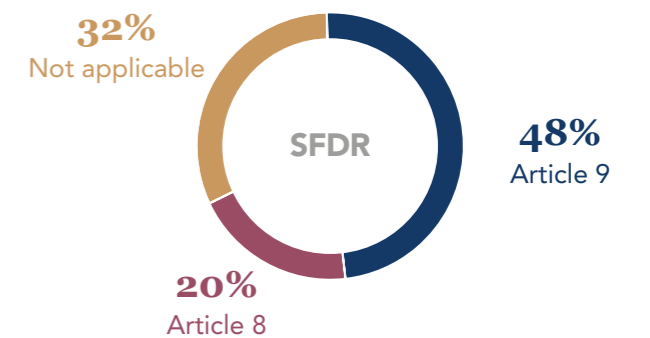
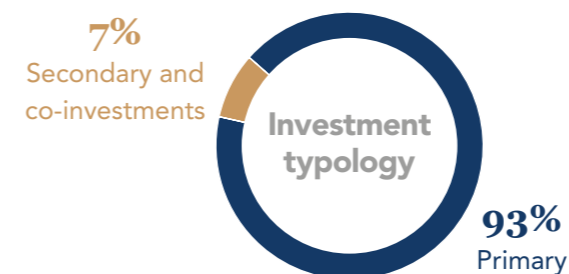
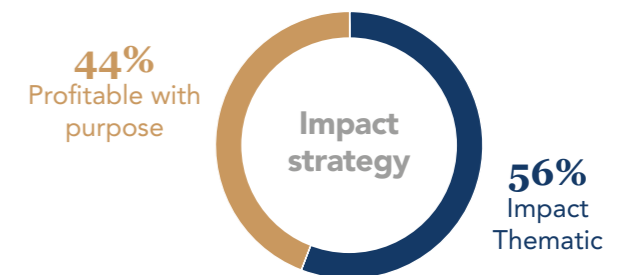
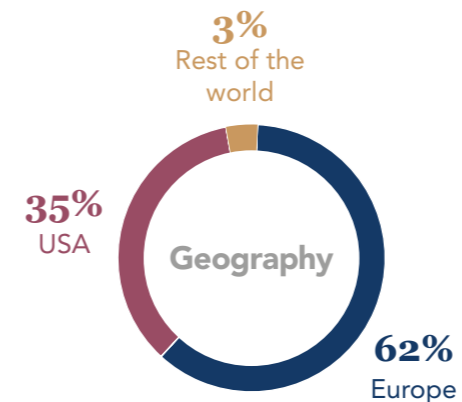
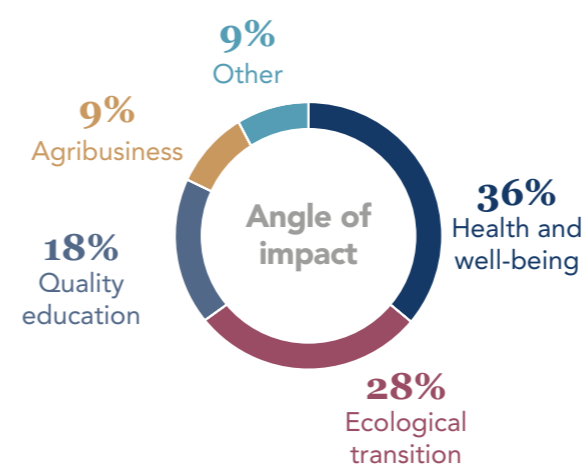
US & Europe

< 20%

Rest of the world

Diversified portfolio in line with the investment strategy

Current portfolio

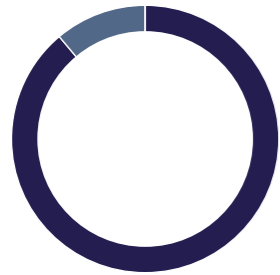


ESG analysis at Arcano Impact Private Equity Fund

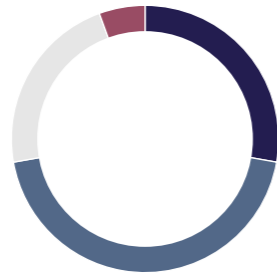
PRE - investment

Manager commitment

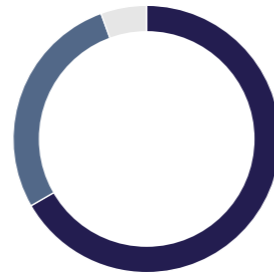
Investment



ESG Investment Policy



ESG Commitment



Governance & Accountability



ESG in Due Diligence



ESG in valuation



ESG in Deal Structuring



Training



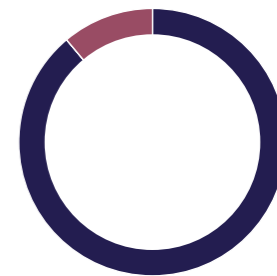
External Contribution ESG



IC - ESG Risks & Opp

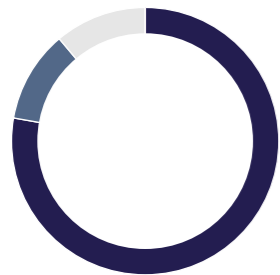


IC - Climate Change Risks & Opp

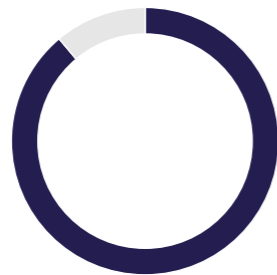


Post-IC Approval

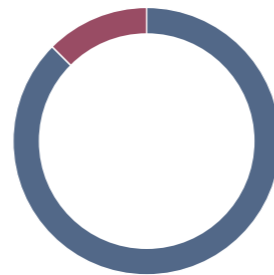
Screening



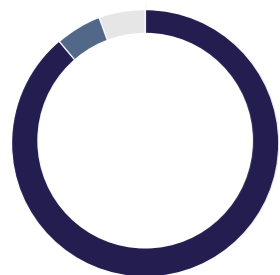
ESG Screening Process



Negative Screening



Best-In-Class

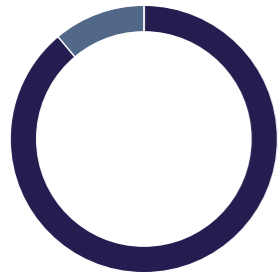


End-In-Mind ESG Screening

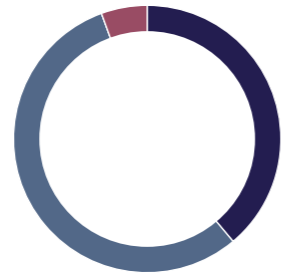


POST - investment

Monitoring



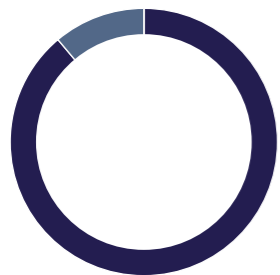
ESG team



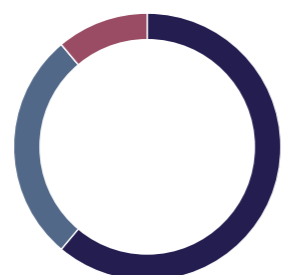
Compensation Linked to ESG



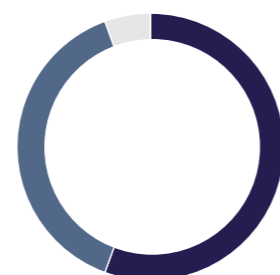
Fund Level - Monitoring



Troubleshooting

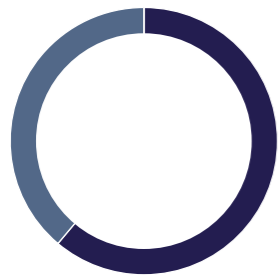


Company Level - Monitoring



Exit ESG Assessment

Reporting



ESG Discussion with Buyer



Internal



External



Case study

Ara Partners

Ara Partners is a thematic impact manager focused on the green transition. Its main goal is to invest in companies that are developing new processes to decarbonize the most essential industries. Using new technologies, these companies directly favor the reduction of carbon emissions and waste associated with the manufacturing processes of everyday products.

Founded in 2018 and with offices in the United States and Europe, Ara launched its first fund in 2018. Since then, it has launched two additional funds, with AIPEF as an investor. Ara has invested in more than 20 companies operating in such relevant industries as (i) the food sector, with the company Divert, focused on reducing food waste as much as possible, as well as processing it to produce renewable energy; or (ii) the industrial sector, through companies such as Puraglobe, focused on processing and regenerating used industrial oils, transforming them into oils and lubricants with a sustainable base.

Ara Partners seeks to invest in companies that promote new processes to decarbonize the most essential industries

Through the close relationship with Ara, the AIPEF team has been able to observe the manager's clear evolution in terms of its sustainability and impact policies and methodologies. Originally, Ara classified its Fund II in 2020 as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). As a result of regulatory developments and the manager's constant progress in relation to its impact commitment, Ara has designated its latest 2022 fund as Article 9. This decision has been driven by the rigorous impact measurement and management framework it has developed internally. Its goal is to identify companies that offer the best alternative in terms of carbon emissions

reduction and waste management, as well as to set impact targets and measure and report on the generated results. In addition, Ara has a further objective: that each portfolio company sets a net zero target during the first two years of investment.

To achieve ESG and impact objectives, Ara follows the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and assesses the contribution of companies to the United Nations' SDGs, including SDG 7 (Affordable and Clean Energy) and SDG 12 (Responsible Production and Consumption).



Case study

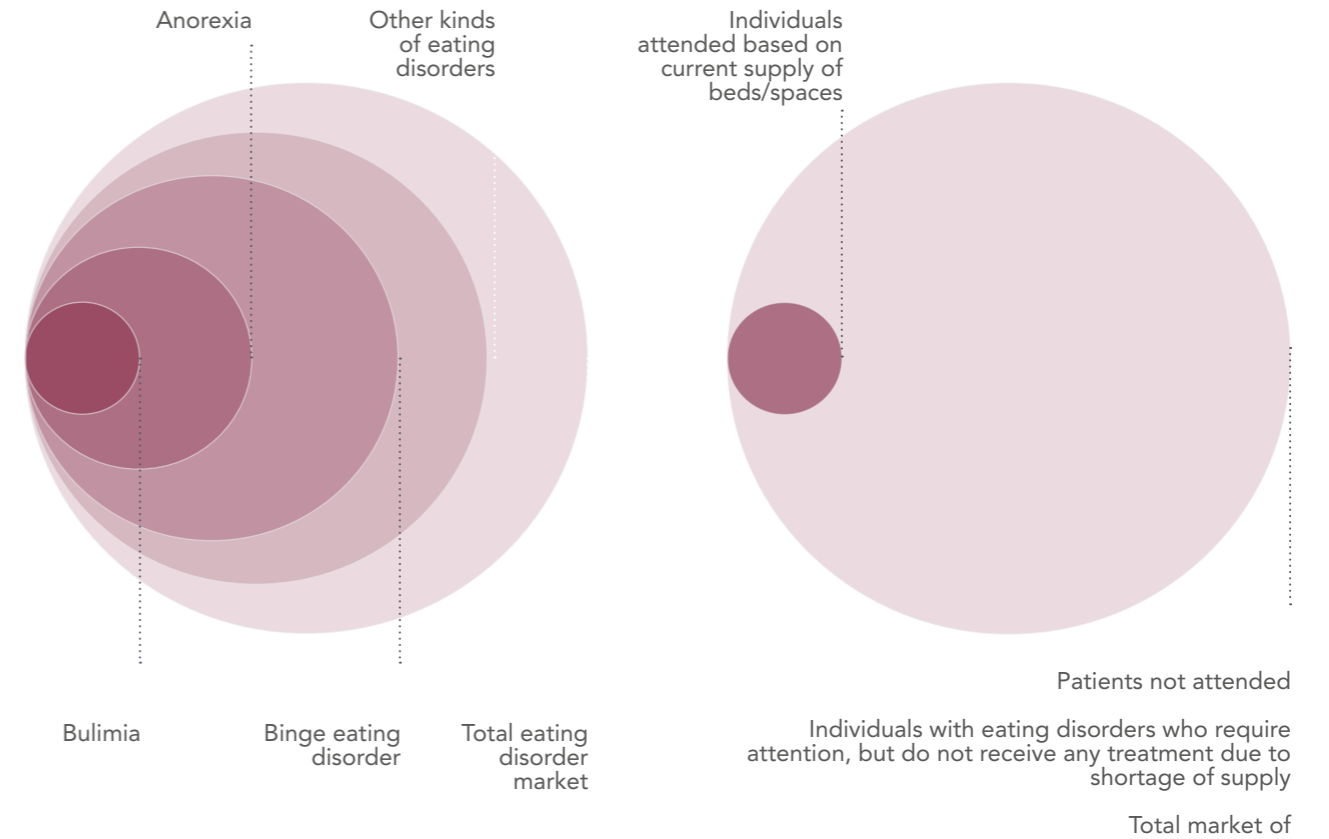
Monte Nido

Monte Nido is a leading provider of eating disorder recovery services in the United States. The company operates through a comprehensive treatment model, offering an array of services tailored to patient's needs. Due to the different degrees of severity at which patients may find themselves, Monte Nido offers everything from hospitalization programs (for individuals who are in a more serious condition) to residential, intensive outpatient and partial treatment programs. This comprehensive treatment model allows Monte Nido to provide a quality service, adapting to the patient's distinctive features, while helping to extend the treatments that best suit them and obtaining optimal clinical outcomes.

Thanks to the kind of specialized service provided by Monte Nido, the treatment's effectiveness has improved over the years. Proof of this is an increase in the number of fully completed treatments and a significant reduction in voluntary discharges in the early stages. Monte Nido is a clear example of Value Based Healthcare (VBHC), a new healthcare model based on results and the effective value provided to the patients, reducing associated costs and variability in results.

Total Eating Disorders (ED) market in the United States...

...defined by a significant imbalance between supply and demand



Monte Nido – Impact Management Project

What?

What problem does it address the company's product/service?

Activity:

Provider of eating disorder (ED) recovery services in the United States, offering a range of services tailored to patient's needs, from hospitalization, residential, intensive outpatient, and partial hospitalization programs.

SDGs Addressed:



Ensure healthy lives and promote well-being for all at all ages.

Goal 3.8. Achieving universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality, and affordable medicines and vaccines for all.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 9.1. Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Kind of impact:

Monte Nido's activity generates a social impact focused on the health, well-being, and care of its patients.

Who?

Who is experiencing the outcome and how neglected are they?

Affected beneficiaries:

Adults and adolescents with eating disorders in the United States, including those with bulimia and anorexia nervosa. The total market of people with diagnosed eating disorders targeted by the company is \$30 million (~9% of the population), out of which only ~10% is estimated to have received treatment and only 35% in a specialized center. This is largely due to limited health insurance coverage and to existing social stigmatization.

See chart.

Geographic Scope:



Current situation/unresolved problem:

There are currently ~5 million people in the United States who suffer from eating disorders across several demographic groups, but most commonly among females, mostly between the ages of 12 and 29. Most eating disorders coexist with other mental disorders such as anxiety, depression, obsessive-compulsive disorders, addictions, and other medical problems such as diabetes or food allergies, among others.

The diagnosis of people with eating disorders is expected to grow at a CAGR of 8-12% between 2022-27, largely driven by increasing social awareness, more holistic insurance coverage, favorable government regulations, and a growing mental health crisis exacerbated by the COVID-19 pandemic. Monte Nido is one of the few institutions nationwide that provides comprehensive care services in 15 US states, admitting patients with different degrees of severity, and is consistently recommended by medical professionals.

Contribution

How does the activity of the company contribute to society or to the environment?

Monte Nido:

Maximize clinical outcomes for patients by providing effective, high-quality treatments. Monte Nido has shown at the time of patient discharge a 75% and 81% decrease in anxiety and post-traumatic stress symptoms, respectively, and a 90% improvement in the patient's physical and mental state.

Revelstoke:

Revelstoke has a dedicated mental health team that has been actively seeking platforms in this segment, since it is considered an underserved investment area and very resilient in times of economic downturn, given that it is largely uncorrelated to macroeconomic factors. Likewise, Monte Nido provides the opportunity to expand inorganically, as the market is highly fragmented and unconsolidated.



Risks

Probability that the impact be different than expected

External risk:

The main risk is increased voluntary employee turnover, which may affect clinical outcomes. The risk is endemic to the industry, but its duration is limited.

How many?

How many clients experienced the result? To what extent did they experience a change and for how long?

