

# ReAssure Group plc Environmental, Social and Governance ("ESG") Investment Policy<sup>1</sup>

## **Purpose**

Framework and Policy for Responsible Investing

Version: V2

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<sup>1</sup> Until the point of deconsolidation from Swiss Re, the Swiss Re Responsible Investment Policy is the ultimate governance document in case that stronger policies apply than in the ReAssure policy.

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## 1. Introduction

As an insurance company and long-term global and diversified investor, ReAssure Group plc ("ReAssure" hereafter) has a responsibility to act in the best interests of its policyholders, shareholders and other stakeholders. As owner of a significant volume of assets under management, ReAssure is aware of its Environmental, Social and Governance (ESG) responsibilities, when investing assets on behalf of policyholders, shareholders and other stakeholders. It has an interest in the long-term quality and continuity of the investment universe, as well as in well-functioning markets, economies, sectors and companies.

As life and pension consolidator, ReAssure's primary investment objective is to invest in various asset classes ranging from Sovereign, Corporate debt, equities, unit trust and commercial mortgages to meet the short to long term contractual liabilities.

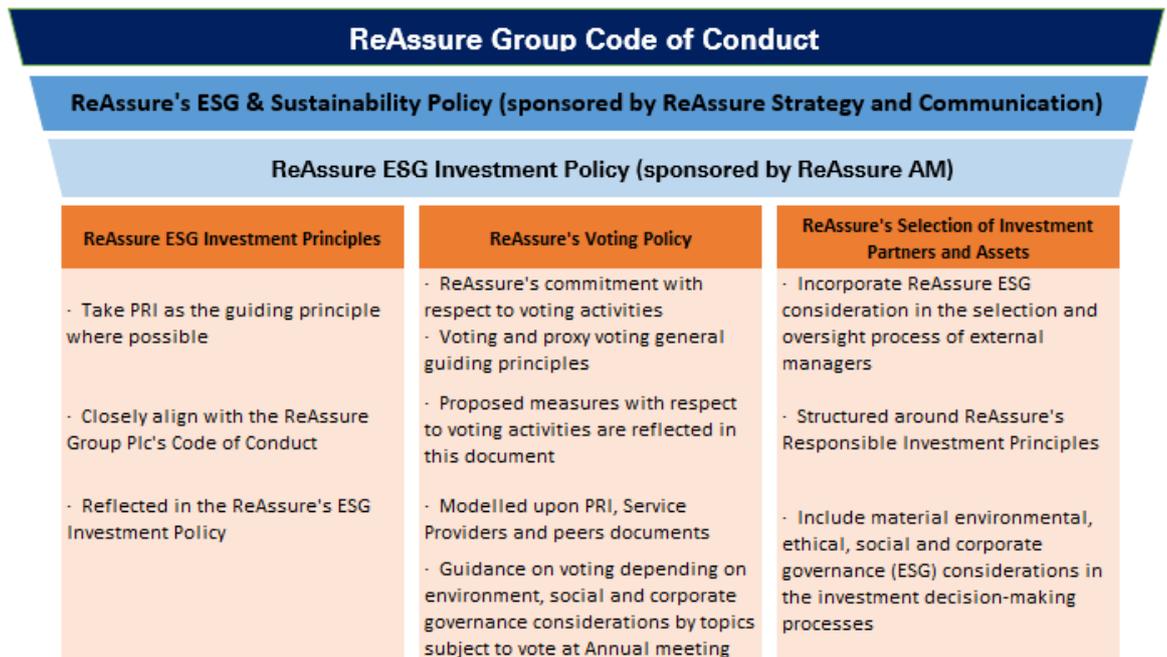
The nature of the ReAssure's business requires it to be committed to responsible investment, defined as the integration of ESG considerations into investment management processes and ownership practices in the belief that these factors are prerequisites for sustainable value creation. ReAssure therefore actively looks at implementation measures and initiatives to incorporate ESG considerations in its investment processes in order to ensure sustainable value creation.

