



# Statement on principal adverse impacts of investment decisions on sustainability factors



## INTRODUCTION TO PRINCIPAL ADVERSE IMPACTS



**Irish Life Investment Managers Limited (ILIM) believes in building a more sustainable future for us all. Investing client money in a responsible way helps make that a reality and is more likely to create and preserve long-term investment growth. At ILIM, we are committed to managing the assets entrusted to us by our clients responsibly, with the objective of delivering long-term sustainable returns.**

Every asset in which we invest has an impact in some way on the environment and/or on society. Through our investment processes and stewardship practices, we have the ability to influence the impact our investments have on the environment and society.

As a responsible investor, ILIM takes action to incorporate environmental, social and governance (“ESG”) factors within our investment and stewardship practices. Our aim is to invest in a way which meets our responsibility to our clients while aiming to invest less in companies that harm the planet and society and investing more in those which have a more positive impact.

The Sustainable Finance Disclosure Regulation (“SFDR”) established a framework for ILIM to disclose the negative, material or likely to be material impact of its investment decisions on a number of specified environmental, social and employee matters; respect for human rights; anti-corruption and anti-bribery matters (“sustainability factors”).



Our statement on principle adverse impacts of investment decisions on sustainability factors (“PAI Statement”) sets out how we identify, prioritise and seek to manage the adverse impacts of our activity on those sustainability factors across our portfolio, over time.

**Irish Life Investment Managers Limited**  
**Legal Entity Identifier: TWBHJZDB2TYBXZPLM625**

## SUMMARY

Irish Life Investment Managers Limited (ILIM), TWBHJZDB2TYBXZPLM625, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts of investment decisions on sustainability factors of ILIM.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

The concept of Principal Adverse Impacts (PAIs) is described under the EU's Sustainable Finance Disclosure Regulation<sup>1</sup> (SFDR) as the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.<sup>2</sup>

## OUR RESPONSIBLE INVESTMENT PRIORITIES

ILIM has identified Climate Change, Natural Capital, Human Rights, and Corporate Governance as key investment priorities which govern our responsible investment approach, given their importance for the long-term sustainability of all businesses and society as a whole.

As part of our approach to responsible investing, we aim to manage the negative impacts of our investment decisions on sustainability factors. Consequently, the following specific PAI indicators are prioritised across our investment portfolio:

- > Greenhouse Gas ("GHG") emissions (PAI 1-6)
- > Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10)
- > Board gender diversity (PAI 13)
- > Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (PAI 14)

We acknowledge we are part of an ongoing responsible investment journey and expect that our approach will evolve over time and these changes will be captured within future disclosures.

## INFLUENCE ON PAI INDICATORS

As an asset manager, we have three main levers to influence the PAIs that our client's portfolios (the "Portfolios") have on sustainability factors:

- > The conversion of assets from products/strategies which do not take account of sustainability issues to those which promote sustainability characteristics. This requires us to work with our clients and is dependent on the instructions given to us by the client in relation to the Portfolio we manage on their behalf ("Mandate").
- > Our responsible investment process, which uses a combination of exclusions, ESG data integration and active ownership, aims to enhance the sustainability outcomes across the Portfolios. We have full discretion across our proprietary solutions (i.e. ILIM designed products) which are promoted as Article 8 under SFDR ("Proprietary Solutions"). For client directed assets (i.e. where the client has discretion on the investment strategy to be applied to their Portfolio), our ability to adopt all/some of our responsible investment process is dependent on the discretion afforded to us in the relevant Mandate.
- > The positive and constructive influence we bring in terms of direct engagement (ILIM engaging unilaterally with investee companies) or collective action (where ILIM, along with other like-minded investors, engages collaboratively with investee companies).

In addition, we recognise that outside of these specific levers of influence, the investee companies themselves may change or evolve their own business practices to be more sustainable.