The company will select one or more of these indicators to measure impact:

Activity indicators

(related to increased access and volume of medical care):

- No. of patients treated at the centers
- No. of new patients accessing the services
- Occupancy rate

Outcome indicators

(related to improvement in the patient's health):

- % of expected/unanticipated outcomes
- Average length of stay

Indicators of change

(related to scope of care):

- Treatment success rate/treatment failure rate
- Body Mass Index (BMI) recovery
- Reduction in anxiety and depression rate





In 2021, we launched our second sustainable infrastructure fund, Arcano Earth Fund II (AEF II), which follows the successful strategy of its predecessor, the Arcano Earth Fund (AEF), building an optimal portfolio of geographically and sector diversified sustainable infrastructure assets

Responsible
In
vest
ment
in Sustainable Infrastructure



Since launching in 2019, we have invested through primary, secondary and co-investments in sustainable infrastructure primarily in Europe and North America, with a particular focus on energy transition, digital infrastructure, sustainable transportation, and water and waste treatment infrastructure. In 2021, we launched our second sustainable infrastructure fund, Arcano Earth Fund II (AEF II), which follows the successful strategy of its predecessor, Arcano Earth Fund (AEF), building an optimal portfolio of geographically and sector diversified sustainable infrastructure assets. A focus on the strictest ESG criteria and an impact measurement angle are key to the strategy.

Case study

Madison Energy Investments (“Madison” or “MEI”)

Investment through Stonepeak Global Renewables Fund (“GRF”) in MEI, a company that develops, builds and operates commercial & industrial (“C&I”) solar assets across North America.

386

MW of owned and exclusive renewable energy capacity

~200k

Metric tons of GHG emissions avoided since Stonepeak’s investment

+44k

Equivalent passenger vehicles off the road¹

42%

Of employees are diverse¹

~20%

Saving on the electricity bill of Madison’s customers (on average)¹

3/6

Stonepeak board representation¹

Key Takeaway



Madison develops C&I solar assets in North America targeting partnerships with organizations such as public schools, universities, municipalities, healthcare facilities, and corporations to help them meet their sustainability and energy affordability goals by implementing solar into their energy portfolio.



Madison provides renewable energy solutions at no upfront costs and with significant long-term savings. While doing so, the Madison team assists customers in reducing their Scope 2 GHG emissions.

c.200k

Metric tons of GHG emissions

Since Stonepeak’s investment in 2019, Madison Energy put into operation a total of ~148MW of solar capacity, and there is currently ~238MW in construction or development, which results in c.200k metric tons of GHG emissions avoided since Stonepeak’s investment.

Exit

In early 2023, Stonepeak sold the asset for what we believe are great returns while having a positive impact on the reduction of CO₂ emissions of MEI’s customers

NOTE: On February 16, 2023, Stonepeak closed the transaction (announced on December 20, 2022) selling 100% of MEI to EQT Partners Inc.

1. All statistics as at December 2022.



Case study

Project Swiss4Net

Investment through Arcus European Infrastructure Fund 2 ("AEIF2") in Swiss4net, a company that develops, builds and operates fiber optic networks in rural areas in Switzerland, helping to bridge the digital divide.

0

Target of 0 net emissions by 2050

0

tCO₂e Scope 1 emissions in 2022

5

tCO₂e Scope 2 emissions in 2022

1.918

tCO₂e Scope 3 emissions in 2022

100%

Of the energy consumption is sourced from renewable energy

94%

GRESB 2022 asset evaluation score, ranking first out of all fiber optic assets

Key Takeaway



AEIF 2 is a proven leader in ESG. In fact, Arcus and its portfolio companies have been recognized with four "Sector Leader" awards by GRESB, demonstrating AEF's strong commitment to investing in leading sustainability managers.

94%
GRESB

Specifically, Swiss4net scored 94% in the GRESB assessment, making it the highest-ranked company in fiber optic assets.



Swiss4net provides high-speed, high-quality connectivity in low population density areas in Switzerland, which is key to improving education standards and job creation in these areas. In this way, Swiss4net helps to reduce the digital divide between rural and urban areas in Switzerland.

29.247

Homes in less densely populated areas connected to fiber at year end 2022

50%

Of employees are women

0

H&S incidents in 2022

100%

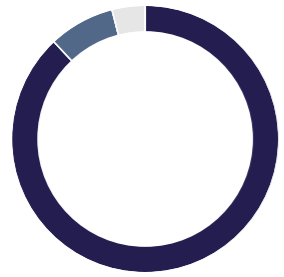
Attendance of Arcus representatives at the Board meeting



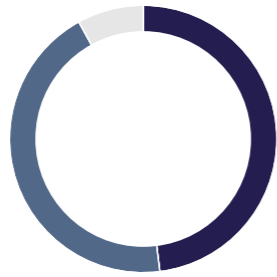
Sustainable infrastructure: results of ESG analysis in Arcano Earth Fund and Arcano Earth Fund III

PRE - investment

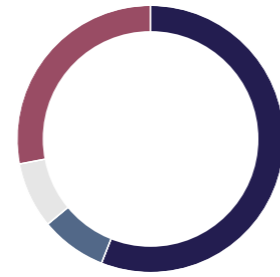
Manager commitment



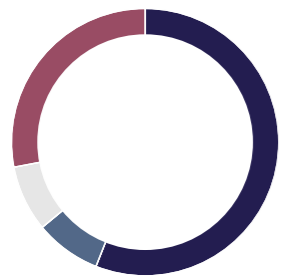
ESG Investment Policy



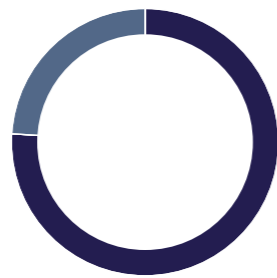
ESG Commitment



Governance & Accountability

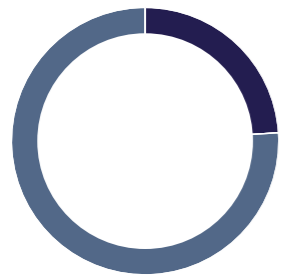


Training

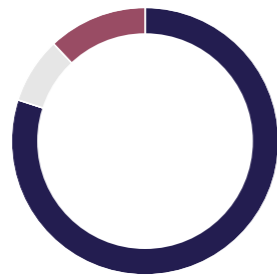


External Contribution ESG

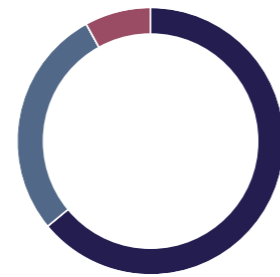
Screening



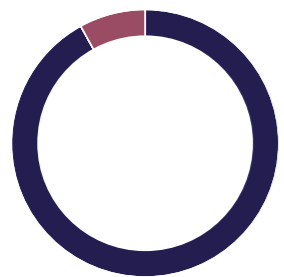
ESG Screening Process



Negative Screening

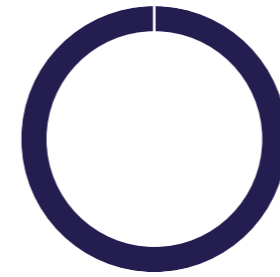


Best-In-Class

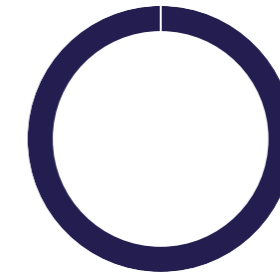


End-In-Mind ESG Screening

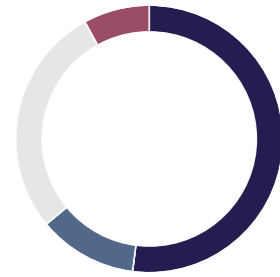
Investment



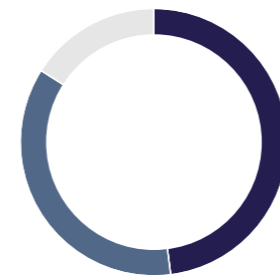
ESG in Due Diligence



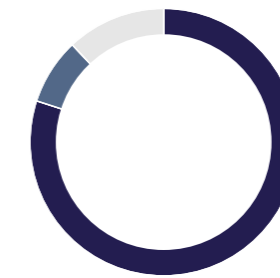
ESG in valuation



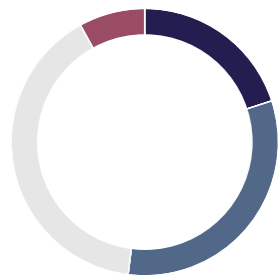
ESG in Deal Structuring



IC - ESG Risks & Opp



IC - Climate Change Risks & Opp

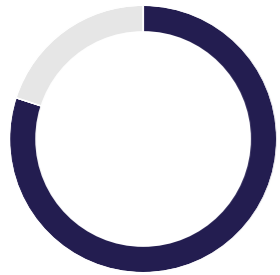


Post-IC Approval

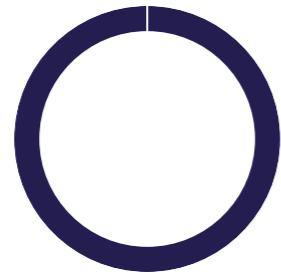


POST - investment

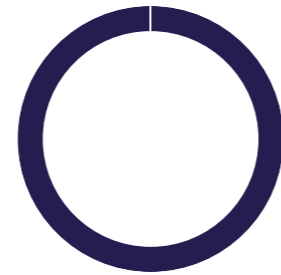
Monitoring



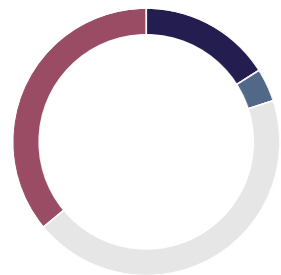
ESG team



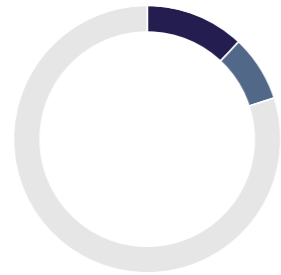
Compensation Linked to ESG



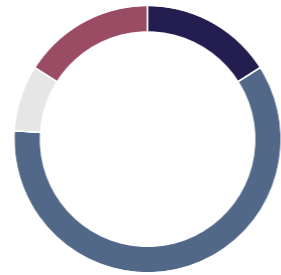
Fund Level - Monitoring



Troubleshooting

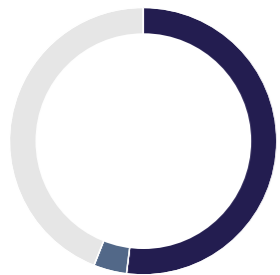


Company Level - Monitoring

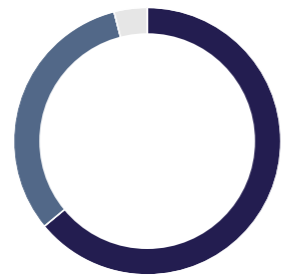


Exit ESG Assessment

Reporting



ESG Discussion with Buyer



Internal



External





Responsible Investment in Venture Capital

During this time, we have been developing relationships with some of the most well-known managers in the industry, mainly in Silicon Valley

At Arcano, we have been investing in Venture Capital (VC) for more than eleven years. During this period, we have been developing relationships with some of the most well-known managers in the industry, mainly in Silicon Valley. This journey culminated with the launching of Balboa Ventures in 2020, our strategy for investing in primary funds through participations in the best VC funds in the US, Europe, and Israel, in addition to having the flexibility to carrying out secondary and co-investment operations.

At Arcano, we believe that the importance and impact of technology will continue to be more important than ever, not only because of the digital revolution we have been experiencing for more than 40 years, but also as a driver of progress and economic growth. In this strategy, investment through funds is particularly relevant since there is greater dispersion of returns among managers and access to the best is very restricted.

In relation to ESG, we have observed that VC funds are starting to move forward as they are perceived as a way of mitigating risks and identifying opportunities in the investment process. As investors, we believe that ESG issues should be a key area because of the role that these funds play in the markets and in the design of tomorrow's economy. Therefore, for some years now, we have been designing an evaluation system to detect our manager's commitment, as well as their progress in terms of responsible investment.

Case study

Base10 Advancement Initiative

Last year, we presented Base10's Advancement Initiative, a pioneering initiative through which the fund manager pledged to donate 50% of the next fund's success fee to launch a 100,000-scholarship program at universities attended mostly by African-American students to finance their education in science, technology, engineering, and mathematics (STEM fields).



Last year the manager identified the impact indicators that will be monitored, which are the following:

Regarding students:



Number of students served through Handshake CareerCon: an event for students to learn about cutting-edge tech jobs.



Number of students attending the CodePath job fair: a technology job fair that builds community and helps students direct their careers.



Number of students and alumni featured on social media.

Regarding the universities:



Number of universities participating in the promotional initiative.



Number of scholarships advanced through Nubank and Figma. Nubank is the largest fintech bank in Latin America and Figma is a collaborative interface design web application.



Other engagements with universities in the fiscal year.

In 2022, Base10 has made significant progress as a manager, such as:



Launching the Employee Resource Groups initiative: employee groups that seek to address diversity, inclusion, and equity issues in the workplace, with the goal of creating a more inclusive work environment and supporting diversity and inclusion initiatives. The firm is also developing internal diversity statistics.



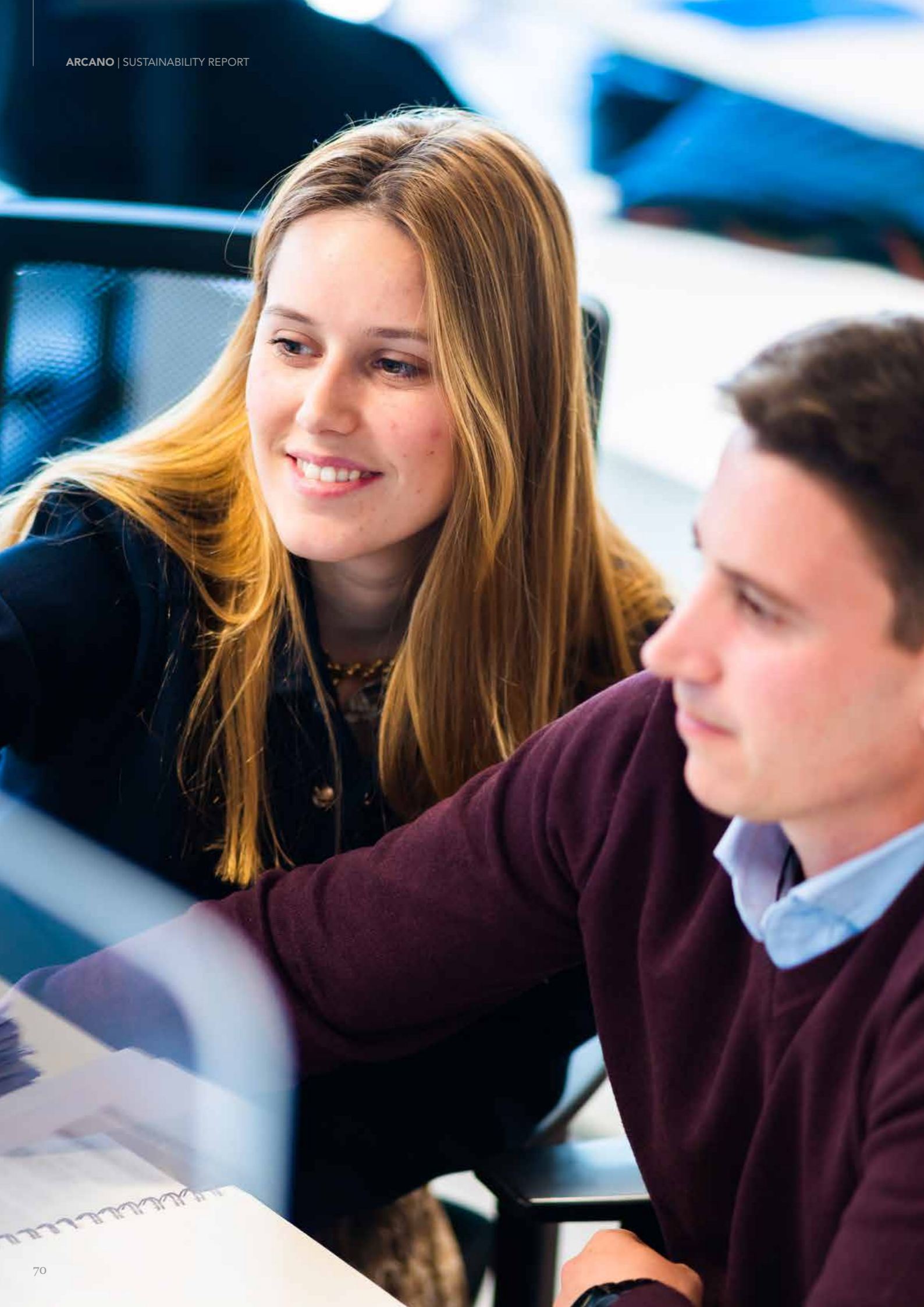
Producing a carbon neutrality report where tons of firm-wide carbon emissions are calculated.



