



Responsible Investment Policy October 2023

| | |
|--|----------------------------------|
| Document owner: | ILIM Responsible Investment team |
| Version: | 2 |
| Maintenance cycle: | Annually |
| Approved by ILIM Responsible Investment Governance Committee: | October 2023 |

more **INVESTED**

Responsible Investment Policy

October 2023

1. INTRODUCTION

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. Consistent with client mandates, ILIM incorporates Environmental, Social and Governance (ESG) factors in its investment management processes.

ILIM considers 'Responsible Investment' as the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors lead to more sustainable returns.

ILIM takes a thematic approach to responsible investing driven by two overarching macro trends: the trend towards decarbonisation and the move to a more stakeholder centric business model.

The trend towards decarbonisation captures the global trend to a lower carbon economy as set out in the Paris Agreement, the global climate change agreement adopted at the UN Climate Change Conference in 2015. The move towards a more stakeholder centric model of corporate behaviour reflects the increasing demands on companies to act as good corporate citizens with responsibility to a wider group of stakeholders, e.g. employees, communities and supply chains as well as shareholders. This is captured in a company's management of its ESG issues.

As universal owners, overall economic performance will influence the future value of client portfolios more than the performance of individual companies or sectors, incentivising ILIM to support sustainable growth and well-functioning financial markets.

This policy outlines ILIM's Responsible Investment principles and commitments.



For reference, ILIM maintains other policies and documentation related to Responsible Investment including:

- > Sustainable Risks Policy
- > Engagement Policy
- > Voting Policy and Global Proxy Voting Guidelines
- > Principal Adverse Impacts (PAI) Statement

In addition, ILIM is governed by the Irish Life Group Remuneration Policy which includes sustainability disclosures as required by Article 5 of SFDR.

2. SCOPE

This policy applies to all assets managed by ILIM on behalf of its clients consistent with the terms of their Investment Management Agreements.

3. RESPONSIBLE INVESTMENT APPROACH

Where ILIM has discretion, it applies the following approach:

3.1 Liquid Equity and Fixed Income

For Liquid Equity and Fixed Income Asset Classes, ILIM has a three-pillared approach to investing: screening management, investment integration, and active ownership.

I) Screening Management

Screening uses a set of filters to determine which companies, sectors or activities are eligible or ineligible to be included in a specific portfolio.

ILIM's screening approach follows the concept of 'Do No Significant Harm', driven by two considerations: companies whose products or services cause harm when used as intended or companies where company behaviour persistently breaches international standards.

II) Investment Integration

ILIM explicitly and systematically includes ESG factors in investment analysis and decisions, to better manage risks and deliver more sustainable returns.

ILIM works with third-party data providers, and has built ESG infrastructure to integrate ESG factors in portfolio construction and investment management systems.

III) Active Ownership

ILIM believes that investors, whether working individually or collectively, have the ability to influence the behaviour of investee companies, reducing portfolio risk and delivering more sustainable long-term outcomes for clients. ILIM considers active ownership as the use of the rights and position of ownership to influence the activities or behaviour of investee companies, including engagement and voting activities.

ILIM recognises and adheres to the principles of active ownership, exercising voting rights, as well as constructively engaging with companies, to promote better sustainable practices and outcomes in investee companies. ILIM's active ownership programme focusses on core ESG themes, which can be categorised under two mega themes: decarbonisation and a trend to a more stakeholder centric business model, and four priority thematic areas: climate change, natural capital, human rights and corporate governance.

ILIM engages with companies using an approach based on identifying ESG laggards in the portfolio, combined with financial materiality, to identify and focus on companies and issues with the potential to have the greatest long-term impact on investment outcomes. ILIM votes the shares of companies for which it has proxy-voting authority, with the exception of those countries where voting is logistically

difficult or costs are disproportionate relative to the size of the holding, or where stock is on loan. ILIM retains a right of recall of stocks on loan with counterparties for voting or other reasons. ILIM votes in line with bespoke Global Proxy Guidelines and generally votes in favour of social, environmental and governance shareholder resolutions that seek to promote good corporate citizenship where the proposal is reasonable.