<sup>1</sup> Regulation (EU) 2019/2088

<sup>2</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing regulation (EU) 2019/2088 (SFDR RTS)

## NOTE ON COVERAGE OF THIS PAI STATEMENT:

This PAI statement covers the majority of ILIM's total assets under management (AUM). We estimate that this statement covers circa 86% of ILIM's total AUM.

The following assets are not covered by this PAI statement:

- > Cash and derivatives such as equity or sovereign futures. These are not included in the assets which are taken into account under this PAI statement because, by their nature, they do not have associated PAIs.
- > Assets invested in funds / strategies managed by fund managers who are not part of the Irish Life group ("Third Party Managers"). These are not included in the assets which are taken into account under this PAI statement because there are challenges around obtaining the necessary data from Third Party Managers.
- > Investments for which there is insufficient or inadequate data.

This is something we will keep under review and our intent is to expand this PAI statement where practical and feasible to do so.

## DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

The table below provides an overview of the mandatory PAI indicators and the two additional voluntary PAI indicators we are tracking and how we aim to manage them through our responsible investment approach.

**Table 1- Mandatory PAIs**  
**Indicators applicable to investments in investee companies**

Adverse sustainability indicator	Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	(tCO2eq)	2,538,938	N/A	N/A	<p><b>Overall Approach</b> One of the primary focus areas of ILIM's responsible investment strategy is decarbonisation in order to reduce the impact of the Portfolios on climate change. For our Proprietary Solutions, we aim to reduce the carbon intensity and exposure to fossil fuels through our proprietary investment process.</p> <p><b>Investment Process</b> Where our Proprietary Solutions are applied to a Portfolio, our exclusion process reduces the exposure of such Portfolio to certain fossil fuel related activities. Companies involved in thermal coal, arctic drilling and tar sands are excluded (subject to revenue limits). We intend to further strengthen this exclusion process in 2023.</p> <p><b>Active Ownership</b> Our active ownership programme calls out climate change as a key priority. It does this through two distinct levers of influence.</p> <p>&gt; For our public equity portfolios, where we have discretion to do so, we engage both directly and collaboratively with investee companies relating to climate and decarbonisation. As members of the Net Zero Asset Managers initiative (NZAM), we engage with the highest emitters around climate issues and net zero targets. We also support collaborative initiatives such as Climate Action 100+. &gt;&gt;</p>
		Scope 2 GHG emissions	(tCO2eq)	709,075	N/A	N/A	
		Scope 3 GHG emissions	(tCO2eq)	20,230,405	N/A	N/A	
		Total GHG emissions	(tCO2eq)	23,478,418	N/A	N/A	
	2. Carbon footprint	Carbon footprint	(tCO2eq/ EURm)	398.0	N/A	N/A	
3. GHG intensity of investee companies	GHG intensity of investee companies (Scope 1, 2, 3)	(tCO2eq/ EURm)	924.2	N/A	N/A		
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	(% involved)	8.1%	N/A	N/A		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	(% of portfolio)	65.9%	N/A	N/A		

		Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	(GWh/EURm)				<p>&gt; Our voting policy (“Voting Policy”) was strengthened over 2022 specifically around climate change. This included enhancements to further align the Voting Policy with our commitment to the Net Zero Asset Manager’s initiative. The voting policy strengthens our voting action specifically for high emitting companies which lack preparation and planning regarding the reduction of GHG emissions and also for companies without an accountable plan to align to a Net Zero ambition.</p> <p>&gt; In addition, our Voting Policy generally supports reasonable shareholder proposals asking companies to limit GHG emissions, to disclose additional information, to review energy consumption and to transition to renewable energy.</p> <p><b>Targets</b> We have made a commitment to the Net Zero Asset Managers Initiative and has set specific decarbonisation goals relating to 2025, 2030 and 2050 for committed assets.</p>
		Agriculture, Forestry & Fishing (GWh/EURm)	(GWh/EURm)	4.66	N/A	N/A	
		Construction (GWh/EURm)	(GWh/EURm)	0.13	N/A	N/A	
		Electricity, Gas, Steam and Air Conditioning Supply (GWh/EURm)	(GWh/EURm)	4.01	N/A	N/A	
		Manufacturing (GWh/EURm)	(GWh/EURm)	1.29	N/A	N/A	
		Mining & Quarrying (GWh/EURm)	(GWh/EURm)	1.99	N/A	N/A	
		Real Estate Activities (GWh/EURm)	(GWh/EURm)	0.47	N/A	N/A	
		Transportation & Storage (GWh/EURm)	(GWh/EURm)	1.85	N/A	N/A	
		Water Supply, Sewerage, Waste Management & Remediation (GWh/EURm)	(GWh/EURm)	0.63	N/A	N/A	
		Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles (GWh/EURm)	(GWh/EURm)	0.09	N/A	N/A	

Adverse sustainability indicator		Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	(% involved)	7.5%	N/A	N/A	<p>Climate change is also intricately linked to biodiversity loss and the success in tackling these issues are interdependent.</p> <p><b>Active ownership</b> Biodiversity is addressed by our programme of engagement with investee companies (our “Engagement Programme”), both direct and collaborative.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	(t/EURm)	0.13	N/A	N/A	<p><b>Active ownership</b> Water is addressed under our Engagement Programme, both direct and collaborative. It covers not only water quality/emissions to water, but water quantity/consumption.</p> <p>Our Voting Policy supports any potential shareholder proposals that request more disclosure and better management systems. Our Voting Policy also targets specific directors of companies with severe violations.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	(t/EURm)	8.14	N/A	N/A	<p>Waste is addressed under our Engagement Programme, as part of a broader Natural Capital theme.</p> <p><b>Screening</b> For our Proprietary Solutions, we screen companies for potential violation regarding waste management and we exclude companies with egregious violations.</p> <p><b>Active ownership</b> Our Voting Policy supports any potential shareholder proposals that request more disclosure and better management systems. Our Voting Policy also targets specific directors of companies with severe violations.</p>



Adverse sustainability indicator	Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>							
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	(% involved)	1.0%	N/A	N/A	<p>We support the UNGC principles and the OECD Guidelines for Multinational Enterprises. We believe that adherence to global internationally accepted norms and standards relating to human rights, labour rights, the environment and business ethics is important for the long-term sustainability of all businesses and society as a whole.</p> <p><b>Screening</b> Where our Proprietary Solutions are applied to a Portfolio, our exclusion process reduces such Portfolio's exposure to companies with identified violations of international norms including UN Global Compact Principles and OECD Guidelines for Multinational Enterprises.</p> <p><b>Active ownership</b> We engage collaboratively with investee companies regarding identified violations of international norms including the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We may also vote against specific proposals regarding the election of board members if there are any breaches and violations.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	(% involved)	65.4%	N/A	N/A	<p>We support the UNGC principles or OECD Guidelines for Multinational Enterprises. We believe that adherence to global internationally accepted norms and standards related to human rights, labour rights, the environment, and business ethics is important for the long-term sustainability of all businesses and society as a whole.</p> <p><b>Active ownership</b> We expect investee companies to have the mechanisms in place to monitor compliance with UNGC and we engage with investee companies regarding any potential lack of alignment with these mechanisms. Our Voting Policy supports proposals regarding human rights disclosures by investee companies.</p>



