

Plenum Funds

Implementing the EU Disclosure Requirements ESG Investment Process

1. General

Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector was introduced to align cash flows with a low-greenhouse-gas development path more resilient to climate change, through increased transparency and harmonized disclosure requirements in the financial services sector.

The management company makes investment decisions in the fund not only based on economic, but also on social and ecological factors.

2. Exclusion Filters

In the portfolio management, the fund applies two types of ESG exclusion criteria:

- Norm-based exclusion criteria, including the UN Global Compact principles
- Other exclusion criteria aligned with the business policy. They refer to the assumption of risks in the areas of finance, tobacco, pornography, gambling, etc.

3. Classification (Article 8/Article 9)

Plenum Investments Ltd. currently manages the following investment funds which under the EU disclosure regulation, are classified as follows:

- Plenum CAT Bond Fund, UCITS, Article 8
- Plenum CAT Bond Dynamic Fund, UCITS, Article 8
- Plenum Insurance Capital Fund, UCITS, Article 8
- Plenum European Insurance Bond Fund, UCITS, Article 8
- Plenum Life Settlement Fund, AIF, Article 8

4. Coverage

To ensure a high reliability of the ESG rating of the Plenum funds, a minimum percentage of securities within the fund must have been assigned an ESG score. The minimum coverage ratio of a fund portfolio varies and is defined as follows:

- Plenum European Insurance Bond Fund, 90%
- Plenum Life Settlement Fund, 60%
- Plenum Insurance Capital Fund*, 60%
- Plenum CAT Bond Fund*, 100%

- Plenum CAT Bond Dynamic Fund, 100%

* The FNG Label requires 100% coverage.

5. Peer Group (Lipper Classification)

Plenum European Insurance Bond Fund: currently under discussion

Plenum Life Settlement Fund: currently under discussion

Plenum Insurance Capital Fund: currently under discussion

Plenum CAT Bond Fund: currently under discussion

Plenum CAT Bond Dynamic Fund: currently under discussion

6. ESG Analysis Approach

6.1. ESG Analysis Approach (*Insurance Bonds*)

To comply with the disclosure requirements, a two-step ESG analysis approach is applied:

In the first step, each issuer receives an ESG Quality Score and Rating (0 - 10 and CCC - AAA respectively) as well as an Environmental, Social and Governance score (0 - 10). The overall Fund ESG Quality Score aggregates issuer-level ESG scores to a total score.

In a second step, a percentile rank is being calculated using each fund's overall ESG Score. This relative rank measures how a fund's score ranks relative to other funds in the same peer group. The peer groups are based on the Lipper Global Classification.

6.1.1. Rating

The rating methodology of yourSRI (ESG-MSCI) is applied. For Plenum funds that invest in insurance bonds, a minimum ESG rating of "A" is required. This is equivalent to a minimum score of 5.7 points on a scale from 0 - 10 points.

Minimum coverage ratio: At a coverage ratio between 100% and 110% of the target ratio, before a trade is made, a data cut-off needs to be performed which includes the change. If the coverage ratio is above 110%, no pre-trade checks are required. If the minimum coverage ratio is below the 100 percent mark, it has to be regained immediately.

Minimum rating: If the rating falls below the minimum, immediate measures have to be taken to meet the minimum rating.

6.1.2. Exclusion Filters

Compliance with these requirements is reviewed on a quarterly basis within the scope of the general ESG investment policy of Plenum Investments Ltd.

6.2. ESG Analysis Approach (CAT Bonds)

In the selection process, ESG non-compliant investments are identified, as far as the level of transparency permits, and excluded. The assessment process to create transparency is cascading and uses basic assumptions for approximation with the aim of revealing non-transparent aspects. With increased transparency, there is less need to revert to basic assumptions or derivations. The allocation process aims to minimize the portion of investments at portfolio level which may conflict with ESG investment criteria. Focus of the analysis is the reinsurance contract and the type of the transferred risk (business model, nature of business) which can be divided into the following classes: industrial, commercial, residential, mortality and auto. The analysis is conducted at different levels and the analysis approach is adapted to market development.

For its assessment, the fund uses qualitative and quantitative analysis and, if necessary, third-party data.

Sustainability Performance (Impact)

The sustainability performance of CAT bonds in the field of natural disasters consists primarily of reconstruction. Investments in CAT bonds hence contribute to stabilizing society, mitigate the adverse economic, social and health effects of natural disasters and shorten the time it takes to restore the original condition. The same applies to CAT bonds which cover health and life risks (e. g. pandemic risks). Moreover, CAT bonds which are exposed to meteorological risks strengthen the adaptability and resilience of vulnerable societies against the negative effects of climate change.

A minimum of 90% of the invested fund assets are exposed to at least one of the risks mentioned above, thus achieving a high level of sustainability performance. In addition, a minimum of 50% of the invested fund assets are directly exposed to meteorological risks, thus promoting social adaptation to climate change beyond reconstruction.

6.2.1. Rating

The Plenum funds that investment in CAT bonds only do not receive an actual rating.

6.2.2. Intransparency Ratio

100% of the CAT bonds are analyzed. The portion of investments at portfolio level which may be in conflict with ESG criteria is at most 5%.

6.2.3. Exclusion Filters and Data Cut-off

Compliance with these requirements (ESG investment policy of Plenum Investments Ltd.) is ensured in three ways. In the context of the annual application for the FNG Label, an independent audit is done (currently by the University of Hamburg). The investment committee reviews the maximum intransparency ratio on a quarterly basis. The portfolio management conducts pre-trade compliance checks.

7. Control Process

Constant compliance of the Plenum funds with Article 8 and 9 criteria (coverage ratio, rating and sustainability performance) is ensured by conducting compliance reviews in three stages (three lines of defense).

In the first stage, the portfolio managers, using the four-eye-principle, ensure compliance with internal and external ESG investment guidelines before a transaction is carried out.

In the second stage, the line manager or product lead verifies that the first stage has been completed and all investment guidelines have been complied with (i. e. four-eye-principle and compliance with internal and external investment guidelines).

In the third stage, the risk manager ensures that the processes have been followed. In addition, random checks are conducted per product. Once a month, an ESG risk & compliance meeting with all portfolio managers is held to discuss the results. Any deviation is immediately reported to the head of portfolio management and, if it cannot be resolved, to management.