SUSTAINABILITY RISKS (ESG) POLICY

10 March 2021

This document sets out the policies of Leadenhall Capital Partners LLP and its subsidiary undertakings from time to time (together, the "**Firm**"), on the integration of sustainability in our investment decision-making process.

1. **Introduction**

1.1 The EU Sustainable Finance Disclosure Regulation ("**SFDR**") requires the Firm to formalise how sustainability is integrated into our business and processes, and to make new public and client-facing disclosures on sustainability matters.

1.2 In overview, the Firm's sustainability values are:

Integration	We incorporate sustainability issues into investment analysis and decision-making processes, which should result in better investment decisions.
Ownership	We are active owners and incorporate sustainability issues into our ownership policies and practices.
Disclosure	We seek, encourage and promote appropriate disclosure on sustainability issues from the entities in which we invest.
Best Practice	We promote acceptance and implementation of responsible investment within the investment industry.
Collaboration	We work together to enhance our effectiveness in implementing responsible investment.
Communication	We report on our activities and how they implement this Sustainability Risks Policy to our internal and external stakeholders.

1.3 Leadenhall has made a commitment to adhere to the UN Principles for Responsible Investment ("**UN PRI**"), which our sustainability values incorporate. An annual report is made to the UN PRI organisation on the integration of sustainability commitments within Leadenhall's investment practices. Leadenhall became a signatory to the UN PRI in 2018 and was first subject to the UN PRI reporting cycle in January 2020.

1.4 Leadenhall's ultimate parent (the MS&AD Group) is also a signatory to the UN PRI. For more information on the UN PRI see www.unpri.org. For the MS&AD Group's 'Business Activities with Consideration for Sustainability' press release, see https://www.ms-ad-hd.com/en/news/news_topics/news_topics20200930.html.

1.5 Leadenhall is also a signatory to the Standards Board for Alternative Investments ("**SBAI**"), a standard-setting body for the alternative investment industry. Leadenhall makes regular disclosures to the SBAI confirming our adherence to the SBAI's standards for alternative investments.

1.6 This document sets out the Firm's policies in respect of the integration of sustainability risks in our investment decision-making process, as required by Article 3 SFDR. The policy applies to the Firm, and applies in respect of all AIF management and UCITS management carried on by the Firm.

1.7 For reference, the Firm maintains other policies and documentation related to sustainability, including its Investment Due Diligence Policy.

1.8 This policy applies as from 10 March 2021.

2. **Purpose of this policy**

2.1 Under SFDR, "**sustainability risk**" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

2.2 This policy therefore approaches sustainability risk from the perspective of the risk that sustainability events might cause a material negative impact on the value of our clients' investments.

2.3 The Firm recognises that the world faces growing environmental, social, and governance-related risks. A key part of our role as a fiduciary is to act in the best interests of our clients, and this includes appropriately taking account of how those sustainability risks could impact on our clients' investments. This policy therefore establishes our framework to identify, measure, manage and monitor sustainability risks to our clients.

2.4 For the purposes of SFDR, sustainability risk is not concerned with the risk of harm that our investment decisions may do externally to sustainability factors. In other words, this policy covers "*value*" rather than "*values*". The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm's investment decisions on sustainability factors. The Firm is compliant with the principal adverse impacts rules under Article 4 SFDR, and has separately implemented a due diligence policy on this matter.

2.5 In addition, SFDR is not specifically concerned with the risks that sustainability events may cause to the Firm's own balance sheet or prudential position. Such risks will be separately covered by the Firm's ICAAP process and/or enterprise risk management.

3. Governance and senior management responsibility

3.1 The Firm's Chairman and Chief Executive Officer (advised and supported by the Firm's Sustainability (ESG) Committee) are ultimately responsible for the Firm's policies and procedures in respect of sustainability. They make periodic reports to the Firm's Board.

3.2 The Firm's Chairman and Chief Executive Officer have approved this policy and the related procedures, including the Firm's sustainability risk appetite, and the Firm's integration of sustainability risks into investment decision making.

4. Sustainability risk management

4.1 As part of our broader risk management processes when investing, the Firm has implemented procedures to (i) **identify**, (ii) **measure**, (iii) **manage** and (iv) **monitor** sustainability risks.

