April 2022

ATHORA SUSTAINABLE INVESTMENT POLICY

Document Details

Application	Athora Group
Policy Owner	Chief of Strategy (in collaboration with Investment office)
Approved by	AHL Board
Date approved	26 April 2022
Effective Date	1 May 2022
Last Reviewed	N/A
Next Review	April 2023
Version	1.0
Frequency of Review	Annually

Contents

1. Introduction

1.1. Context and regulatory environment

As sustainability risks and opportunities have become more deeply understood, underpinned by research of the scientific community, it is clear that sustainability considerations are, and will continue to, form part of the core of our business. These considerations include:

- **Financial implications:** The resulting financial implications on our asset portfolio as businesses, sectors and regions adapt and evolve to new opportunities, and reduce risk exposure;
- **Regulatory landscapes:** The change in regulatory landscapes, as sustainability policy becomes more and more embedded in what is expected and required from businesses; and
- **Fiduciary duty to invest sustainably:** Our fiduciary duty to invest all assets in a responsible manner, and in a way that is aligned to our policyholder expectations. Increasingly, policyholders expect their investments to be aligned with their beliefs.

At the same time, the breadth of the regulatory environment in the sustainability space is growing rapidly both in respect of existing and emerging regulations and requirements.

1.2. Purpose of this policy

Given the market and regulatory context, we are continuing to develop our approach to integrating sustainability considerations into our investment processes and strategies, and will continuously evaluate future opportunities for improvement.

We continue to refine how our business invests the assets we manage and have adopted a principle-based approach in order to continue to achieve our objectives: generating strong policyholder returns, complying with regulatory requirements and upholding our duty to support the transition to a sustainable society. Our decision-making processes related to asset allocation, manager selection and engagement are in line with a set of core principles for sustainable investment.

These principles, described in this document, are based on a range of international agreements and concepts, including but not limited to:

- the Principles of the United Nations Global Compact (“UNGC”);
- the Global Sustainable Development agenda of the United Nation’s Sustainable Development Goals (“SDGs”); and

- the IFRS Sustainability Disclosure Standards of the International Sustainability Standards Board.

This policy document sets out our principles, and the approach we take as we continue to evolve our sustainable investment agenda. In particular, this policy outlines our sustainable investment framework, the four key pillars of the framework and details of each pillar (including, principles underpinning the pillar and expectations around implementation of these principles).

1.3. Scope of this policy

The scope of this policy applies to all Athora assets throughout the Group. Each business unit of Athora Group is responsible for defining its own sustainable investment policy that adheres to the investment principles detailed in this document. Business units may incorporate further investment criteria in addition to these key principles.

We expect that any third-party manager managing assets on our behalf will enter into written agreements with ourselves before carrying out any investment management activities on our behalf that do not (or are expected to not) adhere to the principles in this policy.

1.4. Governance of this policy

This policy will be reviewed on an annual basis and will be updated as required based on developments in our principles or investment processes, or relevant market or regulatory developments. Proposed changes to the policy will be reviewed and approved by the Group Board and the Group Investment Committee.

The day-to-day governance of the policy and its application will be carried out by the Investment Office and respective asset managers, with oversight from the Group Investment Committee to ensure it is embedded through the investment process across business units.

The responsibility for the adherence to Group principles and business unit specific extensions is held by the Boards of the individual business units.

2. Key Pillars of our sustainable investment framework

2.1. An introduction to our 4 key pillars

To facilitate a principles-led approach, we have established the 4 key pillars of our sustainability investment framework: Integration, Alignment, Engagement and Impact. The framework is designed to support the identification of sustainability risks and opportunities, as well as working to foster positive change given our position as an asset owner.

A summary of the pillars is presented below, with further detail on each individual pillar described separately, later in this policy document.