ReAssure's ESG Investment Policy is part of ReAssure's investment governance and includes ReAssure's voting policy<sup>2</sup>. The ESG Investment policy is aligned with ReAssure's ESG & Sustainability Policy and the Group Code of Conduct, which set out ReAssure's commitment as a responsible company.

ReAssure outsources asset selection and portfolio management to qualified external asset managers. ReAssure strives to ensure that external asset managers invest assets in accordance with ReAssure's ESG & Sustainability Policy and incorporate ESG principles in their investment process and actively engage in ESG matters with companies. Therefore, this policy is an integral part in the selection and oversight of external managers and the principles of the policy extend to the actual investment approach utilized by the external managers, including voting practices, which must be aligned with the voting policy that forms part of the ESG Investment policy.

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<sup>2</sup> The Swiss Re voting policy acts as the ReAssure voting policy until the point of a deconsolidation.



ReAssure aims to become a signatory of the Principles for Responsible Investment (PRI) Accordingly, this policy has been written using the PRI guiding principles as a point of reference.

## 2. Definitions

The following definitions are used in this policy.

ESG	Environmental, Social and Corporate Governance
Environmental (E)	Issues relating to the quality and functioning of the natural environment and natural systems. These include biodiversity loss, greenhouse gas emission, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.
Social (S)	Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.
Governance (G)	Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in

	<p>general, issues dealing with the relationship between a company’s management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented.</p> <p>In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.</p>
PRI	<p>Principles for Responsible Investments:</p> <p>Principle 1: We will incorporate ESG issues into investment analysis and decision making process</p> <p>Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices</p> <p>Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest</p> <p>Principle 4: We will promote acceptance and implementation of the Principles within the investment industry</p> <p>Principle 5: We will work together to enhance our effectiveness in implementing the Principles</p> <p>Principle 6: We will each report on our activities and progress towards implementing the Principles</p>
Responsible Investing	<p>By Responsible Investing we understand the integration ESG considerations into investment management processes and ownership practices in the belief that these factors can have an impact on long-term financial performance</p> <p>An approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns</p>
Sustainability	<p>Sustainability can be described as the progress that meets the needs of the present without compromising the ability of future generations to meet their needs. To be sustainable, development must improve economic efficiency, protect and restore ecological systems, and enhance social well-being. In all our main activities aimed at implementing Corporate Responsibility, Sustainability is key criterion</p>
Passive Strategies	<p>Passive investments are investments which mirror the performance of an index and follow a pre-determined buy and hold strategy that does not involve active forecasting</p>

Active strategies	Investment strategies in which investment decisions are based on either on computer-based models or human judgement through "bottom-up" and "top-down" approach or any other specific approach to determine whether an investment is attractive
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### 3. Purpose & Scope

#### 3.1 Purpose

The objective of the ESG Investment Policy is to define ReAssure's commitment, principles, roles and responsibilities as an asset owner to ensure the integration of ESG considerations across the investment process as a key element of long-term sustainable risk-adjusted economic returns.

#### 3.2 Scope

The ESG Investment Policy is applicable to all assets of ReAssure Group plc and its subsidiaries managed on behalf of ReAssure's policyholders and shareholders. The detailed products and strategies are outlined in the table below.

ReAssure's assets are managed under the guidance and oversight of the ReAssure Asset Management function, with security selection and management performed by qualified external asset managers. The policy therefore applies to activities performed both by the ReAssure Asset Management Function and external managers utilized in the investment process of ReAssure's assets. This policy covers all asset classes in all markets including equities, fixed income, property, private markets and alternative asset classes.

The policy does not supersede local legal and regulatory requirements, including applicable stock exchange rules, regulating investment management. Furthermore the policy does not supersede ReAssure's conduct responsibilities, including treating customers fairly.

