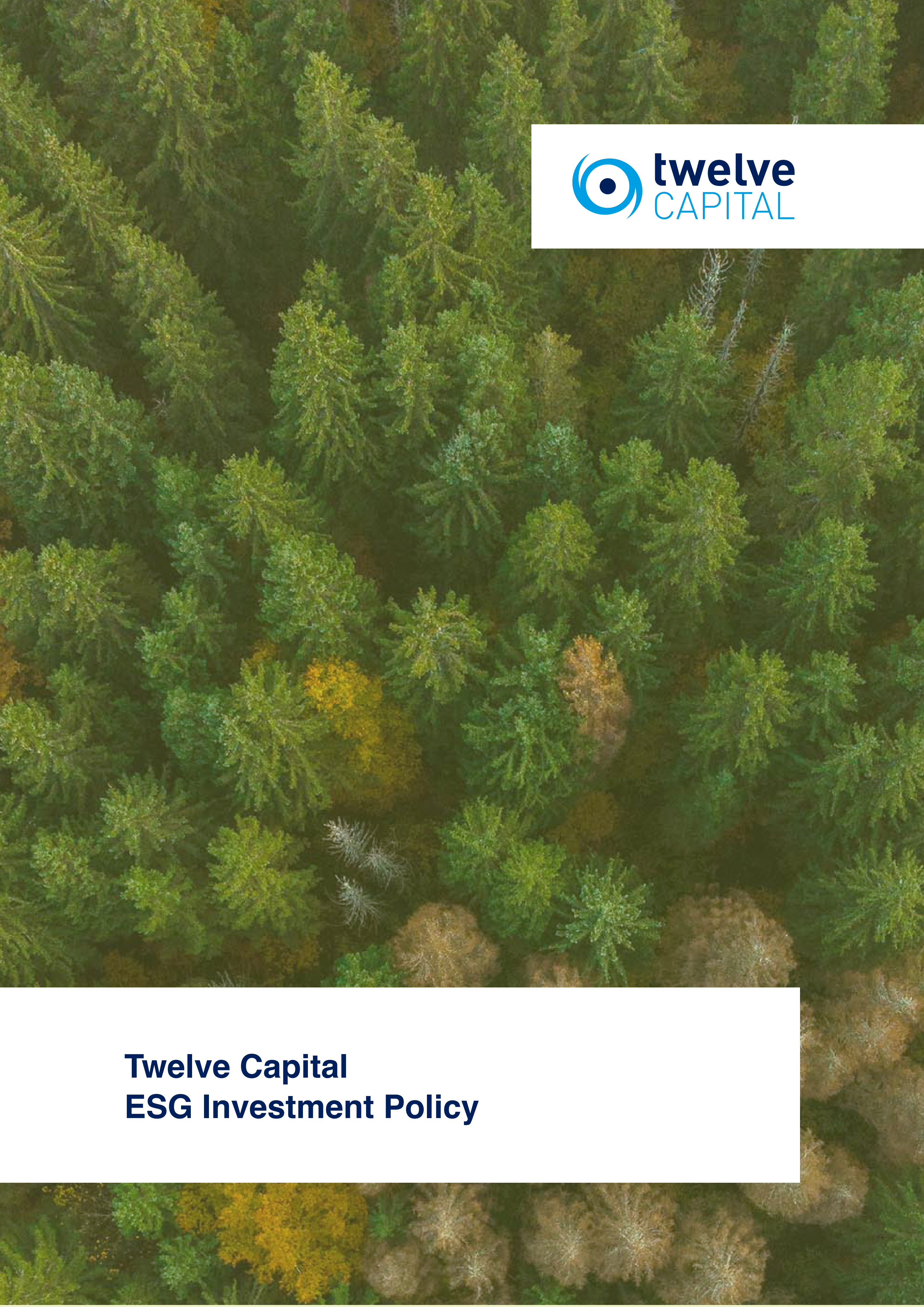

# Twelve Capital
# ESG Investment Policy

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## Purpose

This policy outlines Twelve's ESG investment approach and how ESG factors are incorporated into the Group's investment process.

## Scope

The scope of this policy comprises all Twelve Capital branded funds and investment strategies where environmental, social and governance aspects are an important part of the investment process (in the sense of Art. 8 and Art. 9 EU Sustainable Finance Disclosure Regulation). The ESG investment approach is applied across all asset classes, sectors and markets in which Twelve invests on behalf of the funds. It is also relevant with regard to the classification and discussion of individual securities in a sustainability context.