Adverse sustainability indicator		Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	(% of portfolio)	16.6%	N/A	N/A	<p>We believe that diversity, equity and inclusion enhance good governance in companies and play a significant role in value creation for stakeholders and society.</p> <p><b>Active ownership</b> In 2022, we further enhanced our Engagement Programme to focus on companies that lack sufficient diversity at board level and also to address gender pay gap issues.</p> <p>Our Voting Policy generally supports shareholder proposals that seek disclosure on gender pay gap information within investee companies.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	(% Female)	32.0%	N/A	N/A	<p>We believe that diversity, equity and inclusion enhance good governance in companies and play a significant role in value creation for stakeholders and society.</p> <p><b>Active ownership</b> In 2022, we further enhanced our Engagement Programme to focus on companies that lack sufficient diversity at board level. Those engagements also address issues regarding a lack of gender diversity in leadership positions as well as in the wider workforce.</p> <p>Our Voting Policy supports specific gender diversity thresholds for different markets that follow best practices and local regulations. It also supports holding specific directors accountable if the board lacks gender diversity.</p> <p>Additionally, our Voting Policy will generally support shareholder proposals which seek additional disclosure on diversity, equity and inclusion.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	(% Involved)	0.0%	N/A	N/A	<p><b>Screening</b> Where our Proprietary Solutions are applied to a Portfolio, our exclusion process reduces such Portfolio's exposure to companies involved in the production and sale of controversial weapons (nuclear, cluster, anti-personnel mines, biological, chemical, depleted uranium, and white phosphorus weapons).</p>

Adverse sustainability indicator		N/A	N/A	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS</b>							
Environmental	15. GHG intensity	GHG intensity of investee countries	(KtonCO <sub>2</sub> eq/ EURm)	0.22	N/A	N/A	<p>The majority of our Portfolios' sovereign bond exposures are Euro government bond funds and PAIs are not targeted for these products. This is currently under review.</p> <p>We have a number of sovereign bond funds which promote E/S characteristics (Article 8 under SFDR) and incorporate ESG data. Such Article 8 products may have an increased allocation to green bonds and may have improved country carbon intensity scores. Despite this, sovereign PAIs are not currently explicitly targeted within our sovereign bond Article 8 products.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	# of countries	2*, 2%	N/A	N/A	<p>We follow the specified sanctions of the EU and any associated mandatory investment restrictions, to which it is subject.</p> <p>*Note: There was some exposure to Russian bonds in Q1 2022 before the outbreak of the war between Russian and Ukraine. The vast majority of Russian bonds were sold in Q2 2022 and any bonds which couldn't be sold are currently valued at zero.</p> <p>Ukraine is also deemed to be subject to social violations primarily due to the impact of the war on the country.</p>
<b>INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS</b>							
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	(% of portfolio)	0%	N/A	N/A	We do not hold any direct property which have exposure to real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	(% of portfolio)	45.2%	N/A	N/A	<p><b>Overall approach</b> Climate change is a core priority theme of our responsible investment approach and we invest the Portfolios in property assets which have strong energy efficiency. We also aim, where possible, to improve the energy efficiency of less efficient assets within the property holdings of its portfolios. We are continually seeking, where possible, to reduce the level of assets within the Portfolios which are deemed energy inefficient.</p>

Table 2- Voluntary environmental PAIs  
Other indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>							
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	(% of portfolio)	40.4%	N/A	N/A	<p>One of the primary focus areas of our investment strategy is decarbonisation in order to reduce the impact of the Portfolios on climate change. This is further strengthened with our Net Zero Commitment. For our Proprietary Solutions, we aim to reduce the carbon intensity and exposure to fossil fuels through our proprietary investment process.</p> <p><b>Active Ownership</b> Through our Engagement Programme, we engage with investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement. We encourage such companies to set emissions targets.</p> <p>Our Engagement Programme targets companies with high emissions and we expect companies to disclose the emission reduction targets and initiatives as well as set realistic carbon emission targets. Our Engagement Programme targets specific proposals and directors deemed responsible for the issue. Lastly our Engagement Programme generally supports shareholder proposals requesting companies to set carbon emission reduction targets in alignment with the Paris Agreement.</p>