Integration Incorporating sustainability considerations into investment analysis and decision-making processes	**Alignment** Aligning investments according to four principles
Engagement Influencing companies/issuers to better disclose and adopt sustainable behaviour	**Impact** Directing investments to companies/projects exhibiting positive externalities

2.2. Integration

The integration pillar focuses on the inclusion of sustainability principles into investment analysis and execution. This includes the due diligence process undertaken prior to making an investment, as well as the ongoing monitoring of the investment to ensure that it continues to adhere to our sustainability principles.

Internal investment professionals, together with third-party advisors, apply their expertise and an industry-specific approach to potential sustainability risks, assessing potentially material risks and seeking out potential sustainability opportunities.

The sustainability-elements of investment processes established by third-party managers should be sufficiently robust so that they can be accredited by a third-party assessor. Both internal and third-party managers are expected to integrate sustainability into their processes and are encouraged to initiate active involvement in sustainability and ESG industry groups and initiatives.

The ongoing monitoring of investments is enabled by the development of suitable sustainability reporting that presents sustainability risks and opportunities, using third-party investment manager data as well as external data sources.

2.3. Alignment

Whilst engagement with investee companies/issuers is our preferred approach (as detailed below), we acknowledge that some investee companies/issuers are involved in activities that may not be aligned with our values, and may have a negative impact on the environment and society. Investment in such companies/issuers has the potential to develop into an investment risk as future regulatory and societal pressures grow. In these situations, an engagement approach may not be sufficient or appropriate.

As a result, and in line with international standards, we seek to avoid investment in companies/issuers, sectors and activities identified as causing significant harm from an ESG perspective. This includes companies/issuers identified by third-party data providers as violating the Principles of the UNGC, or those which operate in specific industries (e.g. controversial weapons manufacture). We also limit our exposure to identified themes which are considered high sustainability risks, such as thermal coal mining and extraction.

We understand that as companies/issuers continue to adapt to increased regulatory and market pressures, some companies/issuers will be more able to align their practices than others. Acknowledging the evolution of the sustainability agenda, we will undertake annual reviews of our portfolio to consider themes, thresholds, and appropriate targets.

2.4. Engagement

We recognise that we can utilise engagement with the companies/issuers in which we invest to drive improvement across sustainability metrics and behaviours. We also believe that while there are industries and practices in which we would tend to invest less capital, fully excluding companies/issuers would remove the internal opportunity for us to exert our influence for the better. It is therefore our preference to engage with investee companies/issuers, assess the potential sustainability risks and opportunities, and encourage the long-term improvement in sustainability behaviours and alignment to our principles. In order to drive wider change, we also take an active role in collaborating with sustainability and ESG-focused industry groups and initiatives.

This engagement is partly enabled by leveraging our third-party managers' ability to provide direction to companies/issuers, and report on their activities. The advocacy of these behavioural changes is driven by not only the changes in third-party investment manager approaches, but also by the combined influence of other institutional investors and asset managers.

2.5. Impact

As the sustainability landscape develops, companies/issuers and projects with positive externalities are likely to also generate positive financial returns. Such companies/issuers and projects are hence suitable for further investment in accordance with our core objectives as a business. There are two key areas where we believe our investment approach can have significant impact:

- Environmental (e.g. renewable energy, green buildings, clean water); and
- Social (e.g. housing, education, healthcare, etc,).

As part of our role of stewardship towards a more sustainable future, our policy is intended to steer investments towards positive environmental and social outcomes across industries, and to participate in innovative solutions that target specific environmental and social impact goals.

3. Pillar 1: Integration

Integrating sustainability principles into our processes and governance is an essential step in further embedding sustainable investing in our business. The integration pillar sets out the following key steps for the inclusion of sustainability principles in our investment approach:

- To undertake appropriate due diligence of investee company/issuer's sustainability credentials prior to investing;
- To monitor investee company/issuer's sustainability performance to warrant continued exposure;
- To ensure that we and third-party managers maintain robust sustainability investment procedures that are of sufficient quality to be accredited by a third-party assessor;
- To encourage third-party managers to subscribe to and participate in sustainability and ESG industry groups and initiatives; and
- To continue the development of sustainability reporting on investments.