Finally, Base10 is actively collaborating with key organizations in responsible and impact investing such as UNPRI, RI Labs, CodePath.



Base10 has joined the ESG Data Convergence Initiative, which is promoted by CALPers, among other investors, to collect portfolio company-level sustainability data.



Responsible Investment

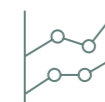
in Credit Strategies



The liquid credit strategies are focused on investing in high-yield bonds and loans in European companies. We currently manage more than EUR 2 billion in assets through ten funds, three of which are liquid and ESG. The credit strategies area is made up of a multicultural team of seventeen experienced analysts.

In 2018, the Arcano Credit Strategies (CS) team launched the Low Volatility European Income Fund - ESG Selection (hereafter, LOVEI), becoming the first Spanish fund manager to offer a fixed income fund with ESG criteria. In 2019, the fund obtained the LuxFLAG label, which recognizes the funds that incorporate this type of integration analysis in their investment decisions. In 2021, the team systematically incorporated ESG issues into the investment analysis of the European Income Fund.

- ESG Selection and the European Senior Floating Rate Fund
- ESG Selection.



European Senior Floating Rate Fund – ESG Selection:

Promotes ESG characteristics in 100% of the portfolio through investment in syndicated senior secured loans and floating rate bonds of European companies: [Link to policy](#).



European Income Fund – ESG Selection:

Promotes ESG characteristics in 100% of its portfolio through investment in a diversified range of fixed income instruments. Instruments used include senior secured liquid loans, floating rate bonds, short-duration high-yield bonds and fixed-rate bonds of medium-and large-sized European companies, and an allocation of up to 10% in senior secured direct lending: [Link to policy](#).

Low Volatility European Income Fund ESG Selection

LoVEI is an active, responsible and ESG investment strategy with daily liquidity focused on recurring income and protection against volatility in the European fixed income market.

LoVEI's approach to portfolio construction is based on the three main ESG investment categories established by the Global Sustainable Investment Alliance:

ESG Integration

ESG issues are fully integrated into the investment decision-making process and are described and discussed in the recommendations of analysts and in all investment committees. The Arcano ESG score assigned to each line is discussed by the committee and voted on by consensus. This is the same approach the committee takes for investment decisions.

Negative selection

Any potential investment that does not pass our negative screening is automatically discarded.

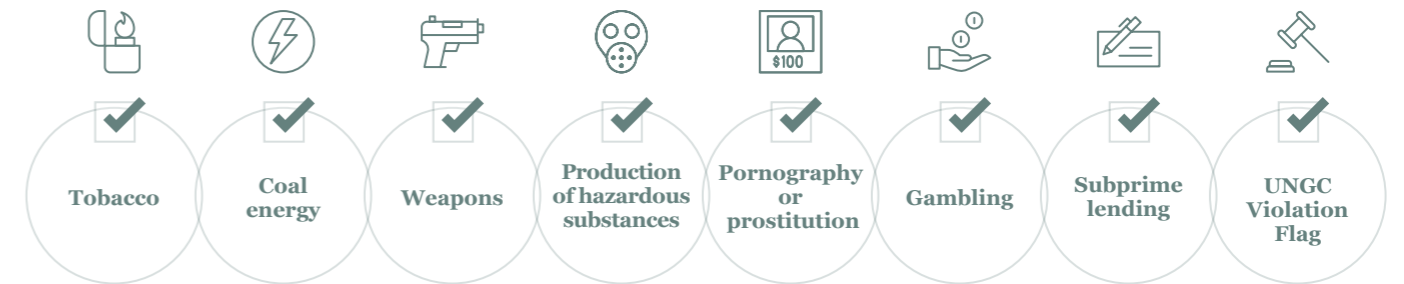
Positive/best-in-class selection

Assigning an Arcano ESG score to each portfolio company allows the sectors/companies with the best or fastest growing ESG performance to carry more weight.

ESG fund data

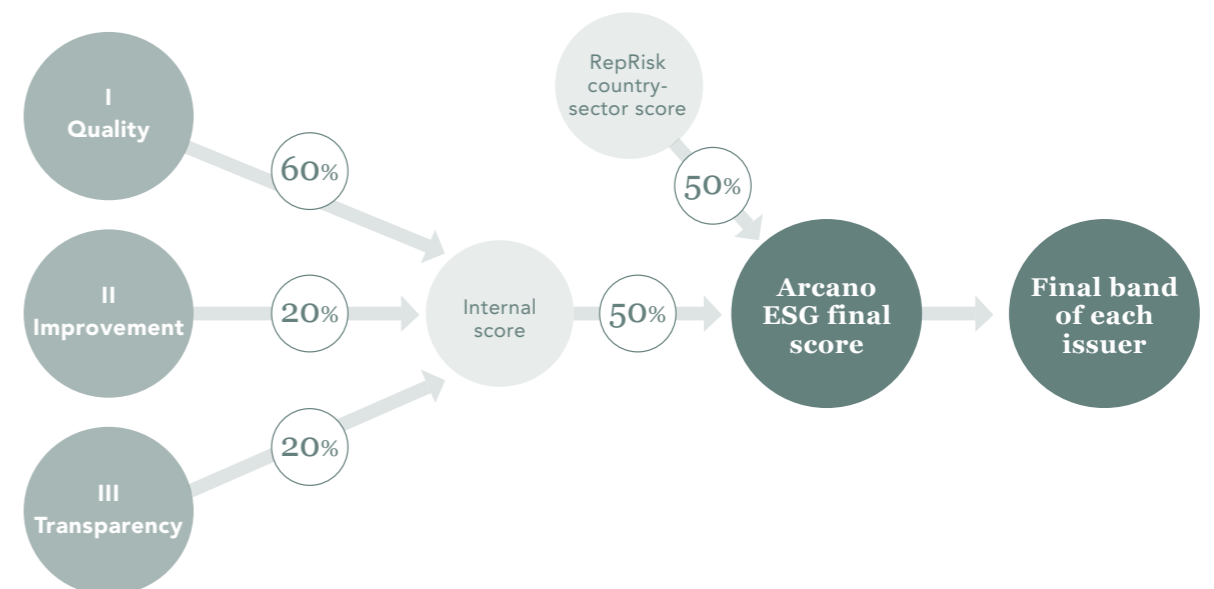
<p>5 stars ★★★★★ Arcano Credit UN PRI 2021 Rating</p>	<p>UN PRI signatory since 2009</p>	<p>LUXFLAG label since 2019</p>
<p>Art. 8 SFDR</p>	<p>RepRisk SpreadResearch Independent provider of ESG analysis</p>	
<p>27 Prom. RepRisk Country Sector Risk Scale 0-100, 0 is better.</p>	<p>63 Spread Research average score Scale 0-100, 100 is better.</p>	<p>January 22 2018 Initial date</p>
<p>UCITS SICAV Investment vehicle (daily liquidity)</p>	<p>Luxembourg Country of residence</p>	<p>349M€ AUM</p>
	<p>15.3% Asset allocation not aligned with the promotion of A/S characteristics The percentage corresponds to the fund's cash.</p>	

Negative screening

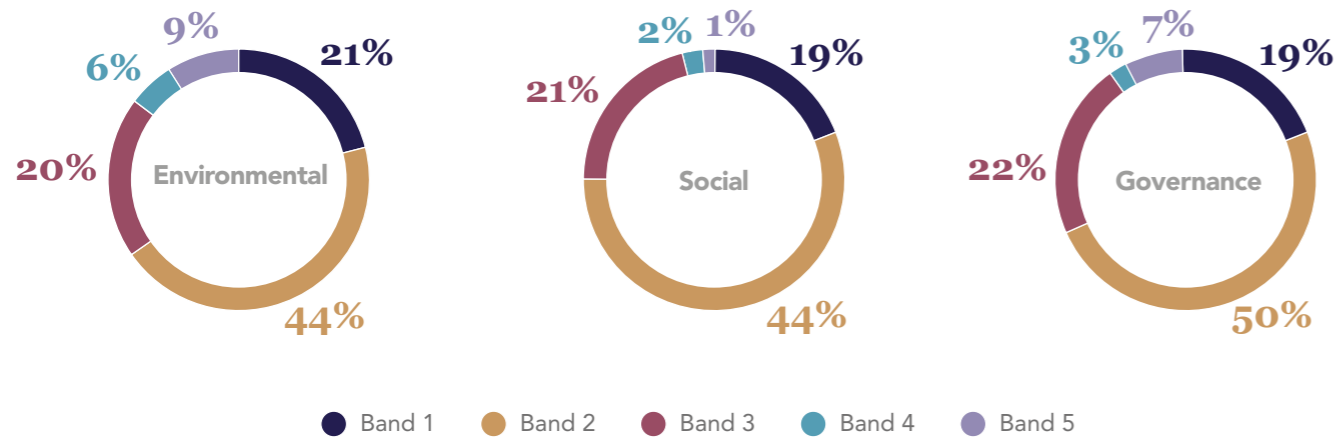


Band	Arcano ESG Score	Allocation Limit	% of the fund	vs previous Q
Band 1	Note ≥ 80	No weighting limit	34,8%	31,0%
Band 2	60 ≤ Note < 80	Max 3.5% per issuer	60,7%	61,9%
Band 3	40 ≤ Note < 60	Max 2.75% per issuer. Total amount < 40% of portfolio assigned	4,6%	7,1%
Band 4	20 ≤ Note < 40	Max 2% per issuer. Total amount < 15% of portfolio assigned	0,0%	0,0%
Band 5	Note < 20	Excluded and ineligible. If the issuer falls into this bracket, it is sold within 1m	0,0%	0,0%

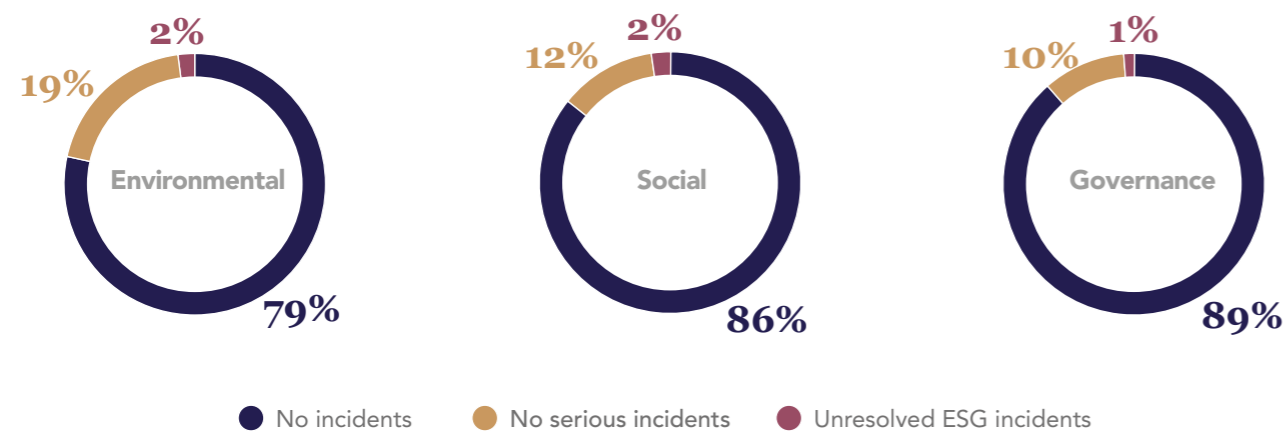
Calculating the Arcano score



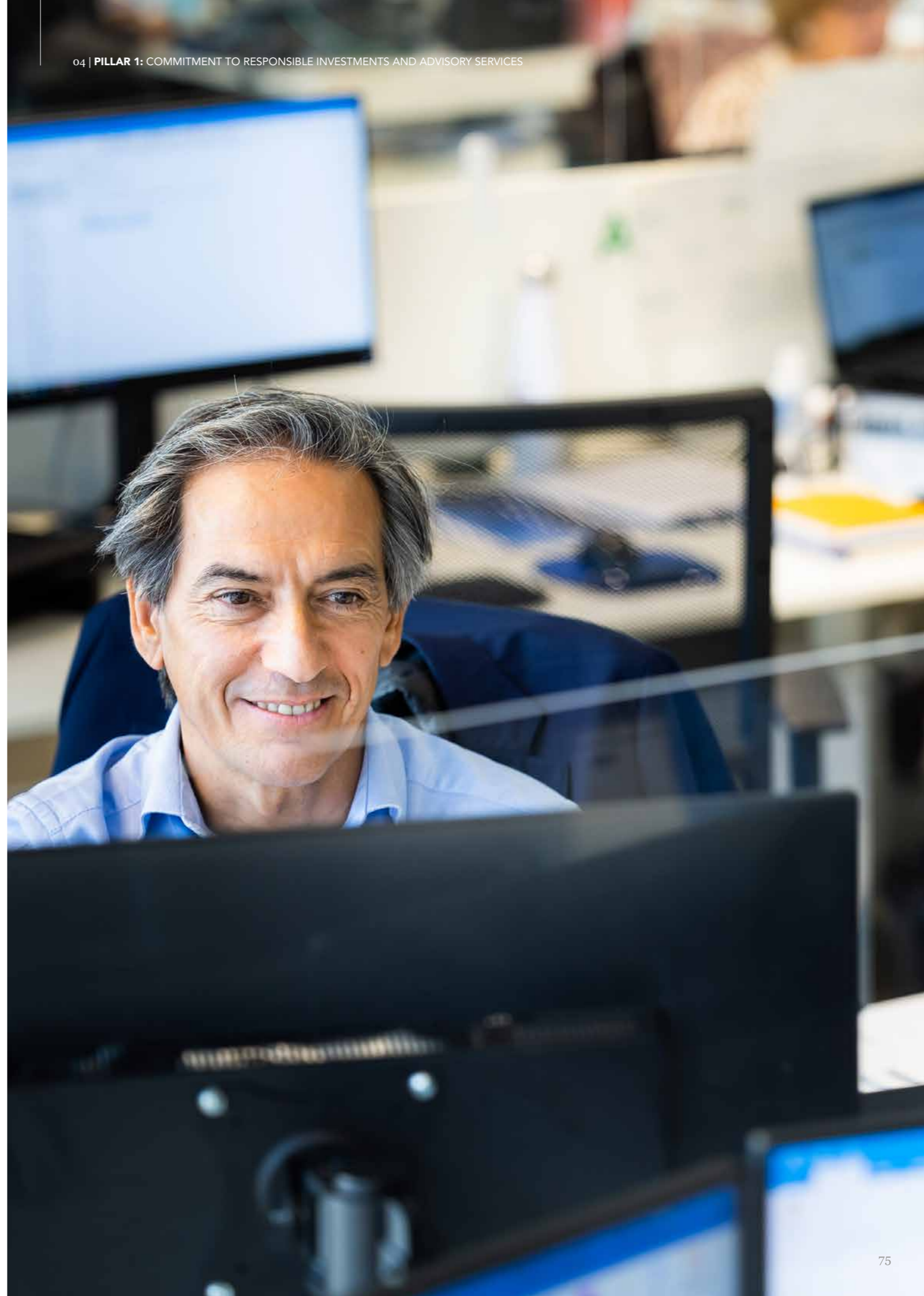
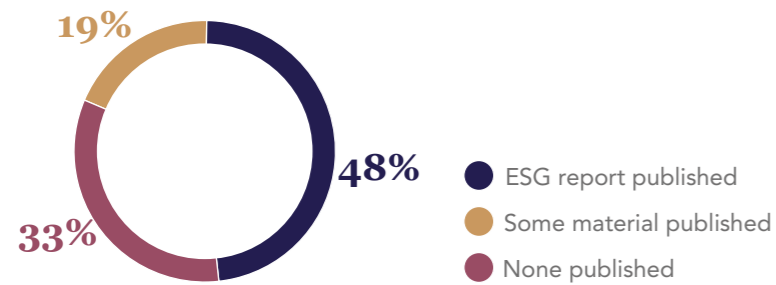
I) Quality - How are companies performing in terms of E, S, G?



II) Improvement - How are companies managing ESG incidents?



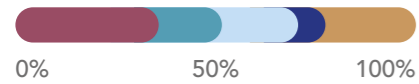
III) Transparency - Does the company publish ESG information?



