

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)

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

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 Insurance Capital Fund*, 60%
- Plenum CAT Bond Fund*, 100%
- Plenum CAT Bond Dynamic Fund, 100%

* The FNG Label requires 100% coverage.

5. ESG Analysis Approach

5.1. ESG Analysis Approach (*Insurance Bonds*)

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

In the first step, each issuer is generally assigned an ESG Quality Score or rating, as well as environmental, social, and governance assessments. This ESG quality assessment for the fund's entire Insurance Bonds allocation aggregates the individual issuer-level ESG scores into an overall score.

5.1.1. Rating

The rating methodology of an external provider is used. For Plenum funds investing in Insurance Bonds, a minimum ESG rating of "B" (on a scale from A to E) is targeted.

Minimum coverage requirement: If the coverage ratio falls below the target threshold, a data update reflecting the expected change must be performed prior to executing a trade (pre-trade check). No pre-trade check is required beyond this. If the minimum coverage ratio falls below 100%, it must be restored without undue delay.

Minimum rating requirement: If the minimum ESG rating is breached, appropriate measures must be taken without undue delay to restore compliance with the minimum rating requirement.

5.1.2. 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.

5.2. 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.

5.2.1. Rating

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

5.2.2. 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%.

5.2.3. Exclusion Filters and Data Cut-off

Compliance with these requirements (the ESG Investment Policy of Plenum Investments AG) is ensured in three ways. The maximum permissible level of non-transparency is reviewed on a quarterly basis by the Investment Committee. Compliance is further monitored by the Portfolio Management team on a pre-trade basis.

6. Control Process

Constant compliance of the Plenum funds with Article 8 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).

The third level of review is performed by the Risk Manager, who ensures that the required processes have been followed. In addition, product-level sample checks are conducted on a monthly basis. An ESG Risk & Compliance meeting involving all Portfolio Managers is held once a month to discuss the results. Further reviews are carried out quarterly as part of the Investment Committee process. Any deviations are reported immediately to the Head of Portfolio Management and, if they cannot be remedied, escalated to the Executive Management.