ILIM's Engagement and Voting Policies, and Global Proxy Guidelines, are available on its website.

3.2 Property

ILIM believes that prudent integration of ESG factors into real property investment decisions will lead to more sustainable long-term returns, helping to mitigate risk and enhance growth opportunities.

ILIM participates in the Global Real Estate Sustainability Benchmark (GRESB). ILIM has set specific targets relating to energy, water, and waste and wellbeing, together with a robust reporting regime to monitor performance against targets and to provide a basis for engagement with tenants and other stakeholders across the property portfolio. This process is implemented for acquisitions, refurbishments and new developments. LEED platinum is explicitly targeted on new developments.

ILIM conducts comprehensive due diligence assessments that include financial, physical, governance, regulatory, market, environmental and social considerations. ILIM's procedures provide guidelines to minimise the exposure of its clients and their assets to risks associated with or arising from environmental problems or issues.



3.3 Alternatives

The alternatives team manages a number of strategies which include allocations to third-party funds.

The third-party managers are selected following a due diligence process including the consideration of ESG factors at a firm and portfolio level. Ongoing due diligence follows the same process.

4. SUSTAINABILITY OUTCOMES

ILIM takes a thematic approach to responsible investing, driven by two overarching macro trends: the trend towards decarbonisation and the move to a more stakeholder centric business model, and four priority thematic areas: climate change, natural capital, human rights and corporate governance.

ILIM has undertaken a comprehensive analysis under the TCFD framework.

ILIM maps sustainability outcomes at entity and portfolio levels to prepare for regulatory developments, and to improve sustainability outcomes.

At entity level, ILIM assesses its climate risk exposure under the Task Force on Climate-related Financial Disclosures (TCFD) framework. To comply with SFDR, ILIM monitors climate and ESG metrics of portfolios.

5. GOVERNANCE

Responsible Investment Team

The Responsible Investment programme is led by ILIM's Responsible Investment Team. The team oversees engagement, voting, and portfolio screening. In conjunction with the asset class portfolio managers, the Responsible Investment Team monitors ESG investment integration activities. The Responsible Investment Team reports on activities to the Responsible Investment Governance Committee which is chaired by ILIM's Chief Sustainability Officer.

Responsible Investment Governance Committee ("the Committee")

This Responsible Investment policy is owned and reviewed, annually or more frequently if required, by the Responsible Investment team, and approved by the Committee in advance of approval by the ILIM Board of Directors. The Committee is responsible for reviewing and monitoring adherence to this policy. The membership of the Committee and its terms of reference are available on request. A report on Engagement, Voting and Exclusion activities is provided on a quarterly basis to the ILIM Executive Management Team.

ILIM Board

The ILIM Board of Directors approves updates to this policy annually or more frequently as required.



6. CONFLICTS OF INTEREST

As a MiFID authorised firm, ILIM is required to take all appropriate steps to identify, manage or prevent potential or actual conflicts of interest that arise when providing its services. In ILIM's engagement with investee companies, and in making voting decisions, any potential or actual conflicts that arise will be managed in accordance with ILIM's Conflicts of Interest policy. ILIM will abide by the principles of treating its clients fairly and dealing honestly and professionally with all stakeholders. Conflicts of Interest Policy is available on request.

7. DISCLOSURE OF THIS POLICY

This policy is disclosed on ILIM's website.

This material is intended for the use of institutional and other professional investors.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Irish Life Investment Managers. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

This document is for information purposes only. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or part of any contract or commitment whatsoever.

Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risk, legal, regulatory, credit, accounting and tax implications.

Past performance, forecasts and simulated performance may not be a reliable guide to future performance. Investments may fall as well as rise.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.