Table 3- Voluntary Social PAIs

Adverse sustainability indicator	Metric	Metric (unit)	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>							
Human Rights	16. Lack of human rights policy	Share of investments in entities without a human rights policy	(% of portfolio)	9.1%	N/A	N/A	<p>ILIM recognise Human Rights as a key responsible investment priority.</p> <p><b>Active Ownership</b> Through our active ownership programme, we engage with investee companies both directly and collaboratively around human rights. Among our engagement objectives on that topic, we expect companies to have a human rights policy.</p>

## DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Our process to identify, prioritise, and manage PAIs on sustainability factors is embedded in the policies that guide our responsible investment approach. ILIM considers PAIs in the management of the Portfolios, identifying them firstly through our main priority themes, which are also related to the Sustainable Development Goals (SDGs).

ILIM's responsible investment strategy includes a set of policies that consider PAIs among a broader set of ESG topics – including the Responsible Investment Policy, Sustainability Risks Policy, Engagement Policy, Voting Policy (the “Policies”) and this PAI statement. The Policies are approved by ILIM's board of directors, at least on an annual basis. The latest versions of the Policies were approved by ILIM's board of directors on the 25th of February 2022, with an enhanced bespoke version of the Voting Policy approved in May 2022.

As part of our responsible investment approach, we aim to manage the negative impacts of our investment decisions on sustainability factors. Consequently, the following specific PAI indicators are prioritised across our investment portfolio.

- > Greenhouse Gas (GHG) emissions (PAI 1-6)
- > Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10)
- > Board gender diversity (PAI 13)
- > Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (PAI 14)

In deciding our PAI approach and priorities, our responsible investment strategy considers, among other things, the materiality and coverage of individual adverse impacts coupled with the probability of occurrence and the potential severity of adverse impacts, including their potential irreparable characteristics. For further information, please refer to our Responsible Investments Policy.

The degree by which PAIs are considered and/or action is taken to mitigate PAIs in the investment process varies depending on a number of factors such as the type of strategy, the discretion afforded to ILIM by the relevant client, the nature of the asset class coupled with the availability of reliable PAI data.

The responsibility for the implementation of the approach to PAIs is allocated as follows:

- > **ILIM Board of Directors:** The board of directors is ILIM's decision-making body and is accountable for the company's sustainable strategies. The board has the responsibility of monitoring the Policies to ensure their ongoing appropriateness.
- > **Responsible Investment Governance Committee:** ILIM's Responsible Investment Governance Committee is responsible for reviewing and monitoring adherence to our Responsible Investment Policy, the Engagement Policy and the Voting Policy. The Committee is comprised of the Chief Investment Officer (CIO), the Head of Responsible Investment (Chair), the Head of Indexation, Fixed Income and Credit Solutions, the Senior Property Asset Manager, Director of Wealth and Corporate Distribution and the Asset Servicing Manager. The Head of Responsible Investment is responsible for the development of our responsible investment strategy and oversees ESG integration methodologies, engagement, voting and portfolio screening activities. The CIO is also responsible for approving any decisions or actions regarding active ownership, screening or integration of ESG and/or PAI metrics into the Portfolios. The Responsible Investment Governance Committee reports to ILIM's Executive Management Team, with PAIs integrated into formal quarterly reporting.



- > **The Responsible Investment Team:** Stewardship, including engagement and voting, are led by ILIM's Responsible Investment Team. The Responsible Investment Team, with the input of various engagement service providers, oversees and monitors engagement and voting activities and reports on activity to the Responsible Investment Governance Committee. The Engagement Policy and Voting Policy are owned and reviewed annually, or more frequently if required, by the Responsible Investment Team, and approved by the Responsible Investment Governance Committee in advance of approval by the ILIM board of directors.
- > **Investment Risk Team:** ILIM's Investment Risk Team, independent from the fund management teams (see below), identifies, measures and monitors PAI metrics across our clients' investments. It then reports on the metrics, and any risks emerging from them to fund management and the Responsible Investment Governance Committee.
- > **Fund Management Teams:** ILIM's fund management teams, in conjunction with the Head of Responsible Investment, are responsible for the ESG research (including data), for integration and screening activities within their respective asset class or investment style specialisms. They report quarterly to the Responsible Investment Governance Committee.