We benefit from being in a position to utilise the expert knowledge and judgement of our own internal investment professionals and that of our third-party asset managers.

In line with our principles, we require third-party asset managers to incorporate sustainability considerations in due diligence and ongoing monitoring processes, whether that be as part of an ESG rating system with boundaries and hurdles set to warrant investment, or through other structured assessment.

We do, however, understand that the methodology and approach to ESG ratings and/or assessments may differ from manager to manager, and approaches to specific asset classes will need to be considered.

Our core sustainability principles are strongly aligned to those of the third-party asset managers that we work with as key strategic partners, who maintain robust standards with respect to the integration of sustainability into their investment processes. We are in continuous contact with our key strategic partners to regularly assess sustainability initiatives and ensure ongoing alignment with our principles.

3.1. Our relationship with third-party asset managers

In order to ensure that our principles are maintained, we expect that all our external asset managers have an accreditation of their sustainable investment process by a recognised third-party assessor. To the extent that those assessments are public or made available to the asset manager, we require a review of the assessment on an annual basis to further understand the strengths of their sustainable investment processes as well as areas where development or improvement are required. This process provides us with an element of comfort that our sustainability principles are being upheld and enables us to monitor third-party managers charged with the performance and placement of policyholder funds.

In addition to third-party assessments, we understand that asset managers will continue to evolve their sustainability approach over time and, to help assess, engage, and offer guidance, we request an annual update directly from all third-party managers on the development of their sustainable investment processes.

Finally, we strongly encourage our asset managers to not only join but also actively participate in recognized sustainability and ESG industry groups and initiatives. We ask our asset managers to report to us on an annual basis on their participation in such groups and initiatives.

We believe that it is important to report on sustainability risks and opportunities, whilst recognising that this is a rapidly evolving area for companies/issuers and asset managers. Understanding the current limitations on data, both in public and private markets, we will continue to work with our asset managers to develop reporting that is meaningful in terms of assessing sustainability risks and opportunities.

By fully integrating sustainability considerations into our approach to investment, we can continue to develop an ever more robust portfolio that benefits from strong financial returns and creates positive outcomes for the environment and society. We will continue to work with our strategic partners and third-party managers, ensuring that our principles are aligned, and our processes and controls are strong.

3.2. Summary of requirements under Pillar 1

Athora Investment Office and any party managing assets on behalf of Athora are directed to (for the assets managed on behalf of Athora), as applicable:

- Review sustainability credentials of any investee company/issuer and consider these in investment decisions;
- Document the sustainability credentials considered and how these have impacted the investment decision;
- For third-party managers, agree in writing with Athora Investment Office, their process for integrating sustainability considerations in investment decisions, including due diligence and monitoring processes;
- For new third-party managers, provide evidence of certification of the robustness of their processes for integrating sustainability considerations in investment decisions by a recognised third party;

- Provide details and updates on sustainability and ESG initiatives and groups signed up to; and
- Provide timely and regular reporting to Athora Investment Committee on the sustainability profile of investments.

4. Pillar 2: Alignment

It is our belief that companies/issuers that look to address sustainability risks and target sustainability opportunities will, increasingly over time, generate stronger financial returns than those which do not, driven by increased regulatory focus and public expectation.

Through our engagement processes (as described under Pillar 3), we use our influence to improve manager and company/issuer approaches. However, we acknowledge that sustainability risks can lead to significant investment risk in some areas. As a result, we have established four alignment principles to ensure continued adherence to our sustainability approach, whilst continuing to generate investment returns for policyholders.

While Athora sets its own Strategic Asset Allocations ("SAA") and determines its own mandates, third-party asset managers have their own policies in place which may vary from Athora's. Where there is not direct alignment, third-party asset managers are expected to enter into written agreements with ourselves before carrying out any investment management activities on our behalf that do not (or are expected to not) adhere to the principles in this policy.

