



# Website Disclosures For North America Responsible Investing Equity 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: North America Sustainable Equity Fund

Legal Entity Identifier: 6354006DKXSEDBKOPJ97

### 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

The investment objective of the Fund is to achieve long term capital appreciation by investing in North American equity securities with favourable environmental, social and governance (“ESG”) characteristics. The Fund invests predominantly in a diversified portfolio comprised of equities and/or other Transferable Securities which are constituents of the MSCI North America Index, issued by companies that are either established, listed or traded in North America and that pursue a policy of sustainable development and combine the respect of social principles (such as human rights, non-discrimination, the fight against child labour) and environmental principles with their focus on financial targets. The selection of portfolio holdings is based on the companies that best fulfil the combination of these criteria, largely determined by a “best-in-class” approach. The Fund expects a risk and return profile broadly in line with that of the parent index (MSCI North America) by investing in



## Summary

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

This Fund promotes environmental and social characteristics by:

- Adherence in the areas of good governance, respecting human rights and labour rights, protecting the environment and prevention of bribery and corruption. The Fund does so by assessing the extent to which issuers act in accordance with relevant laws and internationally recognised standards, for example:
  - >OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and UN Global Compact.
  - >The Fund promotes to have a lower carbon intensity compared to MSCI North America Index (the "Parent Index").
  - >The Fund promotes to have a lower waste intensity compared to the Parent Index.
  - >The Fund promotes to have a lower water usage compared to the Parent Index.

This Fund is actively managed by the Investment Manager, ILIM. The Fund will primarily invest in equity securities from the Parent Index. ESG factors are integrated into the Fund's investment policy by the Investment Manager in conjunction with an appointed Investment Adviser. The Investment Manager will select the portfolio of equity securities by assessing companies for their performance on ESG criteria. Equity securities are excluded using sustainability metrics and also positively selected based on sustainability metrics. Further, the Investment Manager restricts issuers involved in controversial activities and controversial behaviour.

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

The Fund invests in North American equity securities 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 equity derivatives.

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess companies' 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.

The Fund engages in active ownership and actively engages with companies to improve their E/S characteristics. The Fund also uses its voting power to vote to promote E/S characteristics. The fund manager of the Fund, ILIM, has an active ownership programme, which ILIM enacts on behalf of the Fund. ILIM also tackles many specific environmental and social characteristics through engagement activities, either directly with companies or collaboratively with other investors. Engagement topics include transition climate risks such as physical climate risks, biodiversity, water, waste, human-rights, supply-chain labour standards, modern slavery, anti-discrimination, anti-corruption and ESG risk.

A specific index has not been designated as a reference benchmark to determine whether the Fund is aligned with the environmental or social characteristics that it promotes.

### **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 promotes environmental and social characteristics by:

-Adherence in the areas of good governance, respecting human rights and labour rights, protecting the environment and prevention of bribery and corruption. The Fund does so by assessing the extent to which issuers act in accordance with relevant laws and internationally recognised standards, for example:

- >OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and UN Global Compact.
- >The Fund promotes to have a lower carbon intensity compared to MSCI North America Index (the “Parent Index”).
- >The Fund promotes to have a lower waste intensity compared to the Parent Index.
- >The Fund promotes to have a lower water usage compared to the Parent Index.

The Fund has not designated a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

The following sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the Fund:

- >Number of issuers excluded from the investment universe based on the Investment Manager’s Exclusion List.
- >Number of issuers involved in material violations of internationally recognised standards, for example: OECD Guidelines of Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN Global Compact.
- >Average weighted carbon intensity score against the Parent Index.
- >Average weighted waste intensity score against the Parent Index.
- >Average weighted water intensity score against the Parent Index.

## Investment Strategy

This Fund is actively managed by the Investment Manager. The Fund will primarily invest in equity securities from the Parent Index. ESG factors are integrated into the Fund's investment policy by the Investment Manager in conjunction with an appointed Investment Adviser. The Investment Manager will select the portfolio of equity securities by assessing companies for their performance on ESG criteria. Equity securities are excluded using sustainability metrics and also positively selected based on sustainability metrics. Further, the Investment Manager restricts issuers involved in controversial activities and controversial behaviour. This is done by applying a norms-based responsible investment criteria, restricting investments involved in the development, production, maintenance or trade of controversial weapons, the production of tobacco products, thermal coal mining and/or oil sands extraction.

The Fund has additional restrictions on activities related to:

- Gambling
- Weapons
- Adult entertainment
- Fur & speciality leather
- Arctic drilling and
- Shale oil & gas

As part of its active ownership program the Investment Manager, ILIM, will selectively engage (either directly or collaboratively with other like-minded investors) with companies in which it invests to support and encourage the adoption of positive sustainable behaviours within these companies. ILIM exercises its voting rights, voting the shares of companies in this product, with the exception being where voting is logistically difficult or where the costs of voting are disproportionate relative to the size of the holding.