	Active Mandate	Passive Mandate
<b>Unit Linked – policyholder selected funds</b>	Funds objective is to outperform investment benchmark via manager's investment style and securities selection	Funds objective is to track investment benchmarks as closely as possible
<b>Unit linked – multi assets</b>	Funds are invested in a range of asset classes and regions. Asset allocation positioning is performed via Strategic Asset Allocation (SAA) or Tactical Asset Allocation (TAA). Individual asset class building blocks can be invested both via passive or active mandates.	
<b>With - profit fund</b>	Funds are invested in a range of asset classes and regions. Asset allocation positioning is performed via Strategic Asset Allocation (SAA).	

Individual asset class building blocks can be invested both via passive or active mandates.

**Shareholder assets**

Portfolio is managed on a "buy and maintain" basis, with the objective to preserve capital and credit quality over the long term and to achieve an optimal risk adjusted yield

## 4. Principles

ReAssure aims to adhere to the six Principles for Responsible Investment developed by the PRI by applying the following principles for the incorporation of ESG considerations in its investment process:

- Responsible Investment as articulated in the ESG Investment Policy is fully embedded within ReAssure's commitment to corporate responsibility and Asset Management governance processes
- ReAssure's ESG Investment Policy defines ReAssure's commitment with respect to Responsible Investment
- ReAssure's investment process incorporate ESG considerations
- ReAssure prudently monitors its investments including ESG considerations
- ReAssure implements investment exclusion on certain countries and companies as stipulated by its ESG & Sustainability Policy and the Group Code of Conduct, while at all times considering customer outcome and ensuring any measures are compliant with ReAssure's conduct and customer fairness principles.
- ReAssure ensures to take advantage of its voting rights considering ESG interests and reports on voting records in line with the ReAssure's Voting Policy
- ReAssure is committed to continuously develop its approach to Responsible Investing

## 5. Selection of Investment Partners

Asset selection and portfolio management for ReAssure's assets are fully outsourced to external asset managers. To ensure that external asset managers invest assets in line with the ReAssure's approach to responsible investing, ESG considerations are incorporated in the selection and oversight process for external managers.

The selection of external managers includes an assessment of their approach to ESG and alignment with ReAssure's ESG Investment policy. For existing managers, the approach toward ESG is captured as part of the regular manager oversight process. Managers are also asked to report on their ESG, voting and engagement practices to ReAssure investment oversight committees.

For any new managers, ReAssure includes a detailed questionnaire on ESG considerations in Requests for Proposals, performs a thorough due diligence of the external managers' investment process, including the review of ESG considerations in investment decisions and monitoring and of their commitment to Responsible Investing. The reporting from external manager should include but not limited to:

- General description of voting behaviour, explanation of the most significant votes and the use of the services of proxy advisors

- Disclose how it has cast votes in the general meetings of companies in which it invested in

External managers are encouraged to continually enhance their commitment to Responsible Investing and commit to apply or develop their own Responsible Investment policy to the management of portfolios and report to ReAssure on its implementation and the impact on ReAssure's investment portfolio. External managers' progress in this area is monitored as part of the overall external manager assessment process. ReAssure requires regular reporting on the external managers' efforts made.

A detailed questionnaire on ESG considerations used in external manager due diligence is included in Appendix 1.

## 6. Asset Selection

ReAssure seeks to include material environmental, ethical, social and corporate governance (ESG) considerations in the investment decision-making processes, unless such considerations are in conflict with policyholder's investment objectives or ReAssure's conduct responsibilities, including treating customers fairly.

ReAssure expects its investments including those managed by external managers and fund managers to follow ReAssure's ESG standards which are analysed during the initial due diligence by investment professionals and monitored regularly as part of the investment portfolio and manager oversight process. The minimum ESG Investment standards are determined to a certain extent by local legal and regulatory requirements. The minimum ESG Investment standards may evolve as ESG – based investment research progresses or when ReAssure updates its policies.

ReAssure may exclude certain assets from its portfolios (ESG filters) where they are not in line with ESG & Sustainability Policy and the Group Code of Conduct

ReAssure do not believe it is appropriate to introduce ESG filters to passive mandates that would change the nature of the passive mandate and prevent them from achieving their objectives to track an index at a low cost.

