

**Policy Statement on Environmental, Social and Governance (“ESG”)**  
*(Updated as of November 2023)*

**Commitment**

Hudson Structured Capital Management Ltd. (“HSCM”) views ESG as an integral part of its business, and HSCM’s ESG Policy formalizes its view that stakeholders should be considered in both investment and corporate decisions. HSCM strives to ensure that it operates in an aligned and ethical manner, considering the potential impact its investment and operational decisions could have. HSCM also has appropriate governance structures in place to help ensure consistent implementation of this Policy across the organization, and to help drive better risk-adjusted returns.

**Responsible Investment Approach**

ESG factors are considered for each investment opportunity and across all strategies. Integrating ESG into the due diligence process helps assess certain risks within each investment that may not otherwise be evaluated. While fundamental to the assessment of investments, ESG monitoring, and the data collected, enable HSCM to form a basis for analysis going forward.

Investment Process

Investment team members are responsible for incorporating and considering ESG factors and document them as part of an Investment Committee Memorandum, which is reviewed by the Investment Committee prior to making the final investment decision. HSCM believes the consideration of ESG factors enhances our assessment of risk and helps identify opportunities. The implementation of an ESG screening process create value, potentially enhance returns, and help to create better outcomes for people and communities. While ESG factors are a part of the HSCM’s investment process, they are not the sole or primary determinant in an investment decision.

HSCM generally does not apply investment exclusions across its funds based solely on ESG factors. HSCM ensures that it follows all applicable laws and regulations, some of which have an ESG component, and generally seeks to engage with companies on issues that have the potential to impact investment returns. As part of the investment due diligence process, HSCM may speak with private companies, counterparties, and cedants to raise questions including considerations related to ESG suitability. Investment policies and objectives differ between investment strategies and as such, the relevant ESG factors may vary.

Re/Insurance

While ESG factors are considered in connection with the team’s general underwriting process, characteristics considered for each individual deal vary based on the underlying risk, structure and investment type.

ESG factors to consider include:

<b>Environmental Risk</b>	<p>Has the counterparty identified the main environmental impacts associated with its business activities?</p> <p>Does the cedent provide cover for policyholders in regions exposed to extreme weather-related events?</p> <p>What is the potential amount of monetary losses attributable to insurance payouts from natural catastrophes?</p>
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<b>Social Risk</b>	<p>Is there risk of reputational damage or litigation which could impact the counterparty?</p> <p>Overall business compliance with relevant laws and regulations and exposure to regulatory intervention.</p> <p>Avoidance of aggressive/deceptive insurance practices, and general sales practices that are not in best interest of customer.</p>
<b>Governance</b>	<p>Has the company set up risk management measures to address potential events that could lead to a corporate crisis and impact the company's business activities (e.g., technical failures, reputational damage, regulatory changes, cyber risk, etc.)?</p> <p>Board and senior leadership compensation alignment with long term success of the counterparty.</p> <p>Is the counterparty a financially sound institution and have a good ability to withstand shocks to financial system?</p>

Examples of ways in which HSCM's ESG framework has been incorporated into the Reinsurance team's underwriting processes include:

**Alignment of Interest:** Insurance-linked securities ("ILS") are inherently aligned with ESG attributes as adverse weather negatively impacts the securities. Property re/insurance, for example, is driven by environmental factors such as the exposure to certain, often weather related, risks. In hurricane-prone areas, coastal property development has created long term social costs, including dangerous working and living conditions for portions of the population. Communities with safer infrastructure are therefore rewarded with typically lower priced re/insurance than others which are more at risk, and therefore are exposed to larger insurance losses. This price discovery and differentiation exemplifies the relative benefits of environmental risk mitigation for communities. It also aligns incentives for better risk management between reinsurers and the communities that are insured.

**Considering and Modeling Climate Change:** When underwriting an investment, HSCM incorporates the potential impact of environmental changes, particularly factors like rising sea surface temperatures into its modeling. This helps HSCM to better understand the underlying risk/reward profile of each potential investment.

**Evaluating Corporate Governance:** Evaluating sound corporate governance is an important tenant of HSCM's underwriting process when viewing counter-party risk. From time to time, mismanagement, or lack of understanding by management, around these crucial factors at the executive level has contributed to HSCM's decision to not make an investment. HSCM expects this review to remain an important contributing factor to its underwriting practices going forward as well.

**Striving for Positive Social Impact:** Re/Insurance and forms of ILS help enable access to affordable insurance, which is key to a well-functioning economy. As HSCM engages in reinsurance contracts, HSCM takes risk off the books of its counterparty, enabling them to have more capital through which they can repay policy claims. The increased capital, and decreased risk exposure of the underlying insurer, also enables them to distribute policies more widely and at a lower cost.

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## Transport

HSCM encourages investment in companies which make efforts to reduce carbon emissions, espouse acceptable social practices and have strong corporate governance policies.