Unless specified in the relevant sections of the documents (for instance in the Exclusion Policy section), the set of commitments and processes described herein generally apply to, and on behalf of, all funds managed by Twelve.

All the affiliates and associated entities of the Twelve Capital Group apply Twelve's ESG Investment Policy.

The approach outlined in the ESG Investment Policy also applies to the funds where Twelve Capital relies on advice from external investment advisors in certain aspects of the Investment process (which might include Sustainability), unless differently specified in the present Policy.

## Application

This policy governs the general ESG approach by Twelve. Depending on the SFDR status of a specific product, the ESG investment approach and the related methodology, monitoring and other relevant streams can deviate.

Product specific ESG disclosures can be found on:

https://www.credit-suisse.com/microsites/multiconcept/en/our-funds.html

https://www.jsafrasarasin.com/content/jsafrasarasin/language-masters/en/products/funds-list.html

## Introduction

Twelve Capital's business is impacted by the challenges of climate change and other factors related to sustainable development. Twelve's objective is to bring its independent, specialist expertise to unlock and exploit the potential to deliver sustainable investment returns in line with client's investment goals and to ensure that its client's capital is put to good use. Twelve is committed to investing in a responsible way by integrating environmental, social and governance factors alongside commercial and financials factors, during its investment due diligence, analysis and ongoing monitoring process.

Twelve's ESG investment approach serves as a guiding principle for investment decisions and ensures that the core values are integrated into investment practices and individual behaviours.

Twelve's ESG investment process has been designed to support its Corporate ESG strategy and its commitments as a signatory to the UN Principles for Responsible Investment (UNPRI). The process also seeks to address regulatory developments, such as the transparency requirements introduced by EU Regulation 2019/2088 on Sustainability-Related Disclosures in the Financial Services Sector (the "SFDR").

## Tackling the climate change challenge

For financial service providers such as Twelve, climate change is relevant in two ways. Firstly, it can impact the performance of funds and mandates under management directly, as climate change makes extreme weather events less predictable and potentially more destructive. Secondly, financial service providers have an important role to play in combating climate change by reorienting capital flows to move towards a low-carbon and more climate-resilient economy. Business partners, the public, and policy makers assign financial institutions significant responsibility in achieving this goal. As part of an industry that identifies and measures risks, Twelve can contribute to sustainability by investing in insurance providers actively supporting society's adaptation and increased resilience to climate change, plus the transition to a circular economy. For this reason, Twelve analyses the companies that are part of its portfolios and sponsors of Insurance-Linked Securities, such as Cat Bonds, to assess the robustness of the risk management in place regarding the physical and transition risks of climate change, and their contribution to developing an economic system that reduces these risks.

## 1. ESG incorporation into Twelve's investment process

Twelve's network of (re-) insurance relationships, industry expertise, and in-depth proprietary research processes enables the Firm to screen and assess relevant environmental, social and governance aspects to systematically integrate them into the investment analysis. The quantitative and qualitative insights are fed into the investment analysis process and may lead to the exclusion of securities linked to certain business activities and industry sub-sectors that have a detrimental impact on the environment or society. When addressing ESG considerations within investment analytics Twelve has sought from the outset:

- Integration with pre-existing analytics frameworks;
- Consistent application across separate asset classes;
- Delivery of clear, verifiable and transparent outcomes at an individual investment level;
- An approach that helps drive improved portfolio management decisions; and
- A framework that supports compliance of funds and mandates with relevant regulatory disclosure rules plus Twelve's own ESG commitments.

Twelve Capital looks at the ESG related risk elements as part of the investment due diligence and analysis with ultimate oversight from the Investment Oversight Committee (IOC). These are assessments based on E, S, or G factors that could impact the sustainable value of an investment.

The cornerstone of Twelve Capital's ESG investment process is the generation of a ESG Rating for each security in which its Art. 8 funds are invested. Art. 9 funds might follow a different rating system according to the specific characteristics that the funds aim to achieve.

The ESG Rating is an internal score produced by Twelve Capital's proprietary ESG Rating Framework, developed to assess the ESG aspects of an asset, and provide a meaningful output that can be built into investment decisions.