For actively managed policyholder funds, ESG filters may be applied in line with the stipulated fund guidelines and policyholder objectives. While for shareholder assets ESG filters can be applied at the discretion of the shareholder, the approach to policyholder assets must consider product requirements and policyholder expectation.

ReAssure has considered the following approach in implementing ESG exclusion.

ReAssure Assets	Considerations	ESG Filter approach
<b>Shareholder assets</b>	<ul style="list-style-type: none"> <li>• Portfolio is fundamentally "buy and maintain"</li> <li>• Significant rebalancing initiatives must consider</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestments and new purchase will exclude companies from the ReAssure ESG</li> </ul>

	<p>turnover limits, accounting and ALM impact</p> <ul style="list-style-type: none"> <li>• ReAssure has discretion to apply any restriction to their assets</li> </ul>	<p>restricted asset list<sup>3</sup> (updated quarterly)</p> <ul style="list-style-type: none"> <li>• Consider ESG ratings in portfolio rebalancing initiatives</li> </ul>
<b>Passive unit-linked funds</b>	<ul style="list-style-type: none"> <li>• Mandate is to track benchmark index as closely as possible</li> <li>• Application of filter would lead to tracking error which can be seen in contradiction to the product originally purchased by the policyholder and would require pre-notification under COBS 21</li> </ul>	<ul style="list-style-type: none"> <li>• Application of ESG filters is not recommended as it would result in an increase in tracking error relative to the benchmark</li> </ul>
<b>Active Unit-linked funds</b>	<ul style="list-style-type: none"> <li>• ESG exclusion may not be consistent with fund objectives and benchmarks</li> <li>• Co-investment between products in underlying funds prevents application of ESG filters without potentially delivering an investment outcome inconsistent with client expectations on a select number of funds</li> </ul>	<ul style="list-style-type: none"> <li>• External investment managers may apply ESG filters as long as compliant with fund/mandate objectives</li> <li>• ReAssure exclusion list can be applied in addition to those of external managers upon detailed analysis to the extent these are consistent with fund objectives</li> <li>• Thematic exclusion (e.g. coal assets) is considered on a case by case basis with a view to impact of investment objective of underlying base fund</li> </ul>
<b>With profit funds</b>	<ul style="list-style-type: none"> <li>• Customer expectations are set out in the Principles and Practice Management (PPFM) of the Fund</li> <li>• While individual WP base fund mandates do not set out explicit objectives and constraints these must be consistent with the PPFM</li> </ul>	<ul style="list-style-type: none"> <li>• ESG benchmarks or filters can be introduced for some base funds as long as consistent with PPFM</li> <li>• Thematic exclusion (e.g. coal assets) to be considered on a case by case basis</li> </ul>

ReAssure will actively review its product range with a view to offering policyholders funds with a particular ESG focus.

## 7. Voting

ReAssure recognises the rights and responsibilities inherent in being a significant asset owner and in particular in share ownership as an integral part of its commitment to be a responsible investor.

<sup>3</sup> References the Swiss Re Group exclusion list, until deconsolidation from Swiss Re Group

ReAssure may delegate the exercise of its voting rights to its external investment managers or to proxy advisors (third party providers). In doing so ReAssure aims to ensure wherever possible that votes casted on its behalf are done so in a manner that is consistent with its commitment to Responsible Investing and its ESG Investment Policy. To fulfil this objective ReAssure aims to align the manager's voting practice to the extent possible with ReAssure's voting principles.

ReAssure will benchmark all external asset managers' voting policy to ReAssure Voting Principles during the due diligence process and as part of its ongoing manager oversight. A gap analysis is performed and in case of any gap, an explanation is needed to ensure that ReAssure is satisfied with their approach.