<b>Environmental</b>	<b>Social</b>	<b>Governance</b>
Greenhouse gas emissions	Employee health & safety	Corporate oversight
Waste management	Labor practices	Risk management
Biodiversity and marine pollution	Anti-discrimination	Conflicts of interest
Energy management and efficiency	Human rights	Fraud, anti-bribery, and anti-corruption controls
Ship recycling		Tax transparency

Examples of this are evident in the strategy's investment themes and include the following:

**Reducing Carbon Emissions:** HSCM considers the policies and actions a counterparty is taking towards the reduction of Green House Gases ("GHG") in its investment process. HSCM also reviews adherence and participation in regional or global emission reduction initiatives and monitors investments periodically against regulatory standards. In evaluating progress by individual issuers within transportation subsectors, HSCM looks to certain GHG reduction programs, which are sponsored by special agencies of the United Nations, such as the International Civil Aviation Organization ("ICAO") and the International Maritime Organization ("IMO"). Key targets include the following:

**Aviation –** The ICAO has set aspirational global goals for CO2 emissions, including a 2% annual fuel efficiency improvement and carbon neutral growth by 2020 onwards. In addition, the ICAO has sponsored the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") with a goal of cutting CO2 emissions in half by 2050 relative to 2005 baseline, an important milestone for airlines to target. Further, HSCM supports the US Environmental Protection Agency's ("EPA") proposed GHG emission standards, set to be the US's first climate standards for commercial airliners and large business jets, which reiterate many rules from the ICAO.

**Maritime –** HSCM requires compliance with IMO 2020 regulations when considering an investing in a maritime transaction:

*Emissions, Energy Reduction and Climate Risk.* IMO 2030/2050 aims to cut GHG emissions in half by 2050, compared to 2008, and reduce CO2 emissions by 40% by 2030, and 70% by 2050. The IMO has introduced two new key measurements to reduce carbon emissions, EEXI<sup>1</sup>, and CII<sup>2</sup>. Ship owners and managers must prepare for EEXI and CII requirements to assess and improve their vessels as needed. HSCM engages in discussions with our counterparties to assess their readiness for implementation of EEXI and CII. HSCM will (i) establish monitoring systems to track their progress towards achieving EEXI and CII, (ii) determine what additional investments may be required for vessels to continue to trade, and (iii) determine financing criteria and conditions to ensure for new opportunities in compliance with the regulations.

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<sup>1</sup> A vessel's Energy Efficiency Existing Ship Index (EEXI) is a means of measuring its energy efficiency as designed which is a key driver of carbon footprint. In principle, the EEXI describes the CO2 emissions per cargo ton and mile. It determines the standardized CO2 emissions related to installed engine power, transport capacity, and ship speed. The standard emissions are a function of fuel oil consumption, the main engine's and auxiliaries' installed power, a conversion factor between fuel and the corresponding CO2 mass, and a co-efficient based on vessel type, size, and cargo carrying capacity.

<sup>2</sup> Carbon Intensity Index (CII) is a means for vessels to quantify and report actual carbon emissions from operations on an annual basis. It will become the key measurement for the achievement of the IMO 2030/2050 goals.

*Biodiversity and Marine Pollution.* As part of due diligence, HSCM requests potential counterparties to provide their plans for the installation of BWTS<sup>3</sup> on financed vessels. Further, HSCM works closely with the counterparties on their BWTS plans as it relates to an investment.

*Ship Recycling.* HSCM requires counterparties to commit to the adoption of IMO's Hong Kong Convention and/or EU Ship Recycling Policy, which have rules and regulations for the design, construction, operation, and preparation of ships to facilitate safe and environmentally sound recycling.

Auto/Truck – HSCM requires compliance with US, Corporate Average Fuel Economy (“CAFE”) standards when considering an investment into an auto-equipment or auto issuer. Further, HSCM has focused on mobile connectivity which helps optimize the routes and services for the current vehicle fleet and reduces overall miles driven, electrification which directly reduces noxious emissions, and autonomous vehicles which can combine benefits from both.

Supporting Shift towards Sustainability: HSCM also considers sustainability efforts by issuers in its investment process. Biofuels have been used in passenger vehicles and are currently in development in aviation, while recycling is also gaining increasing prominence. In both aviation and maritime, the ability to sell parts of an asset to extend its useful life is an integral part of HSCM's investment criteria. Within maritime, HSCM seeks to ensure that vessels sold for scrap are recycled in compliance with Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

Evaluating Corporate Governance: Corporate governance, a factor in HSCM's underwriting process for any company, is reviewed as part of the due diligence process.

### Reporting & Monitoring

HSCM seeks to maintain a strong ethical and compliance-oriented culture and a focus on transparency around its decision-making processes and portfolio. HSCM also prides itself on maintaining what it views as the highest business standards and practices. As part of its ESG framework, HSCM monitors investments through quarterly strategy meetings and an annual review of HSCM's ESG efforts by the ESG Committee and portfolio management team.

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<sup>3</sup> Ballast water is pumped in/out by ships to maintain stability and seaworthiness. Because ships travel all over the world, water gathered to fill ballast water tanks is often transported from one part of the world and then discharged in another. Species of plants, animals and other organisms in the ballast water are therefore discharged along with the water in a foreign environment. The purpose of a Ballast Water Treatment System (BWTS) is to limit the impact of the ballast water discharge on the environment, IMO implementation commenced on September 9,2019 and the deadline for all vessels is September 9, 2024.

## **Corporate Initiatives**

### *Dedicated ESG Committee*

HSCM has formed an ESG Committee comprised of senior management from both the investment and corporate teams. The ESG Committee provides oversight to ensure consistent ESG integration across HSCM. The ESG Committee focuses on the research, development and implementation of ESG-related processes and initiatives. Please refer to the list of Committee members in Exhibit A.

### *Sustainability*

A core aspect of implementing ESG measures is to ensure that HSCM's global footprint ultimately ends up being a net positive impact.

HSCM's office in Stamford, Connecticut (2187 Atlantic Street) has also been re-commissioned to optimize efficiency, reducing energy consumption through upgrading to energy management systems that continuously monitor energy consumption in real time, improve operational efficiencies, set energy reduction goals, and track carbon emissions. Building common areas and parking garages are retrofitted with ENERGY STAR-rated LED lighting and bathrooms have low-flow restroom fixtures and automatic flush valves; low-water use drought-resistant perennials; rain sensors on irrigation systems; eco-friendly cleaning supplies.

### *Corporate Governance*

HSCM recognizes the importance of corporate governance practices that help ensure an environment of effective oversight and accountability. The Board of Directors, partners, and other members of senior management of HSCM ("HSCM Management") seek to achieve this goal while promoting the interests of stakeholders. HSCM Management places emphasis on a common set of expectations among each member of the group and they possess a broad range of skills, expertise, industry and other knowledge, and business experience useful to the effective oversight of HSCM business activities.

The ESG Committee coordinates and implements initiatives across HSCM to maintain consistency in approach and is responsible for supporting and implementing HSCM's ESG Policy and ensuring compliance with standards and regulations on ESG-related matters.

### *Community Engagement*

HSCM believes in giving back to the communities in which it operates. HSCM has and will continue to introduce initiatives aimed at encouraging employees to participate and contribute to various charitable organizations. HSCM employees interested in participating in a program can reach out to ESG@HSCM.com for further details on how to become involved.

### *Charitable Giving*

HSCM and its employees take active roles in many philanthropic initiatives through impact organizations in the communities in which they work and live. Some common causes include youth mentoring, child/adult special education, gender diversity, public health, women's leadership, and the arts. There is a commitment to philanthropic organizations and causes throughout all levels of the HSCM.

### *Diversity & Inclusion*

HSCM strives to build teams that reflect the business opportunities within the industry and clients with whom it engages around the globe. HSCM encourages diversity in its workforce, as well as in many aspects of the HSCM's decision making. HSCM strongly believes that diverse and inclusive teams make better decisions, bring more information to the table, and deliver better overall outcomes for clients.

### Internships and Mentorships

HSCM conducts a formal internship program every summer with an emphasis on education and identifying talented individuals with whom to build relationships for potential future hiring. In addition to integrating interns into the daily business activities of HSCM, each intern is sought to be matched with a more senior employee who serves as their mentor, providing guidance throughout the experience, and potentially thereafter. The intern class also conducts a summer-long research project on a topic of interest to HSCM and presents it to the broader company. While this experience is advantageous for HSCM, it also provides each intern with continuing education, a professional resource to provide guidance, and may help them source opportunities within HSCM or elsewhere. Going forward, HSCM is seeking to source interns from underrepresented groups and communities to ensure that the benefit of HSCM's program is far reaching.

### Safe & Healthy Work Environment

One of the highest priorities at HSCM is for all employees, clients, and other members of the community who engage with individuals at HSCM to feel safe and comfortable when in the presence of members of the HSCM community. This not only encourages positive interactions and recurring relationships, but it also ensures that employees are confident and productive, focusing their time and attention on work-related projects, which betters the firm and its clients. HSCM provides laptops (and additional technology) to employees, healthy snacks (ordered by employees) in each office pantry, and required training on various topics, such as preventing discrimination and harassment and cybersecurity. Furthermore, entry-level Analysts and Summer Analysts are typically matched with a senior mentor at the firm to help them navigate the organization.

**ESG COMMITTEE**

NAME	TITLE
Michael Millette	Co-Founder, Managing Partner
Jeff Sangster	Partner, Chief Operating Officer & Head of Strategy
Matthew Berdoff	Partner, Deputy Chief Operating Officer & Head of Investor Relations
Bernard Opoku	Managing Director, Chief Financial Officer
Luca Bruga	Managing Director, Portfolio Management