



## **SL Investment Management Limited Responsible Investment Policy**

The purpose of the Responsible Investment Policy (the “Policy”) is to describe the framework governing the approach of SL Investment Management Limited (“SL”) to responsible investments and environmental, social and governance (“ESG”) factors. The Policy is approved by the SL Board (the “Board”) and the Strategic Executive Group (“SEG”), which is comprised of members of the Board. The SEG is responsible for ensuring compliance with the Policy and will decide on matters such as changes in investment strategy and exclusions.

This policy will be updated as required but will be formally reviewed on an annual basis.

As a signatory of the UN Principles of Responsible Investment (“PRI”), SL commits to the following statement:

As an authorised and regulated alternative investment fund manager (“AIFM”), SL has a duty to act in the best interest of its clients and investors. In this fiduciary role, SL acknowledges that ESG factors are an increasingly important aspect to consider in the responsible management of investment portfolios under its remit.

SL also recognises that applying the following Principles may further align investors with broader objectives of responsible investing. Therefore, where consistent with other responsibilities and objectives, SL commits to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

SL’s primary investment strategy is to create investments based on secondary life insurance policies, aimed at providing investors with the potential for long-term capital growth coupled with low correlation to traditional capital market positions. These assets currently include US-based life insurance policies (“life settlements” or “LS”). SL acquires insurance policies on behalf of investment clients direct from policyholders. SL primarily acts in either a management or advisory capacity, and also provides a range of administrative services for portfolios.

SL’s objective is to create attractive, sustainable and stable returns for investors by:

- providing an industry-leading asset management framework, including a fully integrated in-house purchase, administration, and fund management system.
- demonstrating transparency in costs and operational processes; and promoting these best practices across the industry.
- providing exceptional levels of customer service across all aspects of third-party interactions.

- Creating a comprehensive range of investment products with features tailored specifically to investors' requirements
- Bringing consideration of ESG issues to the forefront in decision making and embedding this ethos within the company culture.
- Ensuring SL is a responsible and considerate employer, creating an enjoyable and rewarding workplace for individuals to develop their careers and thrive.

## Environmental

SL's current investment strategy provides limited opportunity to employ environmental considerations into the investment process. However, SL as a company is committed to being as environmentally conscious as possible by employing initiatives such as:

- recycling of waste and old office equipment.
- commitment to use digital transactions wherever possible to reduce printing wastage.
- in house "green team" comprised of employees to discuss green initiatives the company can employ, e.g. car sharing and a cycle-to-work scheme.

SL relocated in 2017 to 'state of the art' offices focusing on sustainability and energy efficiency. They are the first Chester-based office to be awarded BREAM "excellent" status, the world's leading sustainability assessment method for master planning projects, infrastructure, and buildings.

SL performs due diligence on all partners, agents and investors of their managed funds including screening to determine if the investor's industry, sector, activities, and practices comply with SL's ethics (see exclusions section).

## Social

SL has been at the forefront of innovation in secondary insurance markets since its inception in 1990, founding, chairing or being instrumental in initiatives to promote secondary insurance as a responsible and established asset class and to raise standards within the industry. One of the main reasons behind the establishment and success of the secondary insurance market is the inherent benefit it brings to the original policyholder, who would have had limited options to release value from their insurance asset without the existence of the secondary market. ESG concerns have always been in the mindset and culture at SL.

U.S. senior citizens face several growing issues as they approach retirement age including:

- significant retirement deficit due to the lack of performance in pension plans, i.e. 401(k) and other investments.
- an increasing need for long-term healthcare and lack of suitable insurance coverage due to prohibitive costs or pre-existing conditions.
- increasing cost of life insurance making the retention of their policy unviable.

All or a combination of these factors may mean life insurance policy owners have no option but to discontinue premium payments and lapse their policy for zero value, or surrender their policy back to the life company at a fraction of its potential value. Policy owners unaware of the sale option are forfeiting billions of dollars each year by lapsing or surrendering their policies to the issuing life company.

This is where the secondary life insurance market can provide a significant social benefit by providing policy owners with the ability to realise a significantly higher amount for their asset than surrendering it back to the issuing life insurance company.

From SL's experience, the average cash surrender offered by the insurance company is typically 5% of the death benefit, whereas the average amount paid to policy owners upon sale is around 25% of the death benefit. This represents a 5x larger return for policy owners utilising the secondary market than those simply surrendering the policy to the life insurance company. Policy owners can then use the enhanced return to support medical bills, plan for retirement, or help their families with expenses

such as education and tuition fees. Life settlements as an asset class can generate attractive returns for investors, making the transaction a win-win situation for both policyholders and secondary investors.

Most policy owners are unaware of the option to sell their policy on the secondary market, and as such, often allow it to lapse or surrender to the issuing life insurance company. SL works closely with commercial organisations that are actively promoting the life settlement option to policy owners, to educate, increase awareness and provide easier access to the secondary market.

The life settlement industry, of which SL is a key activist, has sought to promote standards around the asset class, resulting in life settlement transactions now being regulated in 45 US states. This enhanced regulation has brought a high level of confidence in the transaction process, for example, with standardised contracts and protections for all parties involved in the transaction being legally enforced.

## **Governance**

This is another area of responsible investment where the nature of SL's investment strategy provides limited opportunity to make a significant impact. SL does not directly invest in businesses and is therefore unable to influence their behaviour and practices through methods such as shareholder engagement and proxy voting. SL as a company though is committed to good governance and is authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. A requirement of the FCA is adherence to the Senior Managers and Certification Regime ("SMCR"), which places personal accountability on senior managers for their decisions and actions. SL also follows data privacy and AML/CFT regulations and has implemented robust policies to establish equal opportunities and diversity for its employees.

SL's long-term corporate culture of SPIRIT (Service, Professionalism, Integrity, Respect, Improvement, Teamwork) sits within the wider objectives of responsible investment, ensuring responsible investment practices are integrated into its business decisions and culture.

## **Exclusions**

With a view to integrating ESG issues into decision-making processes, SL has developed a comprehensive exclusions list, prohibiting investment from companies prominent in these industries. These include:

- production or trade in weapons and munitions
- production or trade of tobacco
- production or trade in radioactive materials, apart from trade associated with medical equipment or for scientific purposes
- farming and production of palm oil
- mining of fossil fuels – including coal, oil and natural gas derived from fracking
- gambling, pornography and illicit drugs.

## **Reporting and Transparency**

As a PRI signatory, SL is committed to annual reporting on its responsible investment policy to the PRI, as outlined in Principle 6. The PRI report will be shared publicly each year when available.