## MARGIN OF ERROR WITH OUR METHODOLOGIES

ILIM are reliant on the quality of data received from our third-party data providers. The methodologies used to identify PAIs are subject to data availability and quality with some PAI indicators having more readily available and less estimated data than others. Where PAI data is not available from third-party data providers or is not of adequate quality, ILIM may exclude such data from the PAI calculations. An added limitation in terms of data availability is that we do not gather PAI data from Third Party Managers or on derivatives.

ILIM continuously work with our data providers to improve data coverage. While it is hard to ascertain the exact margin of error relating to ESG data used and the corresponding methodologies, ILIM engage with our data providers to reduce any margin of error involved as much as possible. ESG data disclosure is continually improving which will help improve the accuracy of the data and to reduce any associated margin of error.

## DATA SOURCES

ILIM has partnered with Sustainalytics, one of the world's largest research and data providers and works with other third-party data providers to analyse the PAIs that the Portfolios have on sustainability factors.

PAI data and corporate reporting continues to evolve and information is not always available and/or may contain inaccuracies and may be subject to change in future PAI statements. This is particularly the case in the following circumstances:

- > data obtained from companies in jurisdictions where disclosure requirements are not as developed and/or where there is a lower level or quality of disclosure or data may not be available. In such circumstances PAI metrics will contain estimated data. Gaps in corporate disclosure are partially filled with the help of Sustainalytics' estimation models (e.g. GHG emissions) to provide a fuller picture of the PAIs. Disclosure of ESG data is improving over time with more companies publicly disclosing ESG related data.
- > data obtained from Third Party Managers where a standardised data provision approach is not well established at this time.

As part of our ongoing commitment to transparency and reporting, we aim to:

- > co-operate with third party data providers to expand their existing datasets and product ranges.
- > collaborate with international initiatives that are working to improve the availability and quality of relevant company disclosures<sup>3</sup>
- > explore new voluntary mechanisms and emerging third-party aggregation solutions for sourcing ESG data from third-party managers in which we invest.

All information contained in this PAI statement (including the PAI impact percentages) are, to the best of ILIM's knowledge and belief, true and accurate at the time of publication. ILIM has relied solely on data obtained from third party data providers ("Third Party Data") to calculate the PAI impact percentages. ILIM shall not be responsible or liable for any errors, inaccuracies or inconsistencies in the PAI impact percentages which arise as a result of our reliance on Third Party Data.

<sup>3</sup> See 'References to international standards' section below for more details on ILIM's advocacy for sustainable disclosures.

## ENGAGEMENT POLICIES

The most recent updates to our Voting Policy and Engagement Policy include a range of criteria that will help us manage the PAIs noted above more efficiently going forward. ILIM's active ownership approach focuses on driving positive change in investee companies through our priority themes.

ILIM's voting policy incorporates PAIs through two mechanisms:

- > **Shareholder proposal support:** Through ILIM's progressive Voting Policy aligned with our four priority thematic areas, we generally support well-constructed ESG shareholder proposals across PAI indicators 1 through 9, as well as multiple voluntary environmental and social indicators.
- > **Voting action against directors:** Under our Voting Policy we vote against directors on companies with low gender & ethnic board diversity, against companies without independent leadership and against companies underperforming on climate oversight, strategy and action.  
In addition, our Voting Policy integrates direct voting action against companies under ILIM's exclusion process which are held by non-discretionary Portfolios, including companies with UN Global Compact breaches, severe controversies, controversial weapon exposure, production/generation of highly polluting fossil fuels (thermal coal, oil sands, arctic oil) among others. Our Voting Policy also addresses PAIs 10 through 14 and reinforces multiple mandatory and voluntary environmental and social PAI indicators. Our Voting Policy further strengthens our overall engagement strategy by incorporating voting action against unresponsive companies we are engaging with on a variety of ESG topics.