Funds classified under Art. 8 SFDR commit to maintaining a minimum weighted average portfolio ESG Rating, as per the relevant fund's investment guidelines and as disclosed on the relevant fund websites.

Funds classified under Art. 9 SFDR commit to maintaining a minimum Sustainability Rating on each stock, as per the relevant fund's investment guidelines and as disclosed on the relevant fund websites.

No commitment in this respect applies to funds classified under Art. 6 SFDR and funds not classified under SFDR.

Twelve Capital's view on ESG looks across the "corporate", "investment", and "liability" elements of insurance companies, to understand how the company operates but also where it puts its capital to use in both its investments and what risks it decides to insure. This broad view across companies allows for a more holistic view on the impact a company will have on sustainability.

As part of the analysis, Twelve Capital considers both the "Issuer" and the "Instrument". This allows Twelve to determine how a company is positioned in relation to a forward looking ESG stance as well as taking into account where the capital provided by the instrument is specifically utilised. At one end there are equities and debt instruments, where the "instrument" is fully aligned with the "issuer", so it is appropriate to lean fully on the issuer score, whereas for an instrument such as a Cat Bond it is relevant to additionally take into account what the Cat Bond is covering, i.e. where the capital is utilised in case of an insured event.

Twelve Capital considers the negative consequences of its investment decisions as indicated by the principal adverse impact indicators (PAI).

## 2. Data and analytics employed

Assessment of the Sustainability score draws upon both internal expertise and analytics, as well as partnering with ESG expert data providers.

Twelve believes its pre-existing analytics capabilities have added significant value to much of the ESG analysis, for example in relation to the physical impacts of climate change on North Atlantic hurricane activity. Another example would be the regular assessments Twelve makes on insurance company management and corporate strategy as part of its credit and equity analysis framework. The ESG Rating Framework builds upon these processes to provide a broader and more granular view of the effect an investment has on sustainability (i.e. environmental, social and governance) factors.

However, for certain components of the analysis, where for example Twelve is lacking necessary data, the Firm supplements its work with data provided by specialist ESG data providers. The third-party data providers were actively selected based upon criteria including the coverage of their ratings and data within the insurance sector, plus the transparency and completeness of their data and analysis.

It also considers the performance of potential investments against a wide variety of recognised international standards such as the UN's Global Compact and Sustainable Development Goals, the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI).

The analytics process at Twelve has always embedded substantial and regular engagement with the businesses into which managed funds invest. These regular contacts support the gathering of additional data that can be used to refine and review ESG assessments. It should be noted, however, that many (re-) insurance companies, particularly non-European, are still in the process of, or are only starting out on developing their own data gathering and reporting procedures to include the broad spectrum of ESG elements that investors seek. Even with regular engagement, Twelve expects there to be a period of time before the full range of reliable ESG data is available for every company in the investment universe. In the meantime, Twelve uses its knowledge of the industry, combined with comparable peer data where relevant, to make reasonable estimates to fill in missing data.

## 3. Establishing the eligible investment universe

Analysis of a security from the perspective of its Sustainability score is only relevant if it is eligible for inclusion within Twelve's investment universe. An ESG Exclusion List policy is maintained by the firm's Compliance function and governs the eligibility of securities for managed funds and mandates. If a security is included on the Exclusion List it is ineligible for investment, meaning Twelve would not proceed with any potential investment or divest the instruments in the interest of the fund and underlying clients.

Once a security is confirmed as eligible for investment (i.e. is not included on the Exclusion List), then the ESG analysis becomes relevant.

## 4. The ESG rating

The ESG assessment is calculated on each security as part of the analytics framework Twelve Capital applies to individual investment opportunities for Art. 6 and Art. 8 funds. The ESG measure is an assessment of the potential an investment has in supporting or harming sustainability factors, for example by enabling individuals to insure their homes against severe weather events or, conversely, by facilitating the insurance of polluting industries.

The assessment covers each of the E, S and G pillars across a predetermined question set. The questions are grouped into heads of analysis covering a number of topics: corporate governance, insurance activity, human rights and resources, customer treatment, community involvement, business integrity, and management and corporate strategy.

Each question is answered for each security using a structured set of possible answers, thereby supporting consistency in approach. Answers drive a score for every individual head of analysis which are first weighted and then aggregated for each E, S and G pillar. Weightings for each head of analysis within the framework have been assigned according to Twelve's view on its materiality to the overall pillar assessment.

