

Website Disclosures For Emerging Market Debt Net Shadow Fund 2022

Helping people build
better futures

Introduction

At Irish Life, we believe in doing right by your money by helping build a better future for all.

Through Irish Life Investment Managers (“ILIM”) we invest your money in a responsible way that benefits you and the planet.

Product Name: Emerging Market Debt Net Shadow Fund

Legal Entity Identifier: YYV6S3OE6EWZYI2FFW31

Status under the EU Sustainable Finance Disclosure Regulation (SFDR)

There are new rules which require any fund which promotes environmental and/or social characteristics to provide detailed sustainability related disclosures to prospective customers.

As this Fund has been categorised as meeting the provisions set out in Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR), this report provides further detail on what the sustainability related goals of the Fund are and how the sustainability related goals of the Fund are met.

Investment Objective

This Fund is passively managed and invests in emerging market local currency sovereign bonds. The Fund aims to perform in line with the JP Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged. Qualifying bonds must have a maturity of greater than six months, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. The Fund follows a benchmark index designed by JP Morgan to enhance exposure to positive Environmental, Social and Governance (ESG) factors and improved exposure to Green bonds.



Summary

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

This Fund aims to provide an improvement in the environmental, social, governance (“ESG”) and overall ESG scores. The Fund is passively managed and its objective is to reflect the performance of the J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged (“the Index”).

The Fund targets an improvement in the overall ESG score of the Fund in comparison to the appropriate broad market benchmark. The Fund tilts toward issuers ranked higher on ESG criteria and green bond issues and underweights and remove issuers that rank lower.

This Fund is passively managed and invests in emerging market local currency sovereign bonds and is a medium risk Fund and the Fund aims to perform in line with the Index. The index is designed by JP Morgan to enhance exposure to positive ESG factors and improved exposure to green bonds. The Index integrates issuer level ESG scores into the emerging market local currency sovereign bond universe to deliver an improvement in these aggregate characteristics compared to the broad market benchmark. This is achieved by overweighting securities that rank favourably across these metrics and underweighting laggards.

The estimated proportion of assets which promote environment and social (E/S) characteristics is circa 95%.

At least 95% of investments are expected to be allocated to assets which promote E/S characteristics and up to 5% may be allocated to "other" investments which may comprise of a small cash balance for liquidity purposes or fixed income derivatives. However, in normal market conditions, the Investment Manager expects the investments used to meet the environmental and/or social characteristics is equal to circa 100%.

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess sovereign issuers’ ESG credentials. ILIM utilises the ESG data from Sustainalytics to monitor the E/S characteristics of the Fund. The E/S characteristics of the Fund are reported periodically to internal executive committees.

ESG data is provided for the underlying holdings with each security having a series of ESG indicators. The indicators used to measure the promotion of the E/S characteristics of the Fund are carbon intensity, fossil fuel involvement and ESG risk score.

There are limitations regarding ESG data and some available ESG data is based off estimated data due to the lack of publicly disclosed information.

ILIM utilises ESG data to take into account sustainability factors including a number of principle adverse impact (“PAI”) indicators. The E/S characteristics promoted by the Fund are monitored to assess if these E/S characteristics have been attained.

ILIM currently do not engage with credit investments, such as Sovereign Bonds. This is something ILIM is currently investigating.

The Fund follows a passive management strategy and aims to deliver returns in line with the Index. The Index is created by the benchmark provider, JP Morgan, and is designed to promote environmental and/or social characteristics.

The Index is created by JP Morgan and is designed to promote environmental and/or social characteristics. It is a rules-based benchmark which integrates ESG data and through the passive management strategy of the Fund, the Fund mimics the constituent weights of the benchmark Index.

No sustainable investment objective

This Fund promotes environmental and/or social characteristics but does not have a sustainable investment objective.

While this Fund is designed to consider and contribute to the sustainability of our environment and society within the provisions of Article 8 of the SFDR, it is not specifically designed to make “sustainable investments” as defined under SFDR or to make investments which qualify as “environmentally sustainable” under the EU Taxonomy.