4.1. Principle 1: In line with international standards, we seek to avoid exposure to companies/issuers, sectors or activities identified as causing significant harm from an ESG perspective

In order to ensure that Athora does not directly financially support countries or companies which are causing significant ESG-related harm, either through environmental degradation or by not adhering to international standards designed to minimise such harm, we have established the following exclusions[1]:

Controversial Weapons

Athora limits investments in companies that are involved in the production, development, trade, or distribution of controversial weapons or anything related to this.

Principles of the UNGC

Athora limits investments in companies or countries that violate the Principles of the UNGC. Where Athora invests directly, we actively monitor violations through the use of third-party data providers.

[1] To be applied as of 31 December 2022.

4.2. Principle 2: Limit exposure to identified themes considered high sustainability risks

As noted, we believe that working with companies to encourage and support them as they transition away from negative sustainability practices is the most effective way to enact change. In some cases, however, this is not possible and Athora Investment Office and asset managers managing assets on behalf of Athora are therefore directed to limit exposure.

It is our preference to assess the sustainability risk posed by an investment on an individual investee company/issuer basis and limit exposure on an individual basis rather than impose blanket exclusions (although this may be necessary in certain instances, as detailed above). Athora's asset managers are directed to conduct robust pre-deal sustainability assessments and post-deal sustainability monitoring to ensure sustainability risk is within risk appetite.

4.3. Principle 3: Leverage alignment principles to identify engagement opportunities and see engagement as an important step to encourage long-term improvement in sustainability behaviour

Our approach is based on our belief that in the majority of cases, engagement is more effective than divestment. As a result, we have a detailed engagement approach. The alignment principles support the identification of investee companies/issuers which are most appropriate for engagement. The use of ESG scoring and monitoring ensures that investees with high or rising sustainability risk are identified for engagement before divestment is required.

Where engagement efforts are not sufficient in aligning investee companies/issuers to our principles, we may consider limiting or exiting our exposure. It is important to note however, that divestment is a last resort for Athora and our external asset managers, as divestment would mean we lose our ability to influence positive change.

4.4. Principle 4: Annual review of themes, thresholds and targets

We understand that as the sustainability agenda progresses and regulations come into force, companies/issuers are evolving their sustainability approach and strategies. As a result, we are committed to reviewing this policy, sector thresholds and exclusions on an annual basis. Whilst we appreciate that third-party managers will also continue to develop their sustainable investment policies, we will work with managers to ensure that our principles are aligned and to tailor mandates accordingly where required.

We will also conduct regular governance and review sessions with third-party managers and, as part of these discussions, we will continue to develop our sustainability targets.

4.5. Summary of requirements under Pillar 2

Athora Investment Office and any party managing assets on behalf of Athora are directed to (for the assets managed on behalf of Athora), as applicable:

- Comply with and monitor investments against Athora's exclusion criteria;
- Upon discovery, promptly notify the Athora Investment Committee on any potential or realised compliance breaches against Athora's exclusion criteria;
- For third-party managers, agree (in writing) with Athora, their process for assessing sustainability risk (e.g. through ESG scores);
- Where relevant, define thresholds / limits for investment in identified themes considered high sustainability risks; and
- Monitor sustainability risk of individual investments and provide timely and regular reporting to Athora Investment Committee on high sustainability risk investments and identified engagement opportunities.

5. Pillar 3: Engagement

As we have noted, we believe that an active position towards our portfolio is an effective way to enact change and create sustainable value. We believe that engagement with, and between, our third-party managers and investee companies/issuers can lead to reduced sustainability-related risks across the portfolio, and the creation of sustainable, long-term value. This is as a result of a better assessment of sustainability risks and opportunities, ensuring our investments are resilient to future transformations such as transitional and regulatory changes while taking advantage of the opportunities that result from them. We achieve this whilst encouraging positive change in company/issuer behaviour across all aspects of sustainability, which can improve company/issuer performance.

Where appropriate, we believe that engagement should be applied across our portfolio of investments including equity, debt and other asset classes. This advocacy should be carried out through direct engagement with our investees as well as through collaboration with the wider ecosystem to progress common interests across relevant sustainability factors.