4.2 The Firm's approach to sustainability risk management is based on (amongst other things) the nature of each transaction and the time horizon it encompasses. For example, multi-year ILS transactions are reviewed upon the occurrence of any material events and in a pre-arranged annual review of the counterparty's own risk management and updated risk exposures to climate and social risks. Risk transfer transactions are continuously monitored for the impacts of natural perils or changes in human morbidity or mortality and the risk measures are adapted with the influence of climate and social changes.

(i) Identify

4.3 The Firm has separately reviewed the sustainability risks which are potentially likely to cause a material negative impact on the value of our clients' investments, should those risks occur. These are summarised below in section 5 of this policy, and are broadly divided into the three categories of environmental, social and governance risks.

4.4 The Firm treats sustainability risk as both a standalone risk, and also a cross-cutting risk which manifests through many other established principal risk types (such as financial risks, operational risks, credit risks, etc).

(ii) Measure

4.5 The Firm measures sustainability risk through due diligence of investments and investees. The due diligence work will include recording and comparing investment and investees on their sustainability policies and strategies. When not available we will record this and the applicable risk factors. The review and recording of sustainability policies and strategies will be at the start of each risk period and again reviewed periodically with any changes noted.

4.6 In formulating our view on sustainability risk, we rely on our own internal analysis, modelling and assessment. We also use third party data sources (e.g. Bloomberg) where available. For modelling physical risk we use third party vendors as well as obtain data sources from investees and intermediaries. For example, we score counterparties' own human capital management, innovation focus, internal sustainability policies, and gender diversity to produce a qualitative score to inform our investment decisions.

4.7 In measuring sustainability risk, we take account of the "physical" or tangible risks of a sustainability event (for example, the impact of severe climate events leading to business disruption or losses for our investment positions). In addition, we also take account of the "transition" risk, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model, for example, the risk severity from meteorological events on renewable energy sources like solar panels and wind farms.

(iii) Management

4.8 While the Firm's portfolio managers and analysts are provided with information on sustainability risks, and are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent the Firm from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

4.9 The Firm excludes debt or equity investments in:

- Manufacturers of controversial weapons, to protect human rights;
- Manufacturers of controversial arms/armament, to protect human rights;
- Pornography, to promote respect for human rights;
- Tobacco industry, to promote social cohesion through good health; and
- Gambling, to promote social cohesion and to protect economically or socially disadvantaged communities.

4.10 The Firm's lines of defence are senior management, portfolio managers/analysts and its Sustainability (ESG) Committee; all have active roles in managing sustainability risk.

(iv) Monitoring

4.11 The Firm's portfolio managers and analysts, with the input of the Firm's Sustainability (ESG) Committee, conduct periodic review and periodic monitoring of investments and investees. Action and further review will be noted on file if sustainability risks are breached. As the Firm invests in insurance linked securities (ILS), the Firm continuously monitors and takes into account applicable legislation and regulation.

5. **<u>Relevant sustainability risks</u>**

5.1 As noted above at section 4 of this policy, the Firm has taken steps to identify each key environmental, social and governance risk which could, if it materialises, cause an actual or a potential material negative impact on the value of an investment. These are summarised in this section 5.

5.2 **Environmental** sustainability risks for the value of our clients' portfolios include:

- Climate change
- Rising sea levels / coastal flooding
- Wildfires / bushfires

5.3 **Social** sustainability risks (including governance sustainability risks) for the value of our clients' portfolios include:

- Restrictions on or abuse of the rights of consumers
- Lack of diversity at Board or governing body level for organisations with complex or extensive ownership structures
- Inadequate external or internal audit
- Bribery and corruption
- Poor safeguards on personal data / IT security (of employees and/or customers)
- Discriminatory employment practices
- Workplace harassment, discrimination and bullying

6. **Disclosure of this policy**

6.1 SFDR requires that the Firm must publish on our website information about this policy. The Firm satisfies this requirement by disclosing this policy itself on our website.

6.2 SFDR also requires that the Firm must include, in the pre-contractual disclosures for our financial products, a description of the manner in which sustainability risks are integrated into our investment decisions. The Firm satisfies this requirement by disclosing this information in pre-contractual disclosures.

6.3 For these purposes, "pre-contractual disclosures" means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.