I) Quality - Score detail

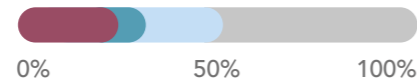
Environmental

Existence of an environmental policy



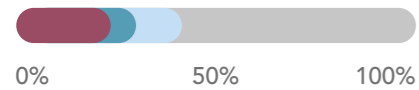
- High
- Medium-high
- Medium
- Medium-low
- No environmental policy

Energy consumption



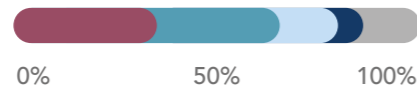
- Increased
- Stable
- Decreased
- Not shared

Greenhouse gas emissions



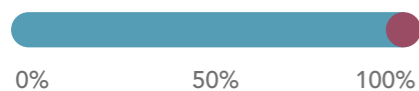
- Increased
- Stable
- Decreased
- Not shared

Geographic exposure to natural disasters



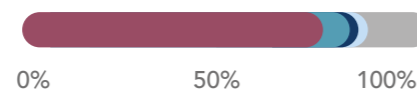
- High
- Medium-high
- Low
- Very low
- Not shared

CAPEX in risk locations



- Presence of CAPEX in risky environmental locations
- No CAPEX in risky environmental locations

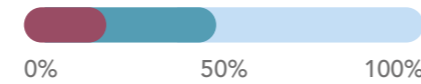
Level of environmental controversies



- No major controversies
- One or more controversies with no impact
- Several small or one significant controversy
- Controversies identified
- Not shared

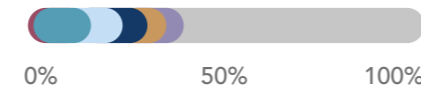
Social

Importance of human resources



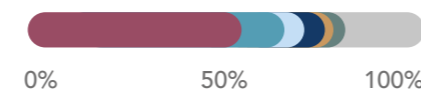
- No group HR director
- Group HR director
- Group HR director member of the Executive Committee

Accident frequency



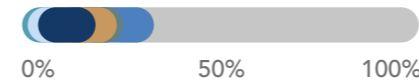
- <0,5
- 0,5-3
- 03-Jun
- 22-Oct
- 15-Oct
- >15
- Not shared

Restructuring provisions as % of EBITDA



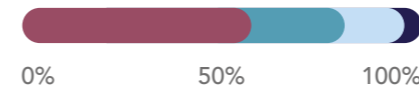
- <2,5%
- 2,5-5%
- 5-10%
- 10-15%
- 15-20%
- 20-25%
- >25%
- Not shared

Staff turnover



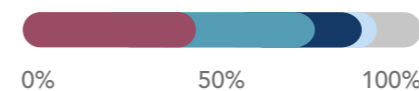
- <3,5%
- 3,5-5%
- 5-8%
- 8-12%
- 12-15%
- 15-18%
- 18-25%
- >25%
- Not shared

Share of workforce in countries with human rights issues



- 0%
- 0-10%
- 10-20%
- 20-50%

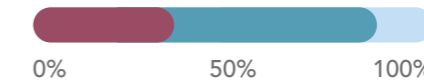
Level of social controversies



- No major controversies
- One or more controversies with no impact
- Several small or one significant controversy
- Controversies identified
- Not shared

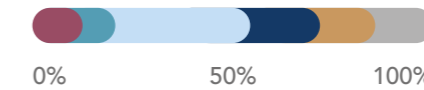
Governance

Nature of shareholders



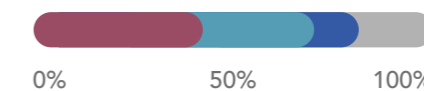
- Family-owned or listed company
- Leading private equity fund company
- Small private equity fund

% of board members with experience



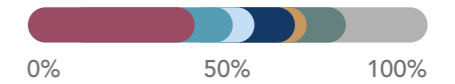
- 50%
- 50-60%
- 60-80%
- 80-90%
- 100%
- Not shared

% of independent audit committee members



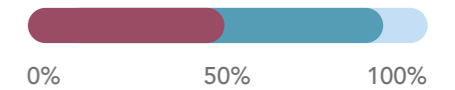
- <50%
- 50-99%
- 100%
- Not shared

Independence of the Board of Directors



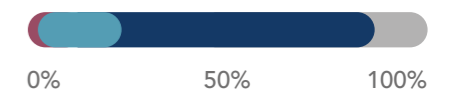
- <30%
- 30-40%
- 40-50%
- 50-60%
- 60-70%
- 70-100%
- Not shared

Separation of Chairman and CEO



- Combined Chairman-CEO
- Chairman - different but not independent CEO
- Chairman - different and independent CEO

Complexity of the shareholder structure



- Complex corporate structure
- Intermediate
- All subsidiaries are 100% owned and restricted
- Not shared

European Senior Floating Rate Fund ESG Selection

ESFF is an ESG fund that seeks to generate attractive levels of recurring income while maintaining low volatility, without duration.

ESFF's approach to portfolio construction is based on the three main ESG investment categories established by the Global Sustainable Investment Alliance:

ESG Integration

Environmental, Social and Governance (ESG) issues are fully integrated into the investment decision-making process and are described and discussed in analyst recommendations and in all investment committees.

The Arcano ESG score assigned to each line is discussed in committee and voted on by consensus. This is the same approach the committee takes to investment decisions.

Negative selection

Any potential investment that does not pass our negative screening is automatically discarded.

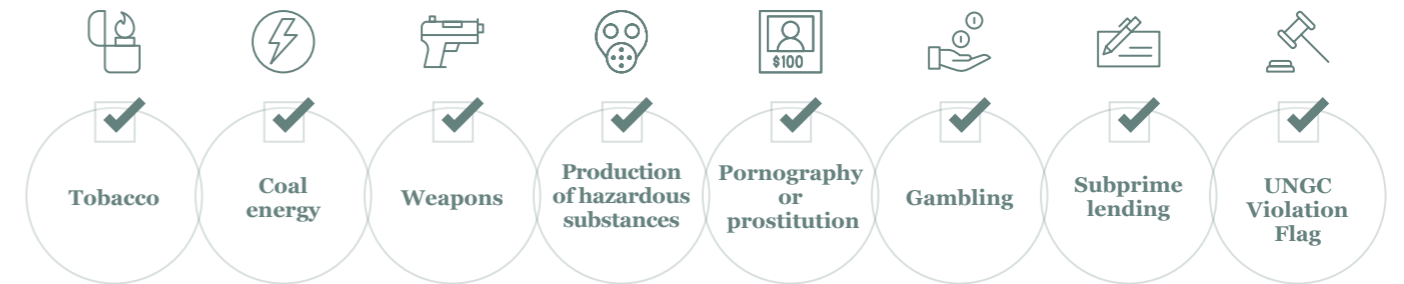
Positive/best-in-class selection

Assigning an Arcano ESG (Environmental, Social and Governance) score to each portfolio company allows the best performing or fastest growing sectors/ companies in terms of ESG to carry more weight.

ESG fund data

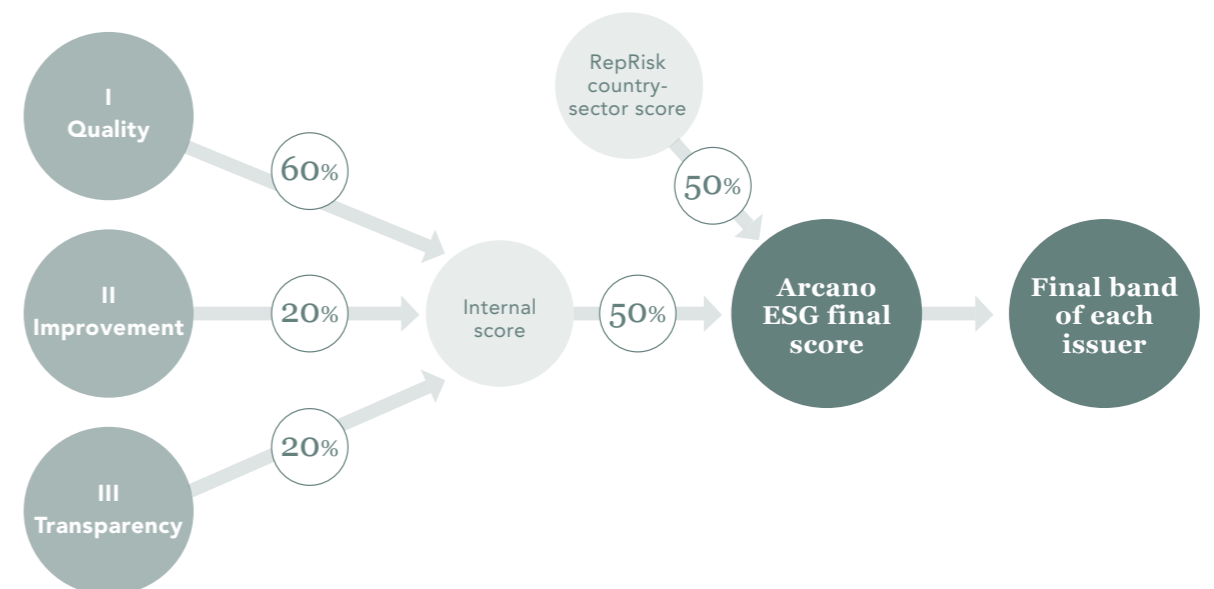
<p>5 stars ★★★★★ Arcano Credit UN PRI 2021 Rating</p>	<p>UN PRI signatory since 2009</p>
<p>RepRisk Independent ESG analysis provider</p>	<p>Art. 8 SFDR</p>
<p>April 15 2016 Initial date</p>	<p>175m€ AUM</p>
<p>SIF SICAV Investment vehicle (daily liquidity)</p>	<p>Luxembourg Country of residence</p>

Negative screening

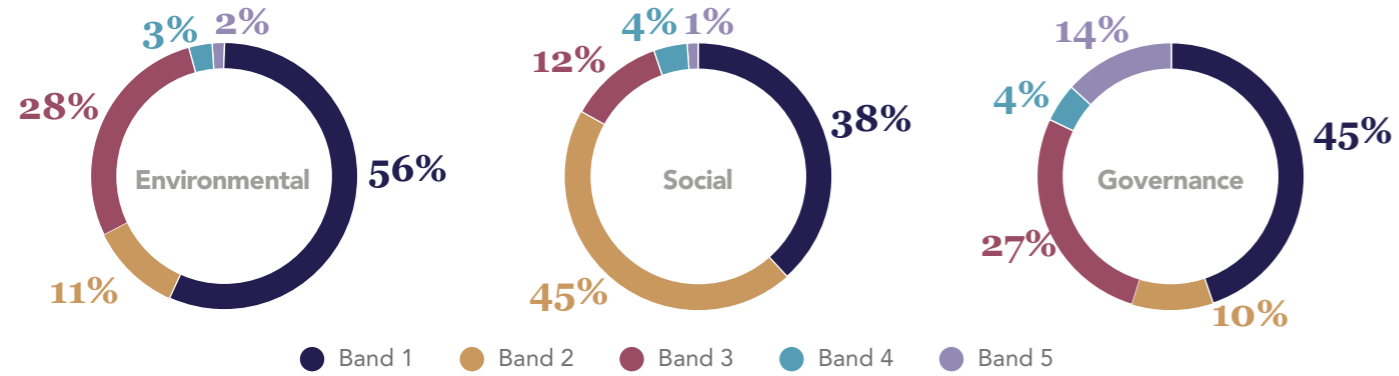


Band	Arcano ESG Score	Allocation Limit	% of the fund	vs previous Q
Band 1	Note ≥ 80	No weighting limit	21,7%	26,3%
Band 2	60 ≤ Note < 80	Max 5% per issuer	78,3%	70,9%
Band 3	40 ≤ Note < 60	Max 3.5% per issuer Total amount < 45% of portfolio assigned	0,0%	2,8%
Band 4	20 ≤ Note < 40	Max 2,75% por emisor. Total amount <25% of portfolio assigned	0,0%	0,0%
Band 5	Note < 20	Excluded and ineligible. If the issuer falls into this bracket, it is sold within 1m	0,0%	0,0%

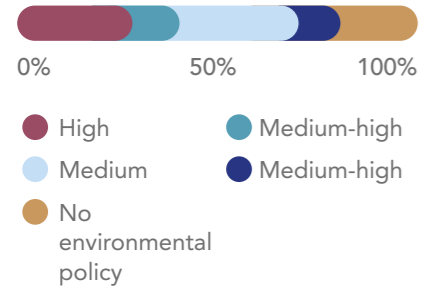
Calculating the Arcano score



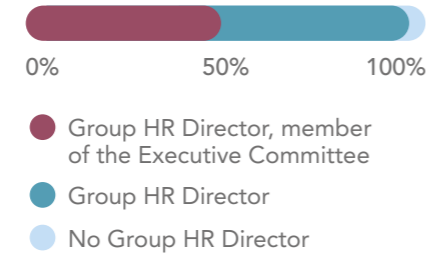
I) Quality - How are companies performing in terms of E, S, G?



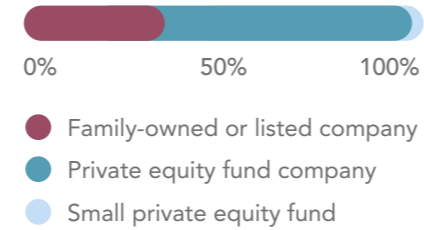
Existence of an environmental policy



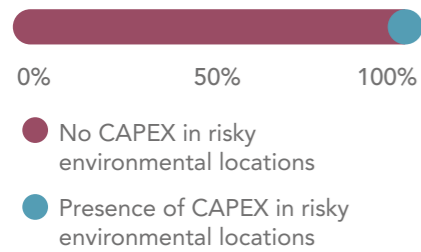
Importance of human resources



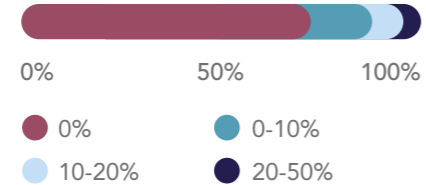
Nature of shareholders



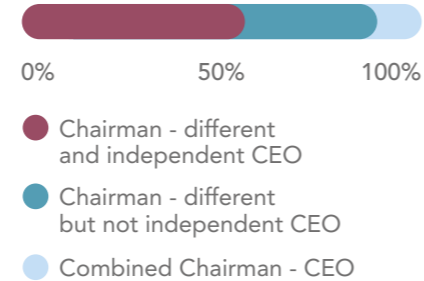
CAPEX in risk locations



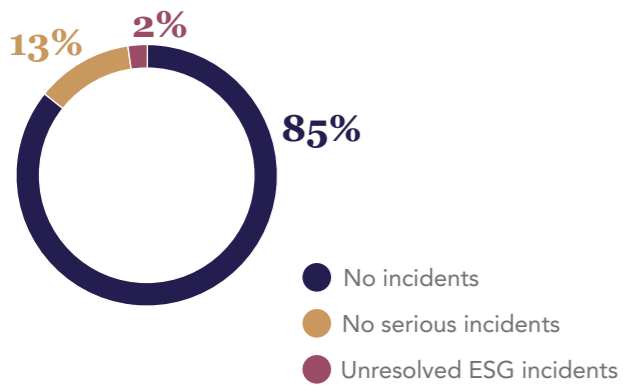
Share of workforce in countries with human rights issues



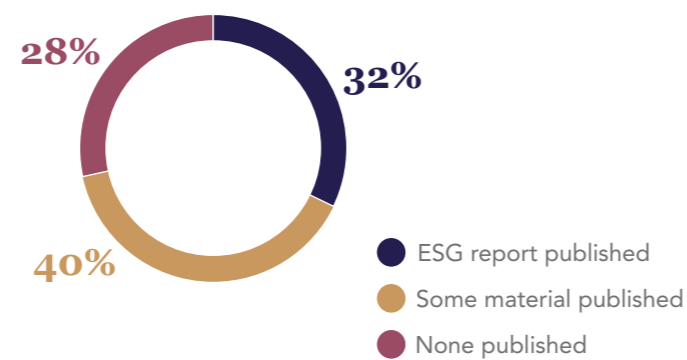
Separation of Chairman and CEO



II) Improvement - How do companies manage ESG incidents?



III) Transparency - Does the company publish ESG information?



European Income Fund ESG Selection

A total return ESG Fund centred on variable rate and short-duration fixed-income European assets that seek a high return and capital protection.

EIF's approach to portfolio construction is based on the three main ESG investment categories established by the Global Sustainable Investment Alliance:

ESG Integration

Environmental, Social and Governance (ESG) issues are fully integrated into the investment decision-making process and are described and discussed in analyst recommendations and in all investment committees.

The Arcano ESG score assigned to each line is discussed in the committee and voted on by consensus. This is the same approach the committee takes to investment decisions.

Negative selection

Any potential investment that does not pass our negative screening is automatically discarded.