Environmental or social characteristics of the financial product

This Fund aims to provide an improvement in the environmental, social, governance (“ESG”) and overall ESG scores. The Fund is passively managed and its objective is to reflect the performance of the J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged. This Index is an environmental, social and corporate governance (“ESG”) version of the JP Morgan Government Bond Index-Emerging Markets Global Diversified Index (“GBI-EM”). The administrator of the Index, J.P. Morgan Securities LLC, uses ESG data provided by Sustainalytics and RepRisk to apply an ESG scoring and screening methodology to score each constituent of the GBI-EM, to tilt toward issuers ranked higher on ESG criteria and green bond issues and to underweight and remove issuers that rank lower.

The Fund targets an improvement in the overall ESG score of the Fund in comparison to the appropriate broad market benchmark.

The Fund tilts toward issuers ranked higher on ESG criteria and green bond issues and underweights and remove issuers that rank lower.

The indicators that the Fund uses to measure the attainment of the environmental or social characteristics promoted are:

- Overall ESG Score
- Country Risk Score
- Country Carbon Intensity score

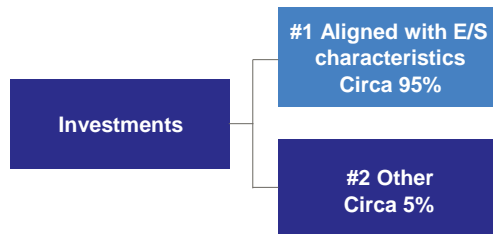
Investment Strategy

The Fund is passively managed. Its objective is to reflect the performance of J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged. This Index is an environmental, social and corporate governance ("ESG") version of the JP Morgan Government Bond Index-Emerging Markets Global Diversified Index ("GBI-EM"). The administrator of the Index, J.P. Morgan Securities LLC, applies an ESG scoring and screening methodology to score each constituent of the GBI-EM, to tilt toward issuers ranked higher on ESG criteria and green bond issues and to underweight and remove issuers that rank lower.

The Fund is passively managed and its objective is to reflect the performance of the J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged (the "Benchmark") on an ongoing basis. The Benchmark integrates issuer level ESG scores into the emerging market local currency sovereign bond universe to deliver an improvement in these aggregate characteristics compared to the broad market benchmark. This is achieved by overweighting securities that rank favourably across these metrics and underweighting laggards. The desire to maintain high levels of diversification within the Fund means that laggards may not be eliminated entirely. The methodology explicitly excludes United Nations Global Compact violators and any issuer ranked in the bottom quintile of ESG scores.

Proportion of Investments

The estimated proportion of assets within the Fund which promote E/S characteristics is represented below as per #1.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The Fund invests in emerging market local currency sovereign and quasi-sovereign bonds and may carry a small cash balance for liquidity purposes. At least 95% of investments are expected to be allocated to assets which promote E/S characteristics and up to 5% may be allocated to "other" investments which may comprise of a small cash balance for liquidity purposes or fixed income derivatives. However, in normal market conditions, the Investment Manager expects the investments used to meet the environmental and/or social characteristics is equal to circa 100%.

Monitoring of environmental or social characteristics

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess sovereign issuers' ESG credentials. Sovereign issuers are assigned sustainability related scores based on their activities and ESG credentials.

ILIM utilises the ESG data from Sustainalytics to monitor the E/S characteristics of the Fund. The agreed environmental and social indicators used to measure the attainment of the characteristics promoted by the product are independently monitored by ILIM's Investment Risk team at a Fund level. The E/S characteristics of the Fund are reported periodically by ILIM's Investment Risk team to ILIM's Responsible Investing Governance Committee and the ILIM board. Exceptions are highlighted and addressed where appropriate.

Methodologies for environmental or social characteristics

The extent to which environmental and social characteristics promoted by the Fund are met, these are measured using a series of aggregated metrics using data from our third party data provider Sustainalytics.

The Fund is a passive product which promotes E/S characteristics. ESG data for the underlying holdings is available through our third-party ESG data provider Sustainalytics with each security having a series of ESG indicators.

A weighted average score of the underlying holdings is calculated for each of the E/S characteristics promoted by the Fund. The weighted average scores are used to demonstrate how environmental and social characteristics promoted by the Fund are met.

Data sources and processing

ILIM, as fund manager, obtains the data and evaluates each of the E/S characteristic promoted from our chosen ESG data provider, Sustainalytics (<https://www.sustainalytics.com>). Sustainalytics is a market leader in the provision of ESG data.