Areas in which we encourage engagement include the provision of ESG data, including around emissions, emissions management and climate risk, and improved sustainability behaviour (e.g. diversity and inclusion, emissions reduction strategies, disclosures and reporting).

We work closely with our third-party managers to leverage engagement, using the relevant channels of influence, and maintain frequent communication around relevant evolutions in our sustainable investment principles, ensuring the requisite knowledge in these areas.

We expect asset managers to engage directly with investee companies/issuers and encourage them to execute proxy voting actively in line with sustainability principles and engage with leadership and boards actively to integrate relevant sustainability issues into investee organisations. Through our alignment principles, asset managers can identify investee companies/issuers that are most appropriate for engagement across specific sustainability-related areas.

Third-party asset managers are requested to report on engagement activities carried out on our behalf, and we conduct an annual review on engagement activity for externally managed strategies, to track and report on progress.

Where we leverage third-party asset managers for our engagement practices, we exercise strong governance over these relationships. We conduct initial due diligence on third-party managers around their alignment to our sustainability principles and their ability to engage with investees.

For our internally managed investments, Athora uses an engagement framework to determine appropriate levels of engagement to address specific sustainability and sustainability-related issues, risks and opportunities, with principles directly aligned to those of our key strategic partners.

Where appropriate, we amplify influence through collaborative advocacy with key stakeholders including other institutional investors and asset managers, NGOs or other relevant industry groups, initiatives and associations. We actively participate in industry events promoting our sustainable investment principles and use our voice in stakeholder forums to advocate for the advancement of relevant sustainability topics.

Through these efforts, we can leverage our sustainability efforts to span beyond our own operations, through to the wide range of companies/issuers in which we invest.

5.1. Summary of requirements under Pillar 3

Athora Investment Office and any party managing assets on behalf of Athora are directed to (for the assets managed on behalf of Athora), as applicable:

- Whenever available, exercise proxy voting rights to influence sustainable behaviours;
- Directly engage with investee companies/issuers to influence sustainable behaviours, in particular, on all investments with a high sustainability risk; and
- Provide timely and regular reporting to Athora Investment Committee on engagement activities and the impact of such activities.

6. Pillar 4: Impact

We understand that we have a fiduciary and moral duty to drive activity across all elements of sustainability, and that a significant strength of the financial system is the ability to make a positive and measurable contribution to the environment, economy and society, whilst also making a financial return. We believe that there are significant opportunities that arise from the transition to a more sustainable society. As such, impact investing is a key tenet of our sustainable investment framework.

Athora and our third-party asset managers direct a proportion of investments into companies/issuers and projects making a positive impact on society. The focus of our impact investing is across two areas:

- Environmental (e.g. renewable energy, green buildings, clean water, etc.); and
- Social (e.g. housing, education, healthcare, etc.).

Within these areas, we undertake rigorous due diligence to ensure investments offer appropriate returns, deliver a positive impact and meet the principle of additionality (i.e. that it is clear that the benefits generated would not occur had the investment not taken place).

We believe that tracking the impact of investments is an essential step to ensuring effective and efficient use of capital. We therefore undertake regular monitoring on the impact of our investments throughout their lifecycle.

Where applicable, Athora and our asset managers are committed to ensuring our impact investments meet the highest standards and where relevant are categorised as Article 9 Funds under the Sustainable Finance Disclosure Regulation.

6.1. Summary of requirements under Pillar 4

Athora Investment Office and any party managing assets on behalf of Athora are directed to (for the assets managed on behalf of Athora), as applicable:

- Actively seek out impact investment opportunities; and
- Provide timely and regular reporting to Athora Investment Committee on Athora’s impact investments and impact made.

7. Future developments

The Sustainable Investment Policy is under regular review and development. We expect this policy to evolve and be amended over the coming months and years and we will actively collaborate with our stakeholders in this process.

We will also regularly monitor the latest sustainability thought leadership to ensure that this policy meets industry standards and our clients' expectations.