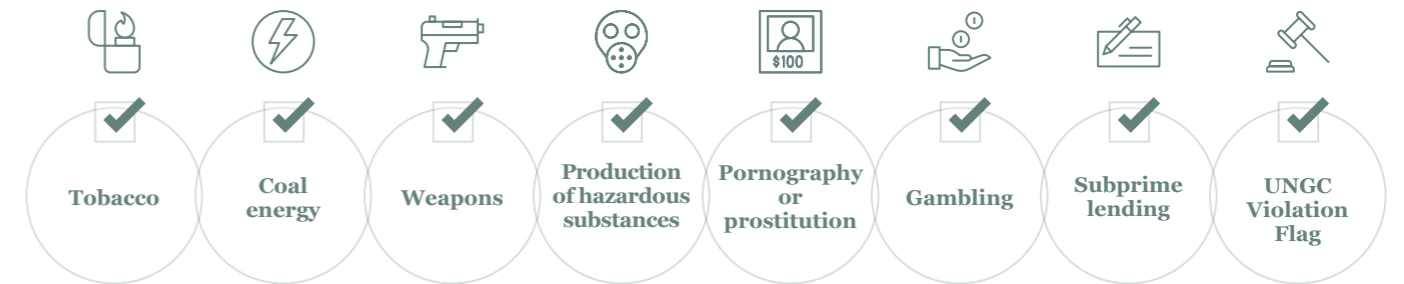
Positive/best-in-class selection

Assigning an Arcano ESG score to each portfolio company allows sectors/companies with better or higher ESG performance to carry more weight.

ESG fund data

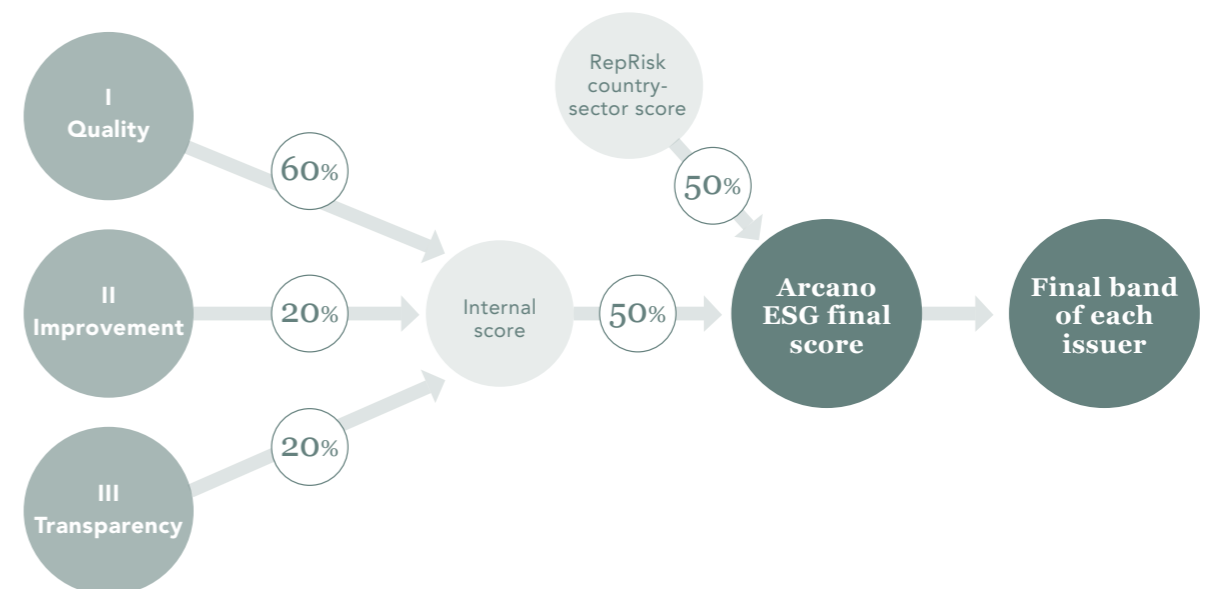
<p>5 stars ★★★★★ Arcano Credit UN PRI 2021 Rating</p>	<p>UN PRI signatory since 2009</p>
<p>RepRisk Independent ESG analysis provider</p>	<p>Art. 8 SFDR</p>
<p>sept 23 2011 Initial date</p>	<p>689M€ AUM</p>
<p>SIF SICAV Investment vehicle (daily liquidity)</p>	<p>Luxembourg Country of residence</p>

Negative screening

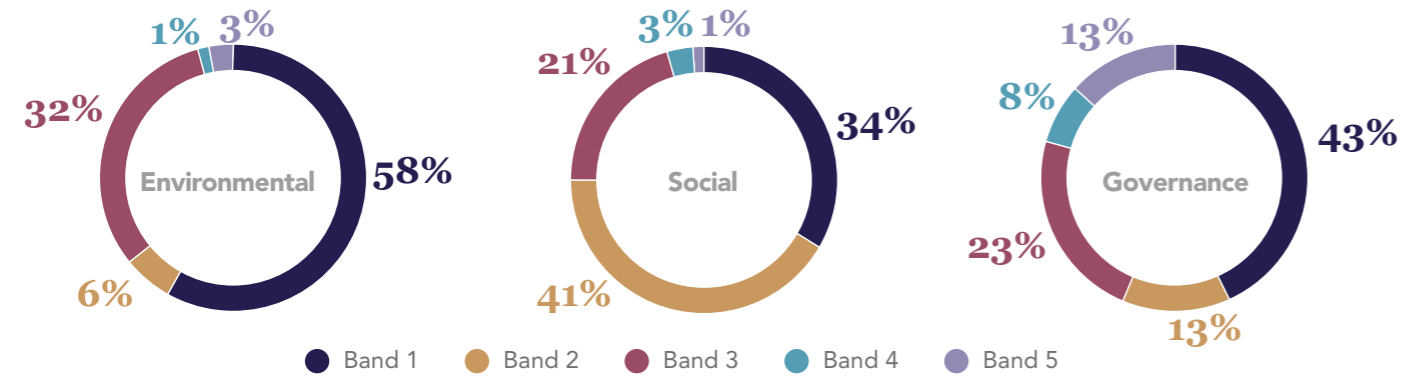


Band	Arcano ESG Score	Allocaton Límit	% of the fund	vs previous Q
Band 1	Note ≥ 80	No weighting limit	25,7%	26,1%
Band 2	60 ≤ Note < 80	Max 5% per issuer	65,5%	64,8%
Band 3	40 ≤ Note < 60	Max 3,5% per issuer. Total amount < 45% del portfolio asig.	8,8%	9,1%
Band 4	20 ≤ Note < 40	Max 2,75% per issuer. Total amount < 25% of portfolio assigned	0,0%	0,0%
Band 5	Note < 20	Excluded and ineligible. If the issuer falls into this bracket, it is sold within 1m	0,0%	0,0%

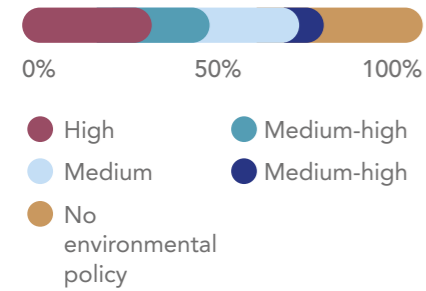
Calculating the Arcano score



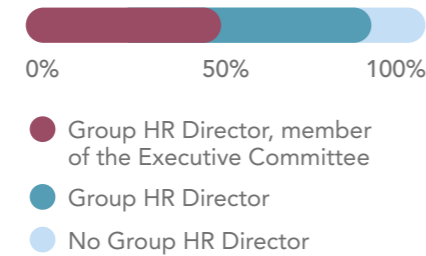
I) Quality - How are companies performing in terms of E, S, G?



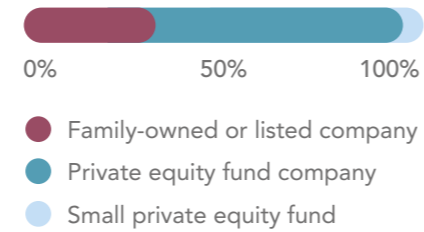
Existence of an environmental policy



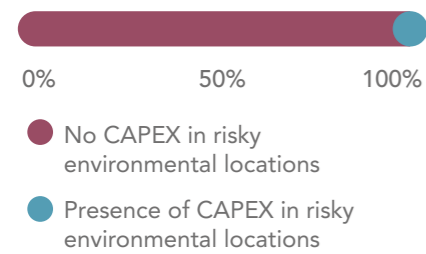
Importance of human resources



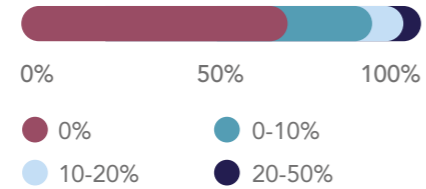
Nature of shareholders



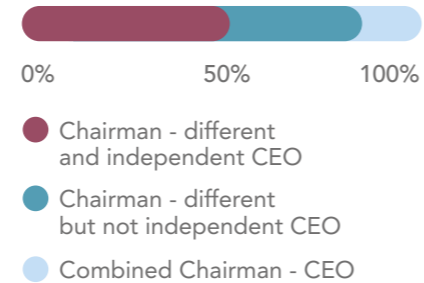
CAPEX in risk locations



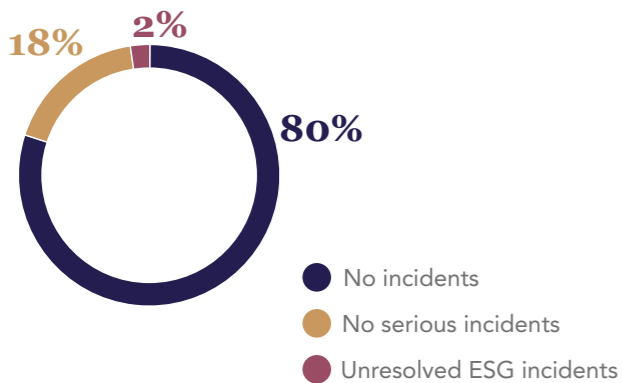
Share of workforce in countries with human rights issues



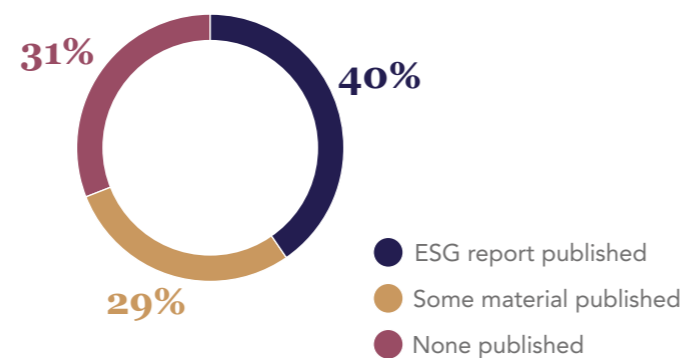
Separation of Chairman and CEO



II) Improvement - How do companies manage ESG incidents?



III) Transparency - Does the company publish ESG information?



Arcano's real estate investment is channeled through two strategies: added value and Impacto Andalucía

Responsible Investment

in Real Estate



Arcano's real estate investment is channeled through two strategies: added value and Impacto Andalucía. The value-added funds (ASOREF and AVA II) are focused on direct investment in real estate transactions in Spain and, in a timely manner, in Portugal. These vehicles invest in transactions requiring repositioning, recovery and/or development, both for residential and tertiary assets. Impacto Andalucía is a fund with capital from the European Regional Development Fund under the ERDF Andalucía 2014-2020 program and the Junta de Andalucía, which delegates the management of its investment to the European Investment Bank (EIB).

We have been selected by the EIB as the manager for the investment of these funds. This regulated vehicle is set up to invest approximately 170 million euros in sustainable urban development projects in Andalusia.

Case study

Recovery of an old building in Mijas for the opening of a hotel

Early stage

Asset characteristics

Financing for the recovery, remodeling, and refurbishment of the building where the iconic Hotel Byblos (Mijas, Málaga) was located, which had been closed since 2010. The hotel has preserved its original architectural spirit and has 196 rooms, a spa, and sports facilities.

A project promoted and supported by the Mijas Town Hall, which had been closed for 10 years and was in a state of neglect and vandalism.



Finished project

Asset characteristics

Se aportan fondos para la recuperación, remodelación y reacondicionamiento de un complejo hotelero cerrado desde 2010. El hotel entró en operación en septiembre del 2022 y cuenta con 196 habitaciones divididas en 4 categorías distintas:

- 6 single rooms (average surface area: 24 m²)
- 95 double rooms (average surface area: 33 m²)
- 76 junior suites (average surface area: 48 m²)
- 9 suites (average surface area: 113 m²)
- Jobs created: 845 jobs created during construction and the hotel currently employs 195 people. The number is expected to reach 241 employees by next August.

- Total investment mobilized: approx. €66.9 M.

- Full alignment with local and regional urban development strategies.

- The hotel has a modern energy recovery system for water heating and thanks to its domotic system you can automatically switch off the AC when the windows are opened. All the facilities have comfort temperatures in accordance with EU guidelines.

- The hotel is committed to recycling. Guests are not provided with any single-use plastics, including minibars. Customer keys are made of cardboard.

- All the hotel's lights are LED to save energy. Since they have no thermal load, they do not heat the environment.

- The hotel has charging points for the electric cars of guests, as well as buggies and vans.

Case study

social housing and open housing development

Early stage

Asset characteristics

Acquisition of 3 residential plots and 1 building in structure for the development of 80 social housing units (SHU) and 18 free housing units. In addition, commercial premises and offices will be developed on the properties.

Privileged location on the La Victoria beachfront, in Cádiz, a neglected area that is being revitalized with the fitting out of the square adjacent to the plots. The project completion will significantly boost the area.



Project completed

Asset characteristics

Funds are provided for the completion of a residential building structure and the development of 3 residential plots. Both one of the residential plots and the WIP building will be social housing units. The surface area breakdown by different uses is as follows:

- WIP Building – Social Housing: 4,562 m² - 55 homes.
- Plot 3 - Social Housing: 2,945 m² - 25 homes.

- Plots 1 and 2 - Free Housing: 2,248 m² - 18 homes.
- Total investment mobilized: approx. €20.8 M.
- Full alignment with local and regional urban development strategies.
- Buildings will have high levels of energy efficiency through renewable energies.
- LED lighting in all buildings to save energy.



Responsible Investment

in *Arcano Asset & Capital Finance*

The Arcano Asset & Capital Finance team is specialized in the design and structuring of financing solutions for real and intangible assets that benefit from certain tax incentives.

Under current regulation and through an investment structure focused on the prevention of the risks inherent to the different activities, investors participating in these structures obtain very attractive returns.

The team is made up of 6 professionals who have financed close to 100 projects to date with a value of more than €600 MM. Its activity has focused on R&D&I projects, shipbuilding, and the audiovisual and entertainment industry. However, the team is already working on new strategies to expand existing opportunities for investors.

Arcano Asset & Capital Finance is currently integrating ESG into its investment processes with the aim of favoring financing projects that generate a positive impact on society and the planet.

In the specific case of R&D projects, a report is being prepared connecting the project's activity to its contribution to the Sustainable Development Goals and, in the case of ships, another report will verify the degree to which it is aligned with the European Union's taxonomy.

Case study

Liux

In 2022, Arcano Asset & Capital Finance has financed Liux, a sustainable automobile company that seeks to build the first bio-based vehicle, one that comes from renewable raw materials such as starch, sugar cane or cellulose. The vehicle is expected to be available in the first quarter of 2024.

The company is revolutionizing the market through technological innovation, a focus on sustainability and social responsibility, and the optimization of production and inventory management.

