



Securis

ESG Investment Policy

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Confidential – Internal Policy Document

Purpose and Scope

The purpose of this policy is to define the approach taken by Securis Investment Partners LLP and its affiliates (collectively "Securis" or the "Firm") to integrating environmental, social, and governance (ESG) considerations into the opportunity analysis for non-life and life ILS investments.

ILS

Insurance products provide society with a means to recover from disaster and to build resilience. Provision of insurance is fundamental to a well-functioning society, it strengthens the economy and improves the lives of individuals. Since the founding of the business in 2005, Securis have been innovators in the Insurance Linked Securities (ILS) space. Through origination, structuring and analysis, Securis has enabled capital markets investors to understand and access pure insurance risk. Securis operates within both Non-Life and Life ILS:

- Non-life insurance enables individuals and businesses to rebuild properties following catastrophes. The majority of the Non-Life risks undertaken collect a re/insurance premium against the risk of loss from physical damage to property resulting from natural disasters such as hurricane, earthquake, flood and wildfire.
- Life insurance provides financial relief to individuals and families, in circumstances of ill health, unemployment or death. By helping Life companies engage in risk transfer and enabling growth, Securis supports their ability to meet their obligations to underlying policyholders.

The size of the ILS market has grown significantly in the last 10 to 15 years; this has expanded the capital available in the re/insurance sector and for policyholders' claims. As society deals with the challenges of population growth, longevity and the environmental implications of climate change, the role of insurance will become even more critical.

Securis has developed a framework to assess the Environmental, Social, and Governance aspects of all relevant investments or counterparties. Our investment process will include an A, B or C score for each of the three elements.

A material proportion of the portfolio is invested in reinsurance and retrocession (reinsurance of reinsurance business) type investments with limited "look through" to the underlying policyholder level, as such, clear exclusions are difficult to enforce or monitor and will not be part of the process for any investment.

Environmental

The climate is changing; global temperatures have increased in the post-industrial era with observed rises in sea level, warming of oceans and changes in weather patterns. Much of the non-life portfolio is exposed to climate-related risks and specifically, extreme weather events. It is expected that global warming may lead to an increase in the frequency and severity of storms, may increase precipitation and flooding, and warmer temperatures may also be conducive to wildfires propagation. As conditions change, Securis is adapting the pricing analysis and updating the modelling framework to reflect our view of the current risk. Non-life reinsurance contracts are typically renewed annually which enables re-evaluation of both the modelling and pricing. The Environmental score will assess whether an investment is exposed to risks affected by climate change and how well these changes are captured in the modelling.

Social

Access to affordable insurance is fundamental to a well-functioning economy and the infrastructure of society. A number of recent natural catastrophes have highlighted the insurance penetration gap, both in developed economies and in less well-developed parts of the world. Securis' focus is naturally on more developed insurance markets, however there are increasingly investments targeted at tackling under-insurance, two examples follow.

- Flood insurance coverage in the US is low; roughly 70% of the economic losses following Hurricane Harvey in 2017 were uninsured. The National Flood Insurance Program (NFIP) provides government subsidised flood insurance to those homeowners and small business unable to purchase it affordably or at all. By providing reinsurance capacity to NFIP, it ensures the program can pay claims to policyholders for catastrophe events and enables its long-term, sustainable operation.

- Mexico is prone to natural disasters. In 1996, FONDEN was created which is a government fund for disaster relief and reconstruction. In 2009 FONDEN issued a multi-peril multi-region cat bond using the World Bank's MultiCat Program; this allows Mexico to transfer a pool of disaster risk to the capital markets. Our investments in the MultiCat Mexico catastrophe bonds provide capacity to insure against Hurricanes and Earthquakes, enabling the Mexican government to develop resilient disaster plans and ensure funds are available for effective recovery.

The Life business supports Life and Health insurance companies with their capital and financing needs globally. The global pension system is facing massive derisking challenges and the Securis Life team, through its longevity derisking expertise, has offered effective capital markets solutions to allow insurance and reinsurance counterparties to better meet pension funds' needs. In a world facing a significant life and health insurance protection gap, our Life team is playing a key role in supporting small and medium size insurance companies in their growth process and provide their services to a larger share of society. Securis are also working very closely with the World Bank and Africa Risk Capacity on capital markets transactions in developing countries aimed to help mitigate the material social and health challenges.

The prevalence of problematic investment types is limited within the ILS opportunity set we originate. The vast majority of ILS investments will have a positive impact on society. The Social score will distinguish if an investment specifically helps improve under-insurance and whether the investment could have negative impact on society.

Governance

The governance of a counterparty can be impactful on the performance of an investment. A cedant or counterparty with high standards of operations and management is typically expected to perform better, however we would look opportunistically for investments with distressed counterparties where the price is appropriately reflecting the risk.

As part of the underwriting due diligence, our investment process includes an assessment of governance considerations. The Governance score will take into account whether the counterparty is publicly listed and the domicile, if sanctions and insider dealing policies are in place and whether there is any evidence of fraudulent behaviour.

Principles

Securis became a signatory to the United Nations Principles for Responsible Investment (UN PRI) in September 2017. The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices.

In signing the Principles, we as investors publicly commit to adopt and implement them and believe this will better align our investment activities with the broader interests of society. Therefore, where consistent with our fiduciary responsibilities and relevant for the strategy, we commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.