## 8. Engagement

Given that asset-selection and portfolio management are outsourced, ReAssure does not generally engage directly with invested entities on ESG issues. However, ReAssure strives to use its influence as a large asset owner via external managers who incorporate ESG considerations in their engagement with investees and to ensure such engagement is consistent with ReAssure's ESG policy. This includes the following:

- ReAssure regularly verifies and reviews that investment mandates and funds guidelines for both shareholder and policy holder assets comply with the ReAssure ESG policy.
- ReAssure selects external managers who engage with the investee companies in a number of ways in line with their ESG investment policy to raise awareness on the importance of sustainability initiatives. See section 5, the selection of Investment Partner for details.
- ReAssure requires external managers to regularly report on their ESG investment activities, including voting practices, engagements with investees on ESG topics and development of their Responsible Investment strategy. ReAssure will reference as to where such voting information has been published by each of the external managers.
- ReAssure requires external managers to regularly monitor investee companies on relevant matters, including:
  - a) Strategy
  - b) Financial and non-financial performance and risk
  - c) Capital structure
  - d) Social and environmental impact and corporate governance

## 9. Monitoring & Reporting

ReAssure's ESG Investment Policy and its implementation should be verifiable against the Principles formulated.

While accepting that the results of Responsible Investing activities are difficult to measure or allocate, ReAssure strives to pursue the development of solutions which would over time allow to measure and allocate the corresponding performance and results.

ReAssure is committed to transparently report on goals, efforts, and results undertaken as part of the implementation of the ReAssure ESG Investment Policy.

ReAssure is also committed to ensure that external managers should report on any Responsible Investing activities they undertake when managing ReAssure's assets.

## 10. Governance and Responsibilities

### **ReAssure Group Executive Committee**

The ReAssure Group Executive Committee (GEC) is responsible for periodically reviewing and approving any material amendments to the ReAssure ESG Policy. The GEC reviews the implementation of the ESG Investment Policy semi-annually based on the summary of ESG Investment activities in Asset Management and suggests and approves new initiatives and focus topics. The GEC may appoint members of the ESG investment Advisory Group.

### **ESG Advisory Group**

The ESG Investment Advisory Group is responsible for monitoring and evaluating the performance and improvements of Asset Management's implementation of the ESG Policy. It also monitors ESG related developments in the industry and regulations. It summarises and presents its findings to the GEC and suggests improvements for approval by the GEC. It also prepares a semi-annual report based on the activities and observations for review by the GEC and for external reporting as required.

Please refer to Appendix 2 for the ESG Investment Advisory Board terms of reference

### **ReAssure Asset Management / ReAssure Group CIO**

The ReAssure Group Chief Investment Officer (CIO) / Head of Asset Management has overarching responsibility for Responsible Investment within ReAssure Group Asset Management.

The CIO develops the Responsible Investment strategy and coordinates its implementation. The CIO drives ESG related investment initiatives, develops and manages improvement approaches, coordinates and oversees ESG investment activities as well as provides reporting for related bodies in and outside ReAssure Group. Asset management receives regular updates from ReAssure Group Risk Management concerning reviews, developments and outlooks with respect to political and sustainability risks.

ReAssure Asset Management will:

- Ensure that ESG requirements are reflected in investment mandates and investment guidelines issued to external managers. This may include exclusion lists for shareholder assets or active policyholder mandates where applicable.
- Perform detailed due diligence and oversight on Responsible Investing activities conducted by external investment managers and engaging with them to promote ongoing focus and improvements in ESG matters.
- Report to the ESG Investment Advisory Group on Responsible Investing activities semi-annually.
- Inform ESG Investment Advisory Group of any gaps in the ESG Investment Policy and propose and support the implementation for improvement.
- Consider ESG issues when reviewing new investment opportunities, either new asset classes as whole or individual assets (e.g. private debt).
- Monitor and report the ESG risks of the ReAssure portfolios.