Our idea is not to be an automotive brand, but to be a sustainable mobility brand

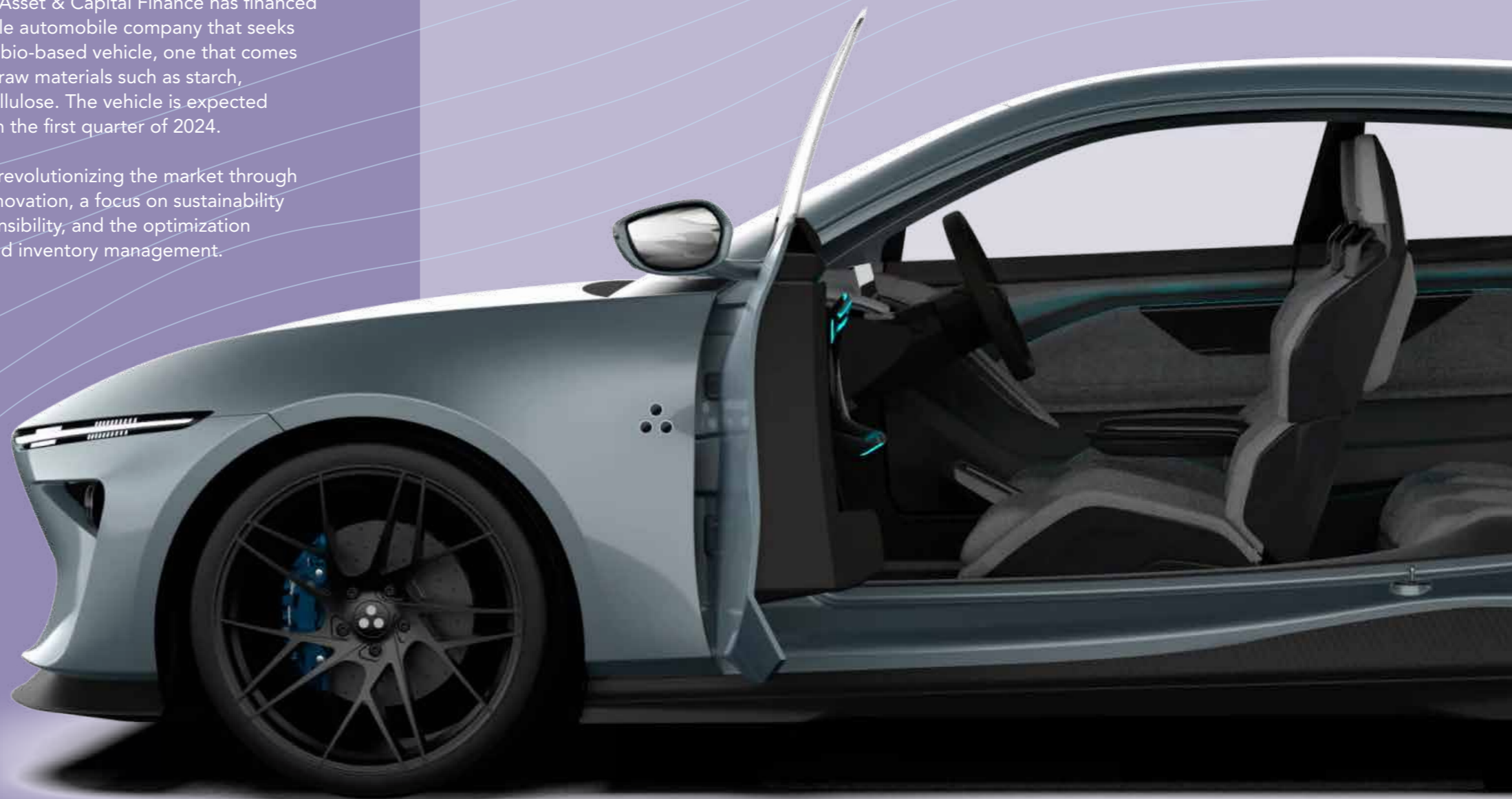
ANTONIO ESPINOSA
DE LOS MONTEROS
LIUX co-founder and CEO

The vehicle seeks to eradicate unnecessary elements and focus on what really adds value, with simple components that are easy to assemble, disassemble, repair, and recycle, thus achieving a reduction in parts and materials of up to 25%.

In addition, the vehicle will be prepared to adapt to any changes in automotive battery technology, thus reducing the potential for material waste. The sustainable vehicle will have the following distinctive features:

- 90% of the materials in the body of the vehicle will be plant-based.
- The outside of the vehicle and part of the chassis will be made of a bio-composite (a polymeric material made from natural raw materials) based on fiber and organic resins.

Liux's production plan is to be on the market in 2024 and to manufacture in Spain with its own plant, although they also consider producing with a third party in an early stage if they do not obtain enough financing. The goal is to be profitable with a production run of 25,000 units per year.



Responsible

advisory services

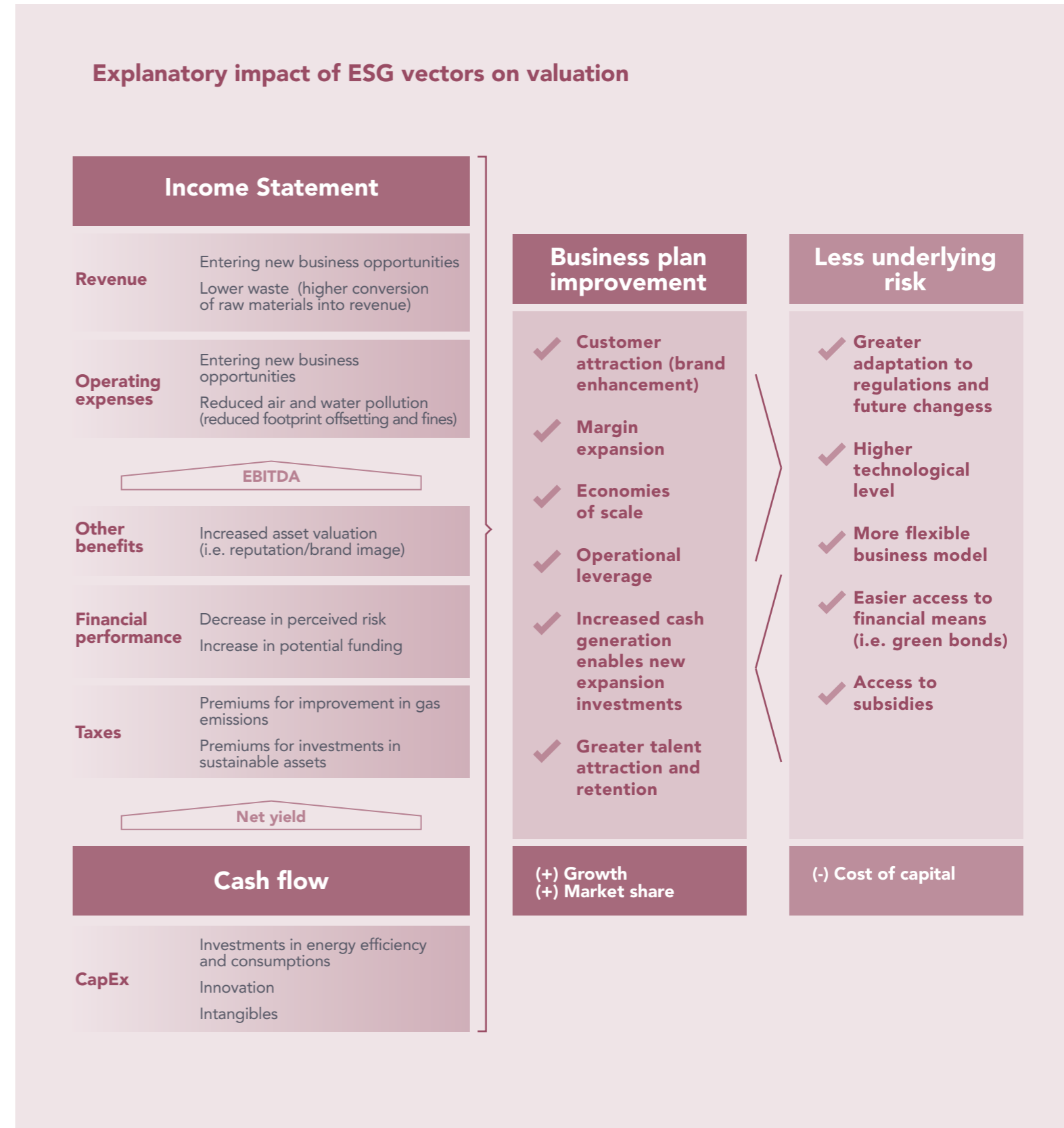
In previous years, these considerations remained inconsequential in the M&A process, but today they have become a key element in the companies' growth prospects.

Being ahead of the curve in terms of sustainable transformation can be a key differentiator for companies, not only to improve relations with their different stakeholders, but also to attract buyers or funding, especially from the point of view of risk mitigation and capitalization of value creation opportunities.

At Arcano, we believe that a solid sustainability strategy drives value creation and, therefore, can have a strong impact on any M&A process. As with any transaction or operation, our priority is to maximize our clients' objectives.

As a result of the growing importance of sustainability, we have specialized in identifying the value drivers related to sustainability to (i) position the company's Equity Story efficiently or (ii) mitigate the elements that could penalize the Equity Story.

ESG value creation lever



In 2022, at Arcano's investment banking area we have dedicated a lot of time, efforts, and resources to implement a solid ESG structure.

Among these efforts, the appointment of a senior professional as the area's ESG manager particularly stands out. This person is in charge of leading our efforts and expanding ESG advisory knowledge to clients and across the team.

The following are some of his/her main functions: to develop, together with the corporate ESG manager, ESG integration processes and tools and/or impact on the different transactions, to participate in the Engagement Committee, which, among other issues, examines the different advisory proposals, and to expand ESG knowledge to all the professionals in the area.

ESG services provided

M&A

ESG integration in transaction analysis.

Identification of ESG issues in each transaction (risks and opportunities), advice on ESG action plan: ESG targets and KPIs to manage the company's ESG risks and opportunities and approach to ESG integration in valuation.

Debt

Support in accessing sustainable financing.

Social/green and sustainable lending linked to KPI compliance.

Capital market

Support in structuring sustainable bonds.

In accordance with green bond principles (ICMA) and the European Union's future green bond regulation.



Case study

Steak Project

Description of the opportunity

- Family business dedicated to the production and distribution of beef cuts and top quality semi-finished meat products.
- The company is probably the only major brand in the premium meat industry in Spain.
- The main sales channels include food service (c.55% of total 2021 sales), corners in a premium Spanish retailer (c.20%), own stores (c.15%) and distribution (c.10%).
- Steak is also a trusted supplier of bespoke burgers and premium cuts to major foodservice groups in Spain.
- This growth has been driven by the market's appetite for premium products and sustainable, environmentally friendly companies such as Steak.

ESG issues identified

- Steak owned and operated two farms to enhance and guarantee brand image, top quality, and sourcing control in a sustainable and animal welfare scenario. However, the carbon footprint related to the farms significantly increased Steak's risk profile.

Value added by Arcano

- Contingency identification.
- ESG analysis proposal by an expert in the field.
- Separation of the meat business and the farm.
- Carbon footprint compensation plan through concrete and authorized measures.



ESG

Team

At Arcano we have a Sustainability and ESG manager at group level and a specialist, who together make up the ESG team dedicated full time to these issues in the company's different business areas.

In addition, the team is complemented by an ESG manager and lead in each of the investment strategies, who is ultimately responsible for ensuring that the analysis is integrated into investment decisions and monitored by the corresponding investment committee.

In 2022, an ESG lead was appointed in the investment banking area, whose main responsibility is to ensure that these aspects are considered in the financial advisory processes. The entire team therefore plays a key role in providing the other professionals in each area with information that highlights ESG risks to which the underlying projects are exposed, as well as the opportunities identified.

	<p><</p> <p>Teresa González Head of Sustainability & ESG</p>		<p><</p> <p>Laszlo Bene Sustainability & ESG Specialist</p>	
		<p><</p> <p>Marta Hervás ESG Lead of Private Equity</p>		<p><</p> <p>Luisa Gil ESG Lead of Sustainable Infrastructures</p>
	<p><</p> <p>Alessandro Pellegrino ESG Lead of Credit Strategies</p>		<p><</p> <p>Cristina Reina ESG Lead of Real Estate</p>	
		<p><</p> <p>Francisco Navas ESG Lead of Venture Capital</p>		<p><</p> <p>Álvaro Lamo ESG Lead of Investment Banking</p>

The Vision of our partners



Manuel Mendivil

The European Union is working on a proposed regulation to create a European green bond standard. How will it affect investors?

The European Green Bond Standard is a voluntary standard to provide a common legal framework for green bond issuance in the European Union. This regulation is part of the European Green Pact and is the first regulation of its kind in the world.

The objective is to boost capital flows towards sustainable investments and combat greenwashing. Its main feature is that the bond proceeds must finance activities aligned with the EU taxonomy and must be reviewed by an external verifier registered with the European Securities and Markets Authority.

In addition, companies that choose to comply with the new European standard will have to provide information on the use of capital raised through bond issues on the basis of standardised forms.

Furthermore, issuers must ensure that green bonds can only be issued when the use of the proceeds is integrated into the company's broader green strategy and helps to improve its overall sustainability performance.

This standard will help investors identify sustainable investments and hopefully encourage companies to issue more green bonds. As we have mentioned, the standard will be voluntary, but we believe it will become the predominant standard at least in the European Union. We also believe that we will not see this type of issuance for some time between approval deadlines and entry into force.



José Luis del Río

In 2022, you actively participated in PRI in Person, the international benchmark event for responsible investment. What lessons did you learn?

The conference lasted three days, which were filled with very interesting sessions that helped us learn and generate a debate among industry colleagues through an open and honest dialogue on the main ESG trends.

Of all these trends, I would highlight that after climate change, biodiversity loss is possibly the environmental issue that should concern us the most because of the impact it may have on our investments, due to the reduced capacity of forests and oceans to absorb CO₂, the loss of raw materials or pest proliferation.

We were also able to see that there is an intense discussion on net zero commitments among managers, with a certain consensus that the current energy crisis will accelerate the transition. For this to happen, we need to incorporate net zero

commitments not only in the discourse, but also in the strategy, translating them into concrete and executable actions in the short and medium term.

In the social sphere, the most significant trend is to curb human rights abuses and improve labor conditions in the global supply chain. Finally, with the growth of the sustainable investment industry the level of scrutiny is higher. We are in the spotlight of regulators and clients when it comes to being accountable for our investment commitments.



Borja Oria


What is your view on how ESG issues are considered in financial advisory processes?

Issues related to health, safety and the environment were traditionally analyzed in due diligence processes. At Arcano, we believe that we should take a step further and encourage clients to identify other kinds of issues such as possible human rights violations, corruption, environmental degradation, privacy violations, misconduct in the workplace, greenhouse gas emissions, inequities, etc.

The specific issues to be analyzed will be different for each transaction and depend on the kind of business and the jurisdictions where the companies operate.

The goal is to identify risks, but also opportunities for value creation in a context where they are increasingly in demand by investors, regulators, and society in general.

At Arcano we are aware that ESG issues require new tools, methods, and approaches, which in turn pose new challenges. But, above all, they represent new and extraordinary opportunities for our investment banking clients.



At Arcano, we firmly believe that we must share our knowledge and best practices in the field of responsible investment and advice to the entire market

05

PILLAR 2:
ESG LEADERS
AND
PROMOTERS

Pillar II

At Arcano, we firmly believe that we must share our knowledge and best practices in the field of responsible investment and advice to the entire market.

New partnerships in 2022

Acumen Academy



In 2022, we signed a collaboration agreement with the Open Value Foundation to promote the Acumen Academy in Spain, a training program aimed at leaders and social innovators who seek to build a fairer, more inclusive, and sustainable world. The Acumen Fellows Program, an international non-profit organization, was created in 2007 in New York by Jaqueline Novogratz, founder of the Acumen Fund, a pioneering international impact fund. Jaqueline identified the need to invest not only in social enterprises but also in people so that they can face the great social challenges globally.



Acumen Academy is an intensive leadership development program for people from different contexts that provides the tools, practices, and resources necessary to help solve the most complex social problems of our time. The program, which to date has already organized three editions in Spain, welcomes 20-25 people each year considering their social commitment and diversity. The Acumen Fellows in Spain are part of a global community with more than 900 agents of change in different countries around the world. A team of experts always accompanies the Acumen Fellows, giving seminars divided into four main categories: debates on classic texts, polarity management, storytelling, and systemic thinking.

At Arcano we financially support the program and actively participate as a jury in the Fellows selection process, in addition to attending the seminars both for the development of social leaders and for the personal development of the group's employees.

Raise For Impact



In 2022, we were asked to participate as mentors in the Raise for Impact program by Social Nest, a foundation whose mission is to inspire, educate, and connect entrepreneurs, companies, governments, and investors with the resources they need to contribute to a better future for all. As part of the Raise for Impact program, we supported Elena Ibáñez, founder of Singularity Experts.



Through her startup, Elena has set out to guide young people into finding their ideal job of the future. To this end, Elena analyzes people's potential and identifies the training they should undertake to get the job they are most suited for. Elena, who has been selected for two consecutive years among the Top 100 Women Leaders in Spain, is an expert on "The Jobs of the Future" in COTEC Foundation's "the 100" panel and has also been a speaker at conferences (Technology, Entertainment and Design).



Know ledge

generation

“Sustainability and impact in alternative management as a structural lever to mitigate risks and enhance returns”

Sharing our knowledge and best practices is a key aspect of Arcano’s mission to promote and become a leader in ESG. For this reason, in addition to the initiatives already described, we participate in workshops, courses, trainings, and conferences where we seek to encourage reflection and debate at a time when sustainability and impact are paramount in any business.