The typical factors that drive a favourable Sustainability score may include the following examples:

- A strong qualitative view by Twelve of company management and corporate strategy, indicating the potential for leadership in climate change mitigation and/or adaptation;
- An underwriting portfolio that focusses on delivering environmental and societal resilience to its customers;
- No involvement in environmental, social, or governance controversies;
- Public sustainability commitment through signing and implementation of recognised international standards;
- An investment strategy that clearly embeds environmental and social considerations into asset allocation decisions.

The individual E, S and G pillars are combined on a weighted basis to arrive at the overall Sustainability score for an issuer with a scale from 0% (i.e. low sustainability) to 100% (i.e. high sustainability). This combination involves a greater weight being assigned to the Environment pillar (40%), the remainder split evenly between Social (30%) and Governance (30%). These weightings have been assigned according to Twelve's view on the materiality of each pillar to the final Sustainability assessment, in the context of the global insurance industry.

While for the issuer level analysis Twelve Capital takes a view on a number of ESG related areas of analysis, for the instrument level analysis the focus is entirely on what the instrument is covering from a "line of business" approach so that the ultimate destination of the capital can be taken into account.

The weighting between issuer and instrument is different for different asset classes, and has been calibrated to give meaningful dispersion as well as a focus on what the sustainability rating of a particular asset is.

## 5. Limitations to methodologies and data

Twelve is aware of potential limitations of the data received from external providers. These are addressed mainly in two ways:

1. internal sense-checks of the provider's scores, with application of adjustments when deemed necessary; and
2. reliance on internal data collection and analysis: for example, around 75% of an ESG rating of a Cat Bond is derived from Twelve's own analysis. Therefore, any potential limitations to specific data points are not considered to materially affect the overall sustainability rating.

## 6. Promotion of ESG through Stewardship

Sound stewardship in managing assets and aligning them with ESG is of paramount importance to Twelve and its clients. The Group shares the responsibility to uphold the principles of the ESG Investment Approach and invests in Twelve's Employees to develop ESG capabilities, so that all can strive to incorporate ESG factors into their daily work. Twelve Capital commits to act as a good steward of assets managed on behalf of its clients. The Firm recognises that clients expect alignment of Twelve's approach with their own investment beliefs, policies and guidelines. Twelve Capital seeks to be an active investor by encouraging good governance and a high standard of corporate practices as well as environmental and social aspects. All investment strategies at Twelve embed engagement with the businesses into which managed funds invest, through meetings, calls and DDQs. Further details can be found in Twelve Capital's Stewardship Policy.

## 7. Transparency and Reporting

Twelve is committed to providing timely and relevant external communication and reporting of its ESG investment efforts, in line with regulatory requirements. Twelve may provide supplemental ESG-relevant information via its website, the fund management company's website, the Fund's prospectus, the Fund's Annual Audited Financial Statements or any other type of bespoke ESG Reporting.

## 8. Governance, Investment Oversight and Responsibilities

The ESG Investment Policy is approved by the IOC and owned by the Investment Management team. Compliance and Risk Management ensure the adherence to this policy and regularly monitor the relevant items as further described below.

## 9. Monitoring

Risk Management, Compliance and the ESG Committee ensure a regular and independent monitoring of the ESG related policies.

Various ESG related data points and information elements such as Sustainability scores, Exposure to controversial activity flags, Transition risks, Principal Adverse Indicators, etc. are maintained in the various relevant systems in order to review data quality and to monitor investment compliance (where applicable) by means of pre- and post-trade investment compliance checks.

In case of a breach of the exclusion policy, the issue is escalated to the Investment Oversight Committee, which is ultimately responsible to choose the best approach to follow.

## 10. Ongoing Policy Review

Twelve continues to review its ESG Investment approach. The Firm's ESG Investment Policy is reviewed regularly and will be updated as and when needed. The periodic review shall assess if the ESG policies:

- are operating as intended;
- are compliant with national, international regulations principles and standards applicable to the sector within which the Company operates.

## 11. ESG investment related policies

Alongside this Policy, Twelve has adopted several complementary ESG investment related policies on specific topics. These include the following:

- Exclusion Policy;
- Proxy Voting Policy;
- Stewardship Policy;
- PAI Policy;
- Good Governance Policy.

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(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the product pursuant to an offer made under Section 275 except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA,

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

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