The Fund's binding elements are as follows:

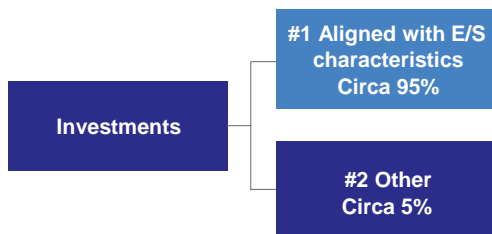
- > Exclusions based on the norms-based RI criteria. The Fund will exclude investment in issuers involved in activities including but not limited to, the development, production, maintenance or trade of controversial weapons, the production of tobacco products, thermal coal mining, oil sands production, gambling, weapons, adult entertainment, fur & speciality leather, arctic drilling, shale oil & gas.
- > Carbon intensity. Average weighted carbon intensity lower than the Parent Index
- > Waste intensity. Average weighted waste intensity lower than the Parent Index
- > Water intensity. Average weighted water intensity lower than the Parent Index

The Investment Manager leverages a proprietary approach to identifying and evaluating global norms violators and issuers that may be engaged in poor governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

This proprietary approach seeks to identify, review, evaluate and monitor companies that are flagged by external data providers as being in violation of, or otherwise not aligned with, the United Nations Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as well as companies that have received high controversy scores (including significant governance controversies, severe labour rights controversies and severe tax compliance controversies). Following review of these external data inputs, companies that the Investment Manager believes to have an ongoing and serious violation and/or are considered not to be following good governance practices with insufficient remediation will be excluded from the Fund. This list of companies will be reviewed on a semi-annual basis. The Investment Manager may not be able to readily sell securities that are intended for exclusion from the Portfolio at each semi-annual review (for example, due to liquidity issues or for other reasons outside of the Investment Manager's control), however, will seek to divest as soon as possible in an orderly manner and in the best interests of investors.

## 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 North American equity securities 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 equity 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%.

The Fund will invest in equities. The Fund may also invest in cash, equity derivatives such as future contracts and also FX derivatives such as FX forwards. Equity derivatives may be used to maintain or manage exposure to the market while managing the cash flows from subscriptions and redemptions into and out of the Fund more efficiently than by buying and selling transferable securities. The Fund will not generate synthetic short positions for investment purposes using financial derivatives. Given the nature of derivative investments, no minimum environmental or social safeguards can be applied. For cash holdings, no cash is held with banks which are on ILIM's exclusion list.

## Monitoring of environmental or social characteristics

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess companies' ESG credentials. Companies 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 company 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 and companies which have environmental/social scores that are judged to be outliers within the Fund are reviewed against other third party data providers and if necessary, queried with Sustainalytics.

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 company score = Weight of security in portfolio \* Sustainalytics score for the individual sustainable metric

Fund score for sustainable metric = Sum of individual company 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 companies. As the requirements to report ESG data differ between jurisdictions, and as many companies are only starting to produce ESG measurements themselves, a significant portion of the data is estimated by our ESG data provider Sustainalytics. Gaps in corporate disclosure are partially filled with the help of Sustainalytics' estimation models (e.g. targeting GHG emissions) to provide a fuller picture of the portfolio's impacts. Disclosure of ESG data is improving over time with more companies publicly disclosing ESG related data.

### **Limitations to methodologies and data**

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

Gaps in corporate disclosure are partly filled with the help of Sustainalytics' estimation models (e.g. targeting GHG emissions) to provide a more complete picture of the portfolio's impacts. For equities 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 utilises independent third-party ESG data to take into account sustainability factors including a number of PAI indicators. ILIM integrates the ESG data into the investment decision making process to reduce 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.

Using ESG data from our third-party provider, ILIM excludes investee companies in breach of international principles such as:

- > The OECD Guidelines for Multinational Enterprises
- > The UN Guiding Principles on Business and Human Rights
- > The Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- > The International Bill of Human Rights

When assessing the environmental and social characteristics of the underlying assets of the financial products, ILIM 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

The Fund engages in active ownership and actively engages with companies to improve their environmental and sustainable characteristics. Additionally, the Fund uses its voting power to promote environmental and sustainable characteristics. The Fund manager, ILIM, has an active ownership programme, which ILIM enacts on behalf of the Fund.

The active ownership programme focuses on core ESG themes, which can be categorised under two mega themes: decarbonisation and a trend to a more stakeholder centric business model concentrating on four priority thematic areas: climate change, natural capital, human rights and corporate governance.

ILIM's new bespoke voting guidelines promote environmental and social characteristics through two mechanisms:

- > Shareholder proposal support: Through ILIM's progressive voting policy aligned with ILIM's four priority thematic areas, we support well-constructed ESG shareholder proposals across the environmental and social characteristics the Fund promotes.
- > Voting action against directors: ILIM's bespoke guidelines vote against directors on companies with low gender & ethnic board diversity, companies without independent leadership and companies underperforming on climate oversight, strategy and action.

In addition, our voting guidelines integrate direct voting action against companies on non-discretionary portfolios that would fall under ILIM's Exclusion Policy, 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. This is further strengthened by ILIM's bespoke policy incorporating voting action against unresponsive companies that ILIM are engaging with on a variety of environmental and social topics.

ILIM also tackles many specific environmental and social characteristics through engagement activities, either directly with companies or collaboratively with other investors. Engagement topics include transition climate risks, physical climate risks, biodiversity, water, waste, human-rights, supply-chain labour standards, modern slavery, anti-discrimination, anti-corruption and ESG risk.

**Designated reference benchmark**

A specific index has not been designated as a reference benchmark to determine whether the Fund is aligned with the environmental or social characteristics that it promotes.

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