AAA Academy



At the end of 2022, Arcano, together with FundsPeople, prepared the launching of the Arcano Alternative Assets Academy (AAA Academy), an alternative asset management training program aimed at democratizing the knowledge of investing in private markets. The AAA Academy covers the main asset categories: private equity, sustainable infrastructure, real estate, private debt, and venture capital, through 11 chapters and 71 topics in two-minute videos, validated as a three-hour EFPA training.

The training includes a chapter focused entirely on sustainability: *“Sustainability and impact in alternative management as a structural lever to mitigate risks and enhance returns”*.

The different sections that make up this chapter cover the most relevant and topical issues in the alternative asset sector:

Sustainability and impact in alternative management as a structural lever to mitigate risks and enhance returns.

<p>I Scope of the sustainable investment industry worldwide.</p>	<p>II Main trends in alternative investment sustainability.</p>	<p>III How to integrate sustainability into investment processes.</p>	<p>IV Why alternative management fits well with impact investing.</p>
<p>V Key challenges for alternative asset management in terms of sustainability.</p>	<p>VI Measurement and reporting trends.</p>	<p>VII Regulation to be considered.</p>	

Ici –Climate International



A key aspect that nowadays must be considered is climate change and the risks it involves. The Initiative Climat International (iCI) - Private Equity Action on Climate Change (of which Arcano is already a member) has been created to fight it and to share the best practices on the road to net zero. iCI is a global community of professionals made up of more than 200 companies and investors in the private markets, representing more than \$3.2 trillion in assets under management, whose goal is to better understand and manage the risks associated with climate change.

iCI members are committed to sharing knowledge, experiences, and best practices, and to collaborating through working groups to develop content and resources that will help standardize practices across the industry.

At Arcano, we have actively participated in the Training Materials working group, where together with other leading international private equity managers, we have developed the Greenhouse Gas Accounting and Reporting Guide for the private equity sector, with the goal of providing a consistent approach to greenhouse gas (GHG) accounting and reporting in the private equity sector by combining industry knowledge.

This guide aims to help improve the ability to make comparisons between portfolio companies and funds, to assess climate impact, and to integrate the collection and reporting of GHG emissions into the investment cycle. It also explains the principles for collecting GHG emissions data and methodologies for calculating emissions at the fund and company level to inform investors and other stakeholders.



Spaincap Impact Study

This year, together with 10 other managers, we participated in the Study of the Impact Investing Ecosystem in Spain promoted by SpainCAP, an association that brings together venture capital and private equity entities in Spain, as well as their investors. The study responds to the need to promote the investment model in projects that have the purpose of generating a positive social and/or environmental impact. This is a first step to promoting the impact ecosystem in the Venture Capital & Private Equity industry in a homogeneous and measurable way.

To prepare the report, SpainCAP has relied on the opinion of 11 private equity firms specialized in impact investing, including Arcano. The study aims to give a voice to managers specialized in impact investing on their positioning, defining the concept, classifying the different managers, and analyzing the industry's level of maturity and challenges in Spain. The report highlights intentionality, additionality and the measurement and management of impact as distinctive features of impact investing.



Ongoing Partnerships

Arcano IESE Impact Investing Competition



where the beneficiary startups are selected from the IESE Impact Fund, an investment vehicle created in 2017 by the MBA students. The size of the fund is €150,000 and it aims to invest in 4-6 companies with an average investment of between €25,000-45,000 each.

We financially support the competition through the Arcano Impact Private Equity Fund (AIPEF), which has been renamed Arcano-IESE Impact Investing Competition, of which we are an active member of the jury. In its twelfth edition, held in 2022, different startups presented their business models, which were analyzed by MBA students. During the process, experts in the field of impact investing acted as judges, not only to decide the winner but also to provide the students with advice and share their experience and knowledge on the subject.



In 2021, the Arcano team, together with IESE, carried out the development of a case study on Arcano Impact Private Equity Fund (AIPEF) to broaden the students' knowledge on both the development of the impact investing industry and the existing investment options to generate a positive impact on society and the planet based on different risk-return-impact alternatives. In 2022, Marta Hervás Melgarejo, Investment Manager was invited by Professor Fabrizio Ferraro to present the AIPEF case study in his classes. During the session, Marta had the opportunity to share the fund and the industry's history and evolution with the students.

SPAINNAB



For the third consecutive year, we continue to collaborate with SpainCAP on sustainable finance through the training that it annually provides to its members within the MiFID II regulation. In 2022, we will address the integration of ESG issues in investee companies: from the identification of ESG risks and opportunities at the time of investment to the implementation of an action plan during the life of the investment.



In 2022, we carried on our work with the SpainNAB association as members of the Impact Funds Working Group. The purpose of the group during the year was to study and discuss how to preserve the integrity of impact investing's distinctive features in the face of risks and challenges, both in listed and unlisted markets, when promoting their growth at scale.

Our impact investing team also received training from Tideline (BlueMark), a pioneer in implementing impact strategies throughout the investment process. The training dealt with the state of play in terms of the contribution of social or environmental impact to investment returns.



Finally, we are still contributing to the Instituto de Estudios Bursátiles, teaching the Advanced Course on Sustainable Finance, of which we are part of the teaching staff. We also support the master's degree in Impact Investing at the Universidad Autónoma, helping with marketing and dissemination.



E Participation in vents

This year, the organizers of PRI in Person invited us to actively participate in the international benchmark conference on responsible investment.

José Luis del Río Galán, Managing Partner & co-CEO of Arcano Partners Asset Management, together with a group of leading investors, was a keynote speaker at the plenary and closing session of the event, with the title: "Leading with purpose: asset owner expectations for the next 10 years".

The session focused on why investors should consider purpose, as well as how they can "lead by example" in their own corporate structure and investment activities.

Participación en eventos

RealDeals

Ricardo Miró-Quesada
«ESG Explore, Strategies and Grow»
January 2022

EY

Ricardo Miró-Quesada
«The role of culture in the new impact economy»
April 2022

KREAB
WORLDWIDE

Marta Hervás
«Impact Investing»
April 2022 Panel

KPMG

José Luis del Río
«II Conference on alternative investment»
June 2022

esade

Teresa González Barreda
«Debate on sustainability with MBA students.»
June 2022

IESE

Marta Hervás
«IESE Insights Magazine Review»
September 2022

PEI

Marta Hervás
«Impact reporting and analysis strategy»
London. May 2022

ARCANO Impact Investing Competition
IESE

Marta Hervás
«AIPEF IESE Case Study Presentation»
May 2022

simapro
THE PRO REAL ESTATE EXPERIENCE

Teresa González Barreda
«ESG debate in the real estate sector»
May 2022

CMS
law · tax · future

Teresa González Barreda
«Luxembourg Sustainable Investment week»
October 2022

ARCANO Impact Investing Competition
IESE

Marta Hervás
«AIPEF IESE Case Study Presentation»
November 2022

CAPCORP

Marta Hervás
«ESG as a main value driver»
2022

PRIVATE EQUITY SUMMIT SERIES

Marta Hervás
«Impact investing»
May 2022

simapro
THE PRO REAL ESTATE EXPERIENCE

Teresa González Barreda
«The importance of sustainability in the value of assets»
May 2022

WLW
WOMEN IN A LEGAL WORLD

Sofía Mendes
«WLW - Women on Boards Forum»
May 2022

spainsif
Desde 2008 promoviendo la inversión sostenible

Marta Hervás
«Private Equity and Sustainable and Impact Venture Capital»
Podcast. December 2022

PRI Principles for Responsible Investment

José Luis del Río
«Leading with purpose: asset owner expectations for the next 10 years.»
December 2022

LEVEL 20

Sofía Mendes
«Level 20 women in M&A»
October 2022

Closing Plenary Session - Auditorium



Present as speakers at the international benchmark event on responsible investment

General landmarks



1,600
Attendees



700
Online attendees



Largest
PRI event



50
Press articles



150,000
RRSS interactions



750
hashtags

Press

and industry reports

Arcano has appeared 77 times in the press on issues related to sustainability:

“Not all sustainable companies are going to be good investments”



Teresa González Barreda
Head of Sustainability and ESG at Arcano

El Economista
03/12/2022

“Ana Urrutia Beaskoa receives the Arcano Social Entrepreneur Award for promoting dignified ageing”



Ana Urrutia Beaskoa
Social Entrepreneur Arcano 2022

Soziabile
20/06/2022

“It has been three days with plenty of content and we have been able to learn about and discuss the main ESG trends”



Teresa González Barreda
Head of Sustainability and ESG at Arcano

FundsPeople
20/12/2022

“Investors are already paying a premium in the acquisition of assets and companies that have made the transition to impact investing, both in real estate and private equity”



Marta Hervás
Head of Impact Investing and Private Equity at Arcano

El Economista
25/03/2022

“If you are able to invest by generating profitability and providing solutions, you are generating impact investments”



José Luis del Río
Partner and CEO at Arcano Asset Management

El Confidencial
08/06/2022

“Investments in industries such as healthcare, education and energy transition will become increasingly important for private equity in the coming months due to the search for attractive returns with a positive impact on society and the environment”



Ricardo Miró-Quesada
Partner and Private Equity CIO at Arcano

El Economista
04/01/2022



06

PILLAR 3:
DEVELOPMENT
OF AN
INTERNAL
CULTURE

Our Employees

“Out of the total, 224 work in Spain and 6 work abroad. Our workforce’s average age is 34 years old.”

Total professionals

230

Professionals in management

87

Professionals in investment banking

75

Executives and managers

64

Women out of the total number of employees

87/230 (38%)

Professionals in operations

61

Partners

23

Seniors (associates and others)

65

Juniors (interns and analysts)

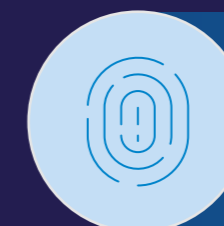
40

Arcano Values Awards

As we do every year, at Christmas we celebrate the “Arcano Values Competition” to reward the employees that we feel have better reflected each one of the values that define our culture, which are the following:



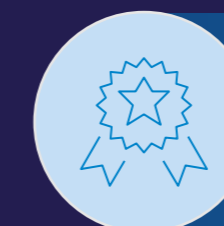
A united team



Trust



Independence



Constant improvement



Always innovating

Two years ago, we added a sixth award: the Jaime Carvajal Extraordinary Award, which rewards the person who best represents Arcano’s culture as a whole. We believe that this award honors and does justice to our beloved former CEO, who passed away in 2020, and one of the most faithful exponents of each and every one of our values.

Attention to employee needs

Employees remain Arcano’s strategic priority. Having the best talent is essential for excellent job performance. For this reason, at Arcano we want to take care of each and every one of them, recognizing not only their successes and achievements, but also by offering them different types of benefits, so that they know and feel that the firm takes care of them.

Soul Reconnect



Since 2022, we have been collaborating with Soul Reconnect, a company that specializes in coaching people with cancer disease. Through this collaboration, we seek to accompany employees who have been diagnosed with cancer, as well as their families, by providing support at this difficult time of their lives. To this end, we offer individual coaching sessions and an e-learning platform that is always accessible.

The Soul Reconnect model is based on the most rigorous professional coaching discipline, which has resulted in a high degree of user satisfaction. The coaches have more than 10 years of experience in multinationals and international business schools, and they have also been cancer patients, which allows them to deeply understand the implications of a cancer diagnosis.

Baby Friendly



Just as we offer support in complex and difficult situations, we also want to provide the same support in situations that, even though complex, are much more joyful, such as preparing for and welcoming a new family member. To this end, since 2022 we have been working with the company Baby Friendly to provide our employees with all the support on the journey to becoming parents.

As part of this collaboration, employees receive the “Let’s become parents” guide, which covers everything from planning the months of pregnancy to the postpartum. The guide has been prepared by a journalist and a gynecologist with more than thirty years of experience. A personalized gift is also provided for the employee’s newborn.



The Co mmu ni ties

where we operate

Arcano as a firm is committed to society, which is why we have always collaborated with different social entities. Our activity has focused on three lines of action: high-impact or more strategic philanthropic projects where, in addition to the financial endowment, Arcano contributes with its knowledge and capabilities; responsible purchasing, trying to benefit different social entities (particularly special employment centers); and specific solidarity campaigns.

High impact projects

Arcano Social Entrepreneur Award

Our flagship in corporate social responsibility



Since 2019, we have a partnership with Ashoka, a leading international organization in the field of social entrepreneurship. Ashoka has been present in Spain since 2006, and as of December 31, 2022, it already had 54 social entrepreneurs between Spain and Portugal, 20 changemaker schools, 6 young changemakers, 34 members of the Ashoka Support Network and 50 allied companies (strategic and financing).

Through this alliance we annually contribute financial resources as well as our knowledge and capabilities in financial advice and asset management. To date, we have supported three social entrepreneurs: Pablo Santaefemia (2020), Ricardo Martino (2021) and Ana Urrutia (2022), all of them working to develop solutions to address major global challenges, such as education, training for other entrepreneurs, and healthcare.

Social

Entrepreneur Arcano 2022

Dr. Ana Urrutia
Cuidados Dignos Foundation



Dr. Ana Urrutia started her social project more than 12 years ago, aiming to improve the care model applied to elderly dependents. After receiving a complaint from the relative of a nursing home resident (about why her relative was being restrained), she rethought her own way of providing care. This episode stirred her conscience, and she began the path of non-restraint and subsequently created the **Cuidados Dignos Foundation**.

So far, thanks to Dr. Ana Urrutia and the Foundation, professionals, families and, more importantly, dependent care recipients at different phases of care have been freed from physical and chemical restraints. Dr. Urrutia's dream is that the change in the care model will be effective not only for the elderly but also for all dependent people in Spain and the rest of the world.

To achieve this dream, the foundation she created works at the institutional level, in nursing homes, community health centers and hospitals, and its next goal is to bring the model to homes and even to internationalize it. Thanks to Arcano's strategic support, the development of the care model will be able to focus on the home and help families to care without the need for restraint, while at the same time knowing how to solve the problems they face in the care of dependent persons with dementia and behavioral disorders.

What is the current state of care for dependent elderly people in Spain?

Spain is a very paternalistic country when it comes to caring for people, especially the elderly, and the care model is focused on the needs of the organization and not on the individual needs of the person being cared for, which is what the person-centered care model seeks to achieve.

One of the greatest exponents of this paternalism in the care of people is the use of physical restraints (belts, handrails to prevent the person from moving and falling, etc.), as well as chemical/ pharmacological.

These restraints are masked as safety measures and, in the case of pharmacological restraints, are intended to control behavioral disorders and attitudes that are supposedly harmful to the persons being cared for. This use of restraints occurs throughout the care chain and at all ages, but it is particularly striking in the case of the elderly and, within this group, in dependent elderly people with dementia. The problem is seen both at the level of nursing homes and community health centers, and even in hospitals that provide care for the elderly.

What is needed to improve the situation of our dependent elderly?

We need to change the care model and move from a model based on the needs of the organization, the caregiver, and the existing structure, to one that is oriented towards meeting each person's individual needs. This new model should be less paternalistic, more autonomous and based on the protection of the rights of care recipients. The change should be carried out not only in nursing homes but also at all levels of care for the elderly, such as community health centers and hospitals.

What is the Libera-Care method?

The Libera-Care Model is a person-centered care model that is implemented through a change methodology and whose development within each organization can be evaluated and certified. Thanks to this methodology, the organization changes its way of caring (paternalistic and focused on the needs of the organization) to a model of autonomous care focused on the needs of the person being cared for, where neither physical nor chemical restraints are used. To this end, the eradication of physical and chemical restraints is used as a vector of change. Thanks to this methodology, restraints are eliminated, and the organization becomes person-centered, working to protect the rights of care recipients.

What do you value the most in the support received from Arcano?

One of the Foundation's goals is that families can use a methodology that has been implemented for 12 years in different care organizations at home. To carry out this project we have received Arcano's support and collaboration, in terms of the necessary strategic analysis, as well as for the design, creation, and development of the service. From the Cuidados Dignos Foundation we value the closeness, the human treatment, the ideas provided and, especially, the effort that the Arcano team has made voluntarily in the search for resources, innovation, and knowledge, as well as adding value to the product so that it can be implemented.

Our volunteers



Guillermo Lasarte,
Vice President
of Sustainable
Infrastructure at Arcano

What have you enjoyed most about working with Ana?

We have been fortunate to be able to collaborate on a very nice project that Dr. Urrutia has built throughout her extensive professional career. Working with her has been a real pleasure. Right from the start, Dr. Urrutia knew how to convey the need to launch this wonderful project and the impact it would have on society. One of the things I liked most about Dr. Urrutia was her ambition to have as big a social impact as possible, without worrying too much about the margins that the business could generate, but at the same time without losing sight of the fact that the project had to be profitable. Additionally, I think it is important to highlight that Dr. Urrutia always showed an exceptional commitment to the project, which made our volunteer work very easy. Finally, I think we have been very lucky to enjoy this learning process with Dr. Urrutia. In short, what I enjoyed the most was being part of an impactful project that I hope will be a turning point in the care of dependent people.



