Aurora Capital's Investment Manager Selection and Monitoring Policy

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INVESTMENT MANAGER SELECTION AND MONITORING

Aurora Capital (Aurora) appoints professional investment managers to manage the underlying asset classes that comprise the Aurora portfolios. Ensuring that we select investment managers with an appropriate level of expertise is crucial for the portfolios. The framework that we use to assess managers is described in Aurora's Investment Manager Selection and Monitoring Policy, which is provided below.

SELECTION PROCESS FOR FUND MANAGERS

Aurora assesses fund managers according to three key factors:

1. **Talent and culture** The key determinant for success in funds management is the calibre of the investment professionals. Investment process, while important, does not give a funds management business a long term sustainable competitive advantage. Competitors will discover and eventually copy any process innovation. Therefore, the investment process requires constant renewal, which in turn requires intelligent and motivated investment professionals. A clearly defined culture, particularly one that encourages innovation, is also a key component of talent management.
2. **Business** The ability of a funds management business to attract, motivate and retain talent is essential, and success in these areas will depend on how the business has been setup. Ensuring that the talent is aligned with the interests of both the investors and the owners of the business is key. Alignment with investors is created by ensuring the investment professional's remuneration is linked to the performance of the investors' portfolio. This can be achieved in multiple ways. Alignment with the business is created by ensuring the investment professional shares in the success of the business. Again, this can be achieved in many ways. The final alignment is to align the business with the investors through managing the size of funds under management; particularly in markets where scale can create substantial headwinds, such as growth or small cap equities. Managing scale also benefits the investment professional as it enables them a better chance to generate the alpha required. We are supportive of investment professionals having a voice in setting the FUM limits at their organisation.
3. **Investment Process** Aurora favours fund managers that have a clearly articulated investment process that is reflected in their past performance. Aurora prefers active management although understands that at times, in certain market conditions, passive management is appropriate. Aurora therefore seeks to ensure that active managers are fully employing their active risk budget but are doing so with a clearly defined risk management process. Aurora prefers active risk to tracking error as a measure of risk.

   The resources of the firm need to be consistent with the stated process. Aurora does not have a clear bias between quantitative or qualitative investment processes. It supports investment processes with clear accountability (prefers single person accountability than group decisions) and where there is a clear link between research and ideas in the portfolio. While the process around the buy decision is important, the sell decision is as important. Aurora's focus is on ensuring that the manager's past performance is consistent with their stated investment process.

Other factors which are important tend to relate to compliance and the firm's management of its obligations to the wider community. In particular, Aurora has a focus on environmental, social and governance (ESG) and sustainability and hence any manager we appoint should be best-in-class in the inclusion of ESG and sustainability into their investment process, which includes meeting the standards of Aurora's Responsible Investing Policy. A copy of Aurora's Responsible Investment Policy is available on the Disclose Register.

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MANAGER PERFORMANCE MONITORING

We monitor the performance of the investment options and the underlying investment managers by reviewing both financial and non-financial performance. The monitoring includes:

- a qualitative assessment of the ongoing stability of the business and its ability to attract, motivate and retain talent. This is undertaken through ongoing (minimum quarterly) meetings with investment managers.
- a qualitative and quantitative assessment of the portfolio to ensure the investment manager is managing the portfolio in the manner expected. This includes a focus on the level of risk in the portfolio. Monitoring occurs on a formal basis at least monthly while informal monitoring is ongoing.
- We use a portfolio management dashboard, built by Mission Intelligence, that provides a single view snapshot of each portfolio, enabling easy monitoring of financial objectives at the portfolio and underlying manager level. Monitoring occurs on a formal basis at least monthly while informal monitoring is ongoing.
- Non-financial performance assessments include compliance with our Responsible Investment processes and exclusions. We receive monthly portfolio holdings from the appointed investment managers from which we undertake our own performance analytics.

Performance from a responsible investing perspective is analysed through the following lens:

1. We use software from an independent third-party carbon analytics specialist, EMMI, which measures the impact of carbon pricing on the value of the equity component of our portfolios. The software provides carbon metrics at the aggregated portfolio, company, and underlying investment manager levels. A number of metrics are available, including the portfolio carbon intensity metric, which is a measure of carbon dioxide equivalents emitted by a portfolio per $1 million of assets under management. As carbon becomes constrained, higher carbon intensity can imply greater exposure to carbon-related risks. Using EMMI, we can also compare all carbon metrics with a traditional market exposure, such as the MSCI ACWI.
2. Using analytics from provider, Sustainable Platform, we are able to map the equity component of the portfolios to the United Nations (UN) Sustainable Development Goals. The Sustainable Development Goals (or SDGs) are a set of 17 global goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. The goals aim to address a range of global issues, including poverty, inequality, climate action, environmental degradation, affordable and clean energy, and clean water and sanitation. We monitor each portfolio's contribution to the UN's SDGs based on the annual sales of the underlying companies in the portfolio. We have identified 4 SDGs that are most relevant to improving the climate and environment and prioritize a positive exposure to these 4 SDGs as a non-financial objective. Using Sustainable Platform, we can compare portfolio contributions to the SDGs with a traditional market exposure, such as the MSCI ACWI.
3. Regular performance meetings with all the underlying managers, which includes discussions about sustainability issues, breaches to exclusions, and assessments about ongoing ESG integration and management of sustainability concerns. In addition, all underlying managers are required to confirm every quarter that they have complied with their exclusions policy. Aurora independently checks for exclusion breaches, using Sustainable Platform. We use a portfolio management dashboard, built by Mission Intelligence, that provides a single view snapshot of each portfolio, enabling easy monitoring of financial and sustainability objectives, at the portfolio and underlying manager level.

Our monitoring process enables us to clearly identify companies that are performing poorly from a sustainability perspective and from there, we can engage with the underlying investment manager to understand the rationale for continuing the investment.

If our monitoring process identifies systemic ESG or sustainability issues with an appointed investment manager's investment process, we will terminate that investment manager and replace it with a more suitable candidate.

REVIEW

The managers are under constant review.

The Investment Manager Selection and Monitoring Policy will be reviewed annually and signed off by Aurora's Board.

REGISTER OF EXCEPTIONS

We undertake ongoing monitoring of the companies and securities in the portfolios to ensure compliance with our exclusions and Responsible Investing Policy. If we are invested in a company that does not meet our exclusions criteria, we will engage with the underlying investment manager to understand why they are invested in the company. If Aurora supports the investment manager's rationale for holding the company, we will add the company to the exceptions register and continue to monitor the investment.

If we don't support the reason for investing, we will actively engage and agitate with the manager to change their view on the company. As we are investing in pooled vehicles, we cannot direct the manager to sell the security. The company will be added to the exceptions register, with the disclosure that Aurora does not support the investment. If a manager continues to add excluded companies in their portfolio, we will terminate the manager.

Any new additions to the exceptions register will be reported by Aurora in the Quarterly Update to members, which can be viewed on the Aurora website.

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