ILIM also tackle specific PAIs through engagement activities, either directly with investee companies (direct engagement) or collaboratively with other investors (collective action). Engagement topics which we consider principal areas of focus due to their material impact on society and/or the environment include transition climate risks, physical climate risks, biodiversity, water, waste management, human rights, supply chain labour standards/modern slavery, anti-discrimination, board diversity, anti-corruption, global norms and ESG risk.

This approach, including their impact, will be reviewed year on year. When there is insufficient progress on prioritised PAI indicators, ILIM may re-assess the selection of specific companies for engagement and/or voting, as well as the engagement processes including escalation strategy and objectives setting.

## REFERENCES TO INTERNATIONAL STANDARDS

ILIM believes that ongoing adherence to and the development of strong responsible investment standards, regulations and frameworks, are fundamental to our commitment to embedding sustainability.

### 1. Alignment with the Paris Agreement (links to PAI 1-6)

In 2022, ILIM signed up to the Net Zero Asset Managers Initiative (NZAM) with a commitment to supporting the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C and a commitment to support investing aligned with net zero emissions by 2050 or sooner. Interim targets have been set, with further detail on the scope and methodologies used available from our website.

ILIM also reports annually in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

ILIM has taken initial steps to inform investment decisions using tools such as the Paris Agreement Capital Transition Assessment (PACTA) as well as carbon portfolio assessments<sup>4</sup>. Additional scenario analyses have been performed, with the aim of analysing direct emission intensity and to better understand climate scenarios to which a Portfolio is aligned.

ILIM engages with ISS ESG scenario analysis, a third-party provider of ESG data including forward looking analysis on climate modelling. The scenario analysis expects a certain level of carbon budget and temperature increase in 2050 and is tied to a carbon budget that specifies the amount of fossil carbon that can be combusted worldwide to remain within a certain temperature increase.

### 2. UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights (links to PAI 10)

Companies eligible for investment are expected to operate within internationally accepted norms and standards related to human rights, labour rights, the environment, and business ethics.

ILIM uses norms-based screening to identify companies that egregiously violate global norms in the areas of human rights, labour rights, the environment, and business ethics.

### 3. Additional International Codes and Standards

In addition, ILIM are signatories to UN Principles for Responsible Investment (UNPRI).

ILIM commits to continue advocating for climate action with policy makers, investors, and industry groups and does so by being active members of groups such as the CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC), the Net Zero Asset Managers initiative (NZAM) Group and the Global ESG Benchmark for Real Assets (GRESB). Through our commitment to the green transition, our values are aligned with global initiatives such as the Paris Agreement under the UNFCCC.

Our various sustainable investment strategies incorporate a broad range of international norms and conventions, including, but not limited, to:

- i. United Nations Global Compact
- ii. United Nations Sustainable Development Goals
- iii. OECD Guidelines for Multinational Enterprises
- iv. United Nations Convention on Prohibitions or Restrictions on the use of Certain Conventional Weapons which may be deemed to be Excessively Injurious or to Have Indiscriminate Effects
- v. Convention on Cluster Munitions

In relation to the incorporation of the above-named international codes and standard, our primary data provider, Sustainalytics, use publicly available data where available, and where unavailable, use estimation models to provide reasonable estimates of the alignment of investee companies with these codes and standards. The scope of coverage is reliant on Sustainalytics and our other third-party providers.

## HISTORICAL COMPARISON

As 2022 is the first year of reporting, there are no comparative periods to report. A comparison between the 2022 and 2023 PAI indicators will be provided in the 2023 PAI Statement which will be available in June 2024.

<sup>4</sup><https://www.ilim.com/media/2233/tcf-2021-report.pdf>

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