Álvaro Lamo de Espinosa,
Managing Director of
Investment Banking and
Head of the ESG area

What has supporting Ana in the Social Entrepreneurs project brought to you as a person? And as a professional?

I think that the dilemma between personal and professional contributions doesn't make any sense. It all comes down to getting to know people. At the end of the day, we always interact and work with human beings who should be treated as such. With respect and dedication. It is wonderful to think that a minute, an hour, or a day of our time can bring hope to people in despair. In despair because their loved ones are treated without the dignity they deserve. Ana's project is specifically designed to restore that hope. This kind of initiative allows us to escape from the hustle and bustle of the day-to-day life, the calls, the Excels and the Words, to turn our eyes to people's real needs. Today, these problems and situations may seem distant, but sooner or later most of us will experience them. Either in our own flesh or in the flesh of the ones we love. Therefore, through Arcano Social Entrepreneurs we can work ex ante on the problems that we will all experience sooner or later. However, this is not the most relevant aspect. What is more important is the hope that our work will bring a smile to those who may be suffering.



Marta Sanchez,
Asset Management
Secretary at Arcano

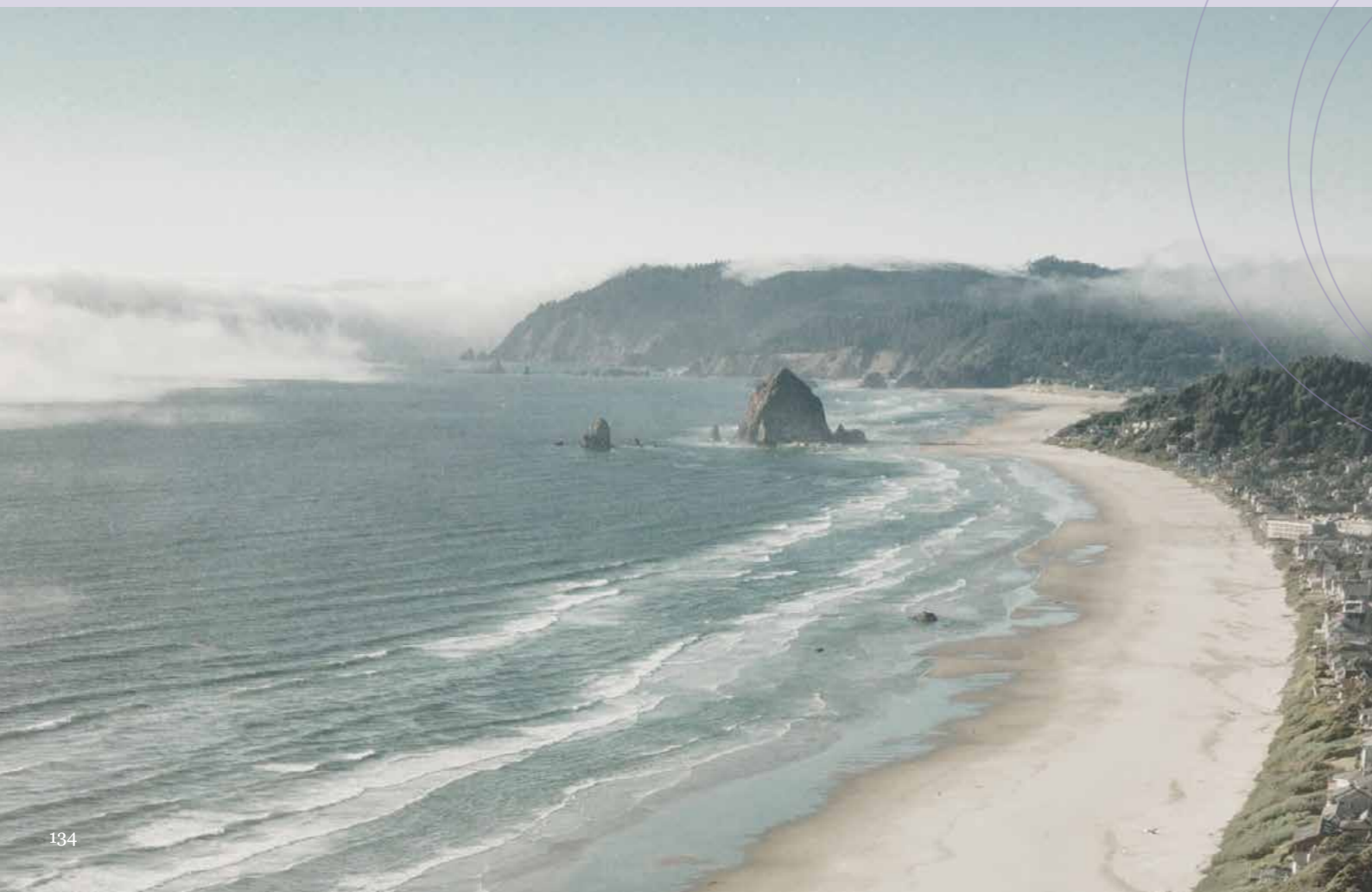
What advice would you give to someone who is hesitating about whether to sign up to be part of this program as a volunteer?

I would say that a volunteer collaboration is always satisfying and if you feel that it is your time to contribute to a project, don't hesitate.

I have always thought that, as we live in society, we benefit from many things that others do for us and we must give something back to keep moving forward.

Socially responsible companies not only keep their word, but also act, and since we cannot forget that companies are made up of people, we are the ones who bring about the change for a better society.

Having worked as a volunteer at Arcano Social Entrepreneurs in Ana Urrutia's Cuidados Dignos project has been a whirlwind of emotions, excitement, joy, admiration, and a feeling of immense gratitude towards people who, like Ana, work for the good of others.



Responsible Purchasing

In 2022, we developed and formally implemented a responsible purchasing policy with the aim of rewarding the companies and organizations that, through the development of their economic activity, seek to give vulnerable and disadvantaged people an opportunity. Below are the organizations with which we have collaborated this year:



Integra Foundation, supports people in situations of social exclusion and people with disabilities to help them retake control over their lives through job placement. Once again this year, on the occasion of the Christmas lottery draw, we have distributed charity lottery tickets among Arcano's staff with the option to make a donation.



Juan XXIII Foundation, has been working for more than fifty years on the social and labor inclusion of people with intellectual disabilities. Once again, in 2022 we collaborated in the supply of Christmas hampers for sustainable and inclusive employees from its special employment center.



2022 marked the beginning of our collaboration with the **A LA PAR Foundation** for the printing of our 2021 Sustainability Report. A la PAR works to promote equal opportunities and the inclusion of people with disabilities in the labor market, providing them with tools and resources to overcome barriers and gain access to decent jobs. In addition, A LA PAR Foundation collaborates with companies and organizations to promote awareness of the importance of inclusion and to encourage the hiring of people with disabilities.



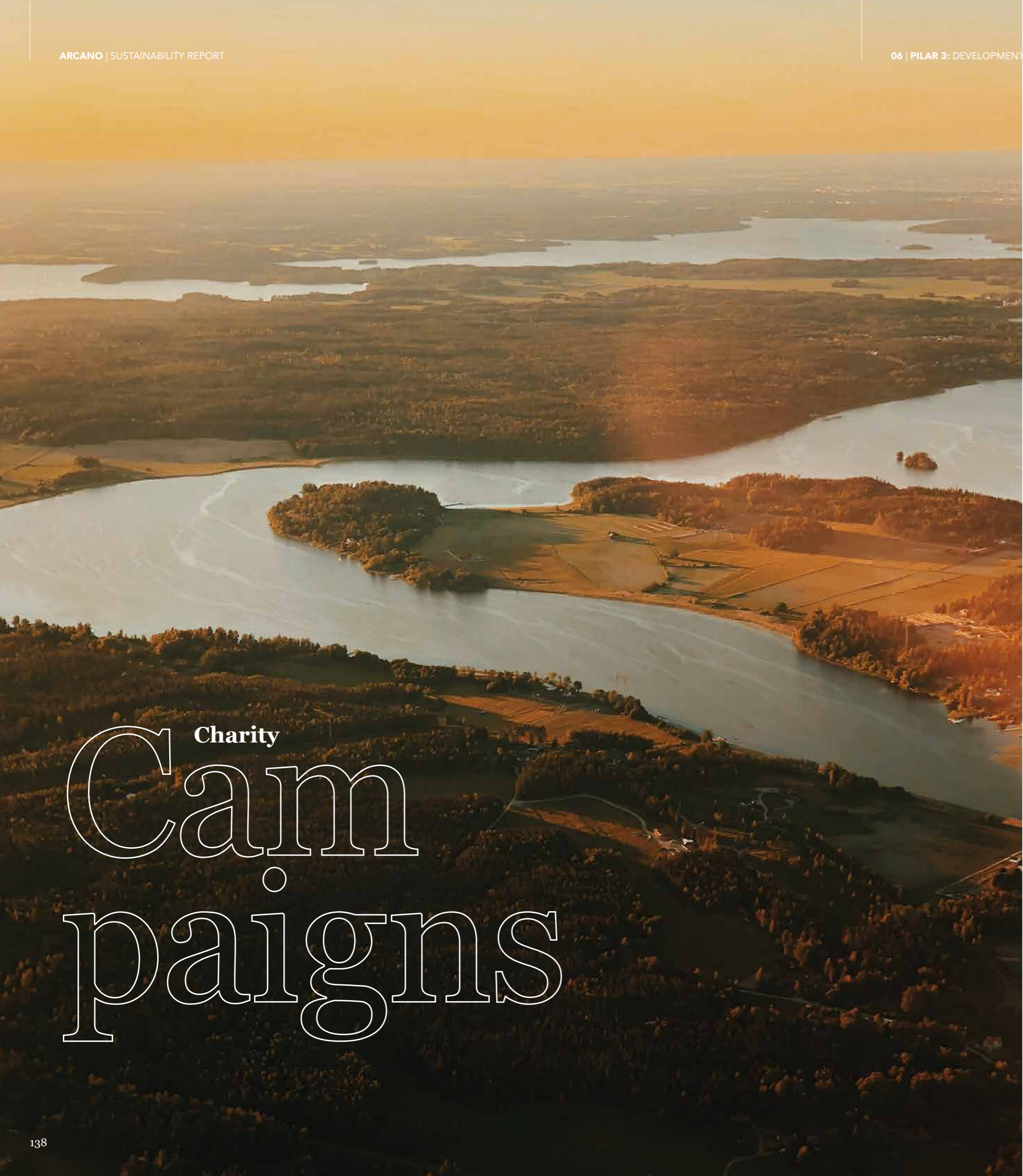
It was also the first time we worked with **Catering Social Comidissimo**, an integration company promoted by the Hogar Sí Foundation, for the organization of the Arcano charity breakfasts. This catering accompanies, trains, and employs people in situations of social exclusion. We learned about this wonderful initiative thanks to the Vinne Foundation, a platform that brings together social entities offering optimal facilities and services to meet the different needs of companies.



Auara, is a social enterprise that dedicates 100% of its dividends to develop projects for access to drinking water in developing countries. Since 2022, we use their water bottles for consumption in the office.



Ecoalf was founded in 2009 as a sustainable fashion brand with the mission of no longer using the planet's natural resources indiscriminately. In 2022, we acquired sustainable vests that were offered as gifts to Arcano employees.



Charity
**Cam
 paigns**



Aid to Ukraine

The war in Ukraine defined the year 2022. Society was moved by the invasion and, most of all, by the ongoing conflict that has created a new refugee crisis with more than 4 million people registered as beneficiaries of temporary protection or similar EU systems. Encouraged by friends and employees, Arcano suggested several ways to facilitate donations.

Thanks to these initiatives, we were able to purchase food and supplies at the border, donate medicines and medical supplies, and transport refugees.

The firm pledged to contribute the same amount raised by employees.



Pequeño Deseo Foundation

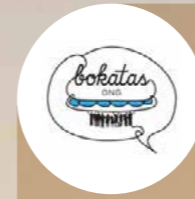
In December 2022, we decided to become the secret Santa of children with serious illnesses. To this end, we adapted Arcano's traditional secret Santa for a charity secret Santa in collaboration with the Pequeño Deseo Foundation, whose mission is to make wishes come true for children hospitalized with serious illnesses, and to support them emotionally and make their daily struggle more bearable.

Fulfilling the children's wishes generates many positive emotions that affect their well-being and physical improvement.

Here you can watch a video about the study that was carried out by the Pequeño Deseo Foundation, the College of Psychologists in Madrid, and the Complutense University.

Charity Breakfasts

Since 2020, we have been carrying out charity breakfasts, where leaders with social impact in Spain are invited to give visibility to their work in front of all our employees. In 2022, the following social entities have been invited to participate:



Bokatas

A project that accompanies homeless people to dignify their situation. The Association carries out direct action work in the streets that is complemented by raising awareness and denouncing the situation of homeless people.



Ronald McDonald Children's Foundation

Its mission is to develop and back programs that directly improve children's health and well-being, helping families who have children with serious health problems and who are hospitalized in Spain.



Ava Foundation

The foundation seeks to improve the quality of life of children with neurological disorders and their families. Its medium-term goal is to promote a social and sanitary nursing facility specialized in the care of people affected by neurological, congenital, or functional disorders that cause disability.



Vinne Foundation

The foundation's purpose is to serve as a link between companies and social entities that offer optimal facilities and services to meet the different business needs.



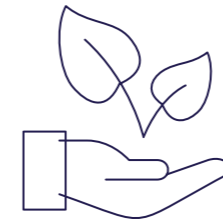
Pequeño Deseo Foundation

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Committed

to the environment



Arcano Carbon Footprint

At Arcano, we control the CO₂ and other greenhouse gas emissions derived from our activity by calculating our carbon footprint, in accordance with the GHG PROTOCOL (Scope 1: greenhouse gas emissions that come from sources owned or controlled by the company, and Scope 2: indirect emissions from the generation of electricity, steam, heating and cooling purchased and consumed by the reporting company).

The footprint is calculated with the tools provided by the Ministry for Ecological Transition and the Demographic Challenge together with the Aplanet platform, for subsequent verification by EQA, a certifying company, and registration with the Ministry for Ecological Transition and the Demographic Challenge (MITECO).

The carbon footprint calculation project at Arcano derives from the company's commitment to environmental protection, the promotion of sustainability (both in business development and in the way it operates on a daily basis), and the prevention and minimization of the impact of climate change, so that we can measure greenhouse gas emissions and design a set of measures to reduce them over a set period of time.



As part of the carbon footprint calculation, we prepare an Emissions Report with a clear reduction plan verified by a third party.

At Arcano, we are convinced of the importance of reducing and offsetting our footprint, in addition to calculating it. Therefore, through the registration of our 2022 footprint we will be able to determine the existing reduction in the 2021 reduction plan and offset our footprint with an appropriate absorption project.

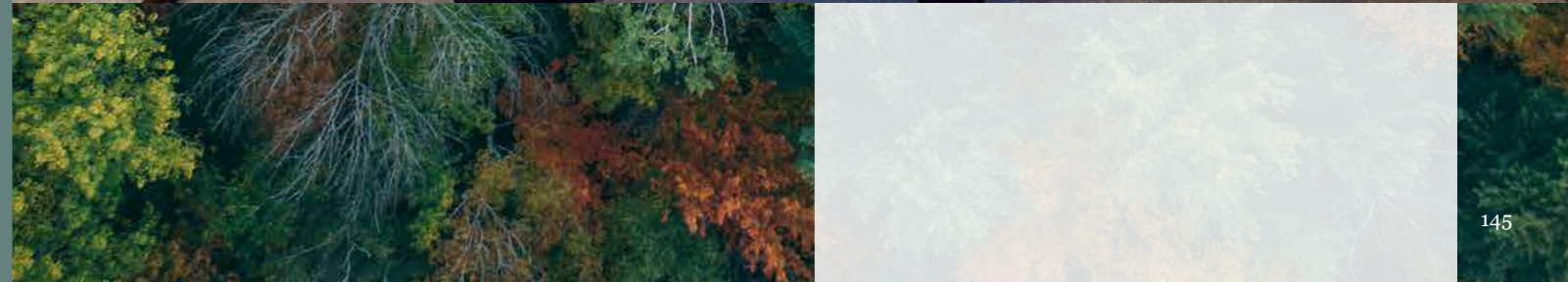


Partnership

with A&G

Let us show you the forest

A&G brought together 62 national and international managers, including Arcano, with the challenge of planting 800 trees in Alapardo, Madrid. The goal is to plant a forest of 4,000 trees in the next five years. The action is in line with the goal of achieving a zero-carbon footprint, as well as Arcano's reduction targets.



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