Sustainalytics provide ESG data on the environmental and social characteristics promoted by the Fund. ESG data is sourced from Sustainalytics for the individual sovereign issuer holdings of the Fund for each of the indicators which monitor the environmental and social characteristics. ILIM, as Fund manager of the Fund, monitor the quality of data received.

For the Fund's investments, each indicator to assess the impact of the environmental and social characteristic promoted by the Fund is calculated for each individual security using a weighted average of the Sustainalytics data score for the individual metrics, and these are then aggregated to determine the overall product score.

A formulaic expression of the calculation is below:

Individual sovereign score = Weight of security in portfolio * Sustainalytics score for the individual sustainable metric

Fund score for sustainable metric = Sum of individual sovereign scores held in the Fund

ESG data and metrics attributed to the environmental and social characteristics promoted by the Fund will contain estimated data due to a lack of public disclosure by individual sovereign states. As the requirements to report ESG data differ between jurisdictions, and as many sovereign states are only starting to produce ESG measurements themselves, a significant portion of the data is estimated by our ESG data provider Sustainalytics. Gaps in sovereign disclosure are partially filled with the help of Sustainalytics' estimation models to provide a fuller picture of the portfolio's impacts. Disclosure of ESG data is improving over time with more sovereign states publicly disclosing ESG related data.

Limitations to methodologies and data

As mentioned, there are limitations regarding both methodologies and data. For some exposures ESG data is unavailable due to the lack of publicly disclosed information. In these instances estimated ESG data is used.

Gaps in sovereign issuer disclosure are partly filled with the help of Sustainalytics' estimation models to provide a more complete picture of the portfolio's impacts. For exposures where ESG data is not directly available, these are not included in the calculation.

Disclosure of ESG data is improving year and year with more companies publicly disclosing data to support the environmental and social characteristics promoted by the Fund.

Due Diligence

ILIM relies upon independent third-party ESG data from Sustainalytics and RepRisk to take into account sustainability factors. JP Morgan, as the index provider, integrates the ESG data from Sustainalytics and RepRisk into the index creation process to reduce the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and governance matters. The E/S characteristics promoted by the Fund are monitored to assess if these E/S characteristics have been attained.

When assessing the environmental and social characteristics of the underlying assets of the financial products, the Index incorporates ESG data into the investment decision making process. For Article 8 designated funds, this includes assessing the underlying securities from an environmental and social characteristics viewpoint to ensure E/S characteristics are promoted by the product. The E/S characteristics promoted by Article 8 funds are monitored to assess if these E/S characteristics have been attained.

Engagement Policies

ILIM currently do not engage with credit investments, such as Government Bonds. This is something ILIM is currently investigating.

Designated reference benchmark

The Fund follows a passive management strategy and aims to deliver returns in line with the Benchmark. The Benchmark is created by the benchmark administrator, J.P. Morgan Securities LLC (the "Benchmark Administrator"), and is designed to promote E/S characteristics. The reference benchmark is the JP Morgan ESG Government Bond Emerging Markets Global Diversified EUR Unhedged Index.

The reference benchmark is created by the Benchmark Administrator and is designed to promote E/S characteristics. It is a rules-based benchmark which integrates ESG data to ensure the reference benchmark is continuously aligned with the E/S characteristics promoted by the Fund. Through the passive management strategy of the Fund, the Fund mimics the constituent weights of the reference benchmark.

The Fund follows a passive management strategy and aims to track the performance of the Benchmark. As a result, the investment strategy of the Fund is aligned with the methodology of the Benchmark on a continuous basis. The designated index is based on the constituents of the broad market index. Through a rules-based methodology applied by the benchmark provider to the broad market index, the designated index incorporates E/S characteristics by integrating ESG data. This is achieved by overweighting countries that rank favourably across these metrics and underweighting laggards.

The broad market index, JP Morgan Government Bond- Emerging Markets Global Diversified Index, does not consider the promotion of E/S characteristics and is weighted based on market capitalisation.

The methodology pertaining to the reference benchmark is available at the below website link: <https://www.jpmorgan.com/insights/research/index-research/composition-docs>

This disclosure is being made in accordance with the Sustainable Finance Disclosure Regulation (SFDR). It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person. You should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Past performance may not be a reliable guide to future performance. Investments may go down as well as up. Funds may be affected by changes in currency exchange rates.

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