



GROUP INVESTMENT POLICY

V1 08/2021

1. Scope

- 1.1. Trustco Group Holdings Limited (“Trustco”) is an investment entity, holding investments in a diverse range of industries. As part of prudent business management, board-approved policies that address the identification and management of the risks it faces must be implemented.
- 1.2. This policy covers, at a minimum, the requirements for the following policies:
 - 1.2.1. Investment Policy
 - 1.2.2. Liquidity Policy
 - 1.2.3. Asset-Liability Management Policy
 - 1.2.4. Concentration Risk Policy (Investments)
 - 1.2.5. Credit Risk Policy (Investments)
 - 1.2.6. Foreign currency risk
- 1.3. This policy must be reviewed as and when required.

2. Definitions

- 2.1. The following risks, as set out in the Trustco Group risk universe, are within the scope of this policy:
 - 2.1.1. **Market Risk:** Market risk arises from the level of volatility in market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. Market risk can be broken down into:
 - 2.1.2. Equity risk
 - 2.1.3. Interest rate risk
 - 2.1.4. Spread risk
 - 2.1.5. Intangible asset risk
 - 2.1.6. Property risk
 - 2.1.7. Currency risk
 - 2.1.8. Diversification risk
 - 2.2. **Asset-Liability Mismatch Risk:** The risk of loss arising due to the investment in assets that are not appropriately matched to the organisation’s financial obligations.
 - 2.3. **Liquidity Risk:** The risk that Trustco will encounter difficulty in raising funds to meet the commitments associated with its short-term financial obligations. This risk can also be described as a cash flow mismatch risk.

- 2.4. **Concentration Risk:** The risk of loss due to aggregate exposure to a single entity arising from issuer, derivative counterparty pre-settlement and deposit placement exposures.
- 2.5. **Credit Risk:** The risk of losses arising from a default of issuers of securities, counterparties and any debtors to which Trustco is exposed.
- 2.6. **Credit Spread Risk:** The risk of losses arising from changes in expectations of credit quality of underlying investments. These losses arise when the credit spread on an underlying asset widens.
- 2.7. **Basis Risk:** The risk that the exposure that is covered by the risk mitigation instrument does not correspond to the risk exposure of the investment.
- 2.8. **Inflation Risk:** The risk that inflation will undermine the performance of an investment.

3. Strategic Objectives

- 3.1. Trustco's overall investment objective is to maximise its after-tax investment returns within the Trustco Risk Appetite framework, as amended from time to time, and subject to the investment management principles specified in this document and approved by the board from time to time.
- 3.2. Any investment strategy must consider the protection of Trustco's fiduciary interests. No strategy that could adversely affect Trustco's ability to repay its obligations, as and when they fall due, will be considered.
- 3.3. Trustco's overall asset allocation is determined by the Investment Committee and approved by the Board within the approved Risk Appetite framework, as amended from time to time, taking into account Trustco's solvency position.
- 3.4. The mix of Trustco's asset portfolio is chosen based on:
 - 3.4.1. The expected risk / reward profile of the asset;
 - 3.4.2. The liquidity of the underlying assets;
 - 3.4.3. Whether or not the asset is required to back Trustco's liabilities;
 - 3.4.4. The solvency capital required for holding the underlying asset;
 - 3.4.5. Current market conditions; and
 - 3.4.6. Whether or not the assets comply with a responsible investment philosophy.

4. Investment Activities

- 4.1. Trustco's investment activities play a materially important role in the performance of the organisation. The investment income/capital appreciation earned on Trustco's investment portfolio comprises a significant portion of Trustco's earnings.
- 4.2. Trustco distinguishes between portfolio investments (managed in a fund management environment) and specific investments (unlisted, associate and subsidiary investments, partnerships or joint ventures etc.) and manages these investments separately.

- 4.3. Decisions relating to specific investments and all related corporate actions are dealt with by Trustco's Investment Committee.

5. Roles and Responsibilities

5.1. Trustco Board

- 5.1.1. The Trustco Board is responsible for the formulation of the investment strategy, including the approval of appointment of asset managers and formulation of mandates.
- 5.1.2. The Board has delegated some of its responsibilities to the Investment Committee which operates as a sub-committee of the Board. The Investment Committee has a charter outlining its roles and responsibilities, which may be amended by the board from time to time.

5.2. Trustco Investment Committee

- 5.2.1. The Investment Committee must discharge its duties in accordance with the Board-approved Investment Committee charter, which may be amended from time to time.
- 5.2.2. The Investment Committee must set investment guidelines, including those relating to exit strategies, the asset classes, asset allocation ranges, credit, concentration and liquidity exposures, prohibited and unduly risky investments and responsible investment practices.
- 5.2.3. The Investment Committee must review the performance of the Investments and management teams / Investment Managers from time to time, and must in appropriate circumstances recommend to the board the continuation or discontinuation of the Investment and management teams / Investment Managers, taking into account all circumstances.

5.3. Management Team

- 5.3.1. The Management Team is the team responsible for the day-to-day operations of Trustco's investments.
- 5.3.2. Trustco's Management Team is responsible for the ongoing proposal of appropriate investment strategies, including the use of financial risk mitigation, to the Investment Committee for review and recommendation to the Board.

5.4. Financial Director

- 5.4.1. The Financial Director must review and monitor Trustco's capital base and the Chief Audit Executive (CAE) / Internal Audit department must review and monitor compliance with the Risk Appetite guidelines and, if necessary, recommend changes to the asset allocation through the Investment Committee.

6. Investment Principles

- 6.1. Investments must only be made in instruments in which risk can be properly identified, measured, monitored, managed, controlled and reported.
- 6.2. Investments that are more complex in nature or are subject to lower levels of governance or regulation must be individually assessed by the Investment Committee. The Investment

Committee must satisfy itself as to the appropriateness of these assets before investment can take place.

- 6.3. Investments must be made in such a manner as to ensure their security and quality.
- 6.4. Where necessary, Trustco's interest should be protected by obtaining appropriate security.
- 6.5. The use of alternative investments and derivative instruments is allowed insofar as they contribute to a reduction of risks or facilitate efficient portfolio management.
- 6.6. Instruments not trading on regulated financial markets must be kept to prudent levels and monitored continuously.
- 6.7. Investments must be made in such a manner as to ensure that Trustco is compliant with applicable laws and regulations.
- 6.8. Investments must be made in such a manner as to ensure that conflicts of interest are avoided or managed so that investments are made in the best interests of shareholders.
- 6.9. As an investment entity, any investments and debt instruments are not to be held indefinitely.
 - 6.9.1. Existing investment entities on the Effective Date of the policy: Trustco's board should approve an exit strategy for each investee entity.
 - 6.9.2. Future investments - The Investment Committee must recommend to the board, who has to approve a documented exit strategy for each portfolio of investments as well as any specific investments, from time to time and in accordance with the Group's Delegation of Authority Policy. This should document how substantially all capital appreciation will be realised in both equity investments as well as debt instruments, and specify a timeframe for each.

7. Asset-Liability Management

- 7.1. The following principles specifically apply to Trustco's funds raised through the issue of all debt obligations:
 - 7.1.1. Foreign currency liabilities and capital requirements are sufficiently covered by foreign currency assets.
 - 7.1.2. The impact of interest rate movements on the net portfolio position must be managed and understood.

8. Liquidity Risk Management

- 8.1. Trustco must have sufficient liquid assets to be able to meet their obligations as and when they fall due.
- 8.2. Trustco must be able to quantify its short-term funding needs in a business in both usual and stressed scenarios.

9. Concentration Risk Management

- 9.1. Investments must be appropriately managed to avoid excessive concentration risk to any one issuer, issuer group or asset type.
- 9.2. When assessing concentration risk, consideration must be given to the increased correlation between counterparties in an extreme event scenario.

10. Credit Risk Management

- 10.1. Each asset within Trustco's portfolio of investments must be monitored and reviewed based on its individual and aggregate counterparty credit exposures.
- 10.2. Should Trustco believe an asset's credit quality is substandard, it must instruct its investment manager to divest of all exposure to this counterparty in as ordered a manner as possible.

11. Foreign Currency Risk Management

- 11.1. Investments must be appropriately managed to avoid excessive foreign exchange rate risk.
- 11.2. Should Trustco believe foreign exchange rate risk to be excessive, it must introduce risk mitigating strategies.

12. Other Risks

- 12.1. The carrying value of intangible assets relative to the size of Trustco's assets and shareholder funds must be monitored.
- 12.2. The impact of the level of intangible assets on regulatory and economic capital as well as solvency, earnings and liquidity risk appetite metrics must be well understood.
- 12.3. Trustco does not have material exposure to inflation risk on its portfolio investments. As such, risk mitigation in this regard is not required.

13. Compliance Monitoring

- 13.1. Trustco's Investment Committee is expected to:
 - 13.1.1. Implement appropriate systems, controls and monitoring mechanisms to comply with the investment principles.
 - 13.1.2. Manage investments in compliance with investment management guidelines and ensure that there is an appropriate system in place to monitor compliance and escalate/report and resolve compliance exceptions.
 - 13.1.3. Manage investments in accordance to applicable laws, regulations and applicable codes and ensure that there is an appropriate system in place to monitor compliance and escalate/report and resolve compliance exceptions.

- 13.1.4. Manage investments to ensure compliance with limits set by the investment management guidelines and Trustco's risk appetite framework to ensure that overall market, credit, concentration and liquidity risk exposures are within acceptable tolerances.
- 13.1.5. Comply with reporting requirements for investment management breaches, exposures and other measures as set by Group governing bodies and other relevant Group functions.
- 13.1.6. Facilitate the transparent assurance over the controls to be delivered as part of the various Trustco assurance functions.

Approved by the Board of Trustco on 31 day of August 2021.

A handwritten signature in black ink, appearing to read "R. Heathcote", written over a horizontal line.

Adv Raymond Heathcote