ILIM

Life | Pensions | **Investments**

Irish Life Investment Managers Limited (ILIM)

2023 Climate Report

Helping people build better futures

Contents

Niall O'Leary
Chief Sustainability Officer Irish Life Investment Managers

Foreword

I am pleased to present Irish Life Investment Managers Limited's (ILIM) 2023 Climate Report. The Report details ILIM's climate-related strategy, management and oversight.

At ILIM, we aim to manage the assets entrusted to us by our clients responsibly, with the objective of delivering long-term sustainable returns in line with their investment objectives.

Reflecting our clients' demand for sustainability-related solutions, we reached the milestone of having 50% of the assets we manage on behalf of our clients in investment solutions that promote environmental or social characteristics. We continued to develop and deliver innovative investment solutions that meet our clients' needs, launching a Global Thematic Fund with a focus on environmental solutions and a High Yield Bond Fund that utilises our ILIM proprietary ESG investment process.

Over the course of 2023, ILIM led on collaborative engagements with companies on the topics of climate, water and forests on behalf of the CDP investor signatories, joined Nature Action 100, and engaged with the government of Brazil as part of the Investor Policy Dialogue on Deforestation (IPDD), while directly engaging with 144 companies on our priority themes.

The purpose of this report is to support our stakeholders in understanding climate-related information that follows the structure recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The infographic below illustrates how ILIM is implementing actions across the four pillars recommended by the TCFD.

Governance

ILIM's Responsible Investment Governance Committee reviews and monitors adherence to the responsible investment strategy and reports to the Executive Management team.

Risk management

ILIM's Sustainability Risks Policy sets out how we integrate sustainability risks into our investment decision making process so as to mitigate sustainability risks that are likely to cause material negative impacts on ILIM's clients' investments.

Strategy

ILIM published its Climate Action Pledge in 2021, setting out how it addresses the climate change agenda through investment decisions, risk management and advocacy in a way that aligns with the interests of our clients.

Metrics and measurements

Overall, there is a general improvement in the carbon-related performance of our AUM Categories versus their respective benchmarks.

Key ILIM highlights include:

- **Net zero engagement strategy:** ILIM focuses its engagements on companies with heavy carbon emissions through collective and direct engagement. ILIM aims to engage with a cohort of investee companies that represent 70% of financed Scope 1 and 2 carbon emissions of the assets under management (AUM) that ILIM manages by the end of 2025, and to engage with a cohort of investee companies that represent 90% of financed Scope 1 and 2 carbon emissions of the AUM that ILIM manages by 2030.
- **Engagement with investee companies:**
  - ILIM directly engages with investee companies on the climate agenda where appropriate, including on topics such as transition alignment, renewable energy strategy, coal involvement, physical climate risks, net zero strategy, and say on climate votes.
  - ILIM also engaged collaboratively during 2023 with other institutional investors on the climate theme, such as the CDP Non-Disclosure Campaign and the Climate Action 100+.
- **Climate incorporated into ILIM's Global Proxy Voting Guidelines:** ILIM's Global Proxy Voting Guidelines provide the framework that we follow when exercising our client's voting rights in investee companies on matters relating to climate change risks. These are assessed on a number of criteria, including commitment to climate change mitigation and management of GHG emissions. Voting actions are focused on highest risk, high carbon emitting companies and companies of specific sectors.
- **Property portfolio:**

  ILIM participates in the Global Real Estate Sustainability Benchmark (GRESB). ILIM has set specific ambitions relating to energy, water and waste, and wellbeing for the properties in our clients' portfolios. We also have a robust reporting regime to monitor performance against those aims, and to provide a basis for engagement with tenants and other stakeholders across our clients' property portfolios. This strategy is implemented for acquisitions, refurbishments and new developments.

  LEED (Leadership in Energy and Environmental Design) is a voluntary rating system to certify sustainable buildings and neighbourhoods. It provides a framework to create healthy, highly efficient and cost-saving green buildings. The highest certification within LEED is the platinum, and this platinum certification is explicitly used by ILIM on new developments. ILIM's procedures provide guidelines to reduce the exposure of our clients and their assets to risks associated with or arising from environmental problems or issues in their property portfolios.

  In 2023, ILIM was awarded green stars for all the property portfolios we manage that participated in GRESB, and is the largest participant in Ireland in GRESB, managing a portfolio of diversified property funds. A green star is reserved for the top 20% of over 2,000 participants globally in GRESB. In addition, ILIM has achieved 5 stars in Pension, Development and Residential property portfolios, and 4 stars for its management of Irish Life Assurance Plc's property Modules Fund. ILIM ranked first in Europe in management out of over 1,000 participants, demonstrating its expertise in sustainable property management and development.
- **Knowledge sharing:** ILIM continues to provide information to our clients on net zero and climate transition.

As at the end of 2023, circa €53.4bn, or 50% of ILIM's total assets under management (AUM), was following investment strategies which are classified as Article 8 financial products under EU Sