



Group Responsible Investment Framework

2024

Hastings

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1 Introduction

1.1 Introduction to Responsible Investment

The aim of this document is to outline the approach to responsible investment taken by Hastings Group Holdings Limited (“HGH”) and all its subsidiaries, hereinafter referred to as Hastings Group. As Hastings Group’s sole insurance undertaking, Advantage Insurance Company Limited (“Advantage”) holds the core investment portfolio and decision making on investment strategy is made through Advantage’s system of governance.

Hastings Group recognises its fiduciary duty to policyholders, shareholders and society as a whole. Investing responsibly means integrating environmental, social and governance (ESG) considerations into investment processes and decision making. Examples of environmental elements are climate change, resource management and waste production. Social elements focus on relationships with different stakeholders and include human rights, health and safety and product liability. Governance comprises assessing the company’s quality of management, transparency and internal processes.

As an insurer, the primary objectives of Hastings Group’s investment strategy are strength and predictability. Hastings Group believes that it can enhance these aims by considering ESG factors alongside financial factors, driving change for good as well as being a driver of long-term investment returns. While traditional financial metrics are used to manage and measure the performance of the portfolio, Hastings Group also has a Responsible Investment framework that incorporates ESG considerations into investment decisions.

A focus on responsible investment through the investment portfolio supports Hastings Group’s approach to Corporate Responsibility, to serve and invest in colleagues, customers and communities and be a good neighbour. This framework is reviewed and approved by the Board of Directors at least annually.

1.2 Commitment to Responsible Investment

Hastings Group is committed to including ESG considerations in its business operations, including investment processes and decision making.

Hastings Group has been a signatory of the *UN* supported *Principles for Responsible Investment (PRI)* since 2022, supporting further integration of ESG into investment decisions, and committing to the PRI’s six principles:

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

Current climate targets for investments are to reduce carbon intensity in the core investment portfolio by 50 per cent by 2030 and to be net-zero by 2050. The Investment Committee oversees and reviews progress against these targets on a quarterly basis.

Additionally, Hastings Group committed to the *Science-Based Targets initiative (SBTi)* and its Net-Zero Standard in September 2022. This means defining climate targets, for both operations and financed emissions, in accordance with the 2015 Paris Agreement to limit global warming to well below 2.0°C, preferably 1.5°C, compared to pre-industrial levels. Targets have been submitted to the SBTi for validation in August 2024. Once the targets have been validated and disclosed, these will replace the current climate targets and Hastings Group will regularly report on progress to SBTi and through annual sustainability reports.

2 ESG Integration

2.1 Scope

ESG integration in the investment strategy focuses primarily on the core fixed income investment portfolio, comprising 80%-85% of total investments. This portfolio is externally managed and ESG considerations are incorporated into investment decisions under guidelines provided by Hastings Group. Adherence to these guidelines is reviewed on a quarterly basis at the insurance subsidiary's Investment Committee.

For other investments where operations have been outsourced to an external partner and Hastings Group has no discretion over the individual investment decisions, external partners are expected to take sustainability into account. Selecting external investment managers is further described in section 2.3.

2.2 Integration in the Core Portfolio

2.2.1 ESG Ratings

Hastings Group is committed to maintaining a high average ESG rating of "A" on its fixed income portfolio, based on MSCI ratings (scale CCC-AAA). "B" rated bonds will form a maximum of 15% of the total portfolio and no investment will be made in companies with an ESG rating of "CCC".

2.2.2 Sanctions Screening

A regular screening is conducted on the fixed income portfolio to ensure restrictions and sanctions are adhered to, based on sanction programs in relevant jurisdictions.

2.2.3 Sector-Based Screening

Certain industries carry more risk of adverse impacts to ESG factors. Sector-based screening focuses on three sectors, and has zero tolerance for investment in coal, controversial weapons or tobacco. These sectors are excluded from the investment portfolio. Additionally, Hastings Group undertakes regular reviews of other sensitive industries including, but not limited to, adult entertainment, gambling, oil-based energy, and nuclear power. Levels of exposure and proportion of a company's net sales generated by the industry in question are reviewed by the Investment Committee to determine if additional screening guidelines should be implemented.

2.2.4 Norm-Based Monitoring

Hastings Group values the fundamental organisational responsibilities of human rights, labour, environment and anti-corruption, and reports quarterly to the Investment Committee on companies that do not meet the internationally recognised principles for business conduct of the UN Global Compact. These incidents are investigated and, alongside advice from investment managers, the Investment Committee then makes decisions on further actions on a case by case basis. Actions may include engagement through investment managers or, as a last resort, divestment from the company.

2.2.5 Active Ownership

Active ownership includes voting at annual general meetings of shareholders and engaging with companies to promote improvement in their sustainability processes, therefore minimising future financial risk. As Hastings Group does not have any direct equity investments, it does not partake in voting activities and engagement is outsourced to investment managers, who have the capacity and expertise to effectively influence companies to improve their practices.

2.3 External Investment Manager Selection

Hastings Group includes ESG considerations as part of a rigorous selection process for external managers. Due diligence is carried out on the operation of prospective partners for all outsourced activities, including labour and employment practices, and climate targets. In selecting an external investment manager, Hastings Group additionally evaluates how well the prospective partner's responsible investment practices align with the responsible investment framework, resources available for ESG integration, ESG reporting capabilities and their PRI status.

All of Hastings Group's current external investment managers are signatories to the PRI and have provided details of responsible investment and active ownership practices for review.

3 Roles and Responsibilities

The investment strategy is set by the insurance subsidiary's Board of Directors and the Investment Committee reviews, monitors and provides oversight of the management of all aspects of the investment policy and strategy and the operation of the investment portfolio within its established risk appetite and responsible investment guidelines.

The insurance subsidiary's Managing Director oversees the effectiveness of the investment strategy through their role as Chair of the Investment Committee and reviews weekly, monthly and quarterly reporting and analysis. Day to day responsibility is delegated to the Finance Director and admin and monitoring is performed by the Finance Department.

The Board of Directors approves the Responsible Investment Framework and any amendments to this. The Investment Committee is responsible for the creation, maintenance and regular review of the Responsible Investment Framework and reports to the Board of Directors when changes to the framework are recommended or any breaches arise.

4 Reporting

4.1 Internal Reporting

Quarterly reporting to the Investment Committee includes MSCI ESG ratings and any exposure to excluded sectors, as well as holdings in any companies who are not compliant with the UN Global Compact and details of the highest and lowest ESG rated companies. A review of other sensitive sectors is provided to the Investment Committee annually.

4.2 External Reporting

The investment portfolio's average ESG rating and progress towards established targets are reported annually in the Hastings Group Sustainability Report, along with new initiatives introduced during the year.

Following the approval by the Science Based Targets initiative (SBTi) of the new climate targets, Hastings Group will regularly report on progress to SBTi and through annual sustainability reports.

PRI reporting is conducted on insurance subsidiary level by Advantage.