### **ReAssure Group Risk Management**

Risk Management supports Asset Management with the development and implementation of the Responsible Investment Framework and policies. Risk management is also responsible for supporting and advising the GEC with respect to its responsibilities towards Responsible Investing. Risk Management representatives are members of the ESG Investment Advisory Group. In this role, Risk Management provides recommendations on improvement areas and additional measures and advises on coherence with ReAssure's commitment to corporate responsibility and informs the ESG Investment Advisory Group of major developments, reviews and outlooks with respect to political and sustainability risks.

## Appendix 1: ESG Questionnaire for External Manager Due Diligence

### **ESG Reporting**

1. How often and through what mediums (e.g. meetings, written reports) are Responsible Investing activities reported to the asset owners. Describe your standard reporting routines.
2. Please provide an MSCI ESG scoring report of the portfolio considered and against the benchmark, show the rating distribution of the portfolio vs the benchmark and elaborate to what degree you consider this MSCI ESG score representative for the ESG portfolio quality or not, and why?

### **ESG in Investment Process**

1. How are ESG factors incorporated into investment analysis and decision – making processes in the following aspects: asset allocation, definition of the investable universe, fundamental or sector analysis, portfolio construction, stock selection, etc.?
2. Do you provide training to your employees with respect to ESG issues and ESG integration?
3. Do you have any experiences in managing assets against ESG benchmarks?
4. What data provider do you use for ESG information? If you do not use a data provider, where do you get the information?
5. Which aspects of E, S and G do you consider? And which ones not and why?
6. How often do you review the ESG aspects of your investments? What and how do you monitor ESG aspects of your investment? What is your action in case of unwelcome development of ESG aspects in your investment?

### **ESG Governance and policies**

1. Describe how Responsible Investing fits within your investment philosophy. Do you have a Responsible Investing policy?
2. How are Responsible Investing practices governed? Do you have an ESG committee in place? What is its role and responsibility? If you do not have a dedicated committee, who oversees ESG activities?
3. What principles, standards, memberships with regard to Responsible Investing or codes of conduct has your company/have you signed up to? Are you an UN PRI signatory? If you are an UN PRI signatory, please provide your detailed report and assessment results
4. Please provide a copy of your Responsible Investing policy, your voting and engagement policy or other statement / documents setting your approach to Responsible investing

### **ESG Engagement and Proxy Voting**

1. How do you use ESG information to identify opportunities for engagement? How does this information impact investment decisions?
2. Describe your approach to engagement. How do you define, plan and measure engagement? How do you select engagement topics/sectors/companies? Please provide an example of ESG engagement, if available.

3. Describe your approach to making voting decisions. Do you delegate decision-making? Who is responsible for the final decision? What do you do if there are internal conflicts on voting direction? Do you use a proxy-voting advisor for your voting? If yes, with whom do you work?

## Appendix 2: ESG Investment Advisory Group Charter

### 1. Role and Responsibilities

#### 1.1 Role

The ESG Investment Advisory Group is the advisory committee to the ReAssure Group Executive Committee (GEC) and an exchange platform for ESG investment related initiatives overall

#### 1.2 Responsibilities

The ESG Investment Advisory Group advises the GEC on the following matters:

- Responsible Investment initiatives: The ESG Investment Advisory Group sets annual targets, and develops and reviews improvement ideas
- Responsible reporting: the ESG investment Advisory Group reports on responsible investment activities in the various investment units based on set targets
- Responsible Investment sharing: the ESG Investment Advisory Group shares knowledge on markets, industry and regulatory developments and monitors implementation progress

### 2. Organization and Scope

The Group is composed of representatives from key functions within the ReAssure Group and is led by the CIO of ReAssure Group. The members of the Group include:

Chair	ReAssure Group Chief Investment Officer
Members	ReAssure Group Chief Risk Officer ReAssure Group Chief Actuary With Profit Actuary ReAssure Group Head of Investor Relations ReAssure Ltd Chief Executive Officer Ark Life Chief Executive Officer ReAssure Group head of Strategy & Communication
Scope	ReAssure Group and underlying operating entities
Frequency	Twice per year (+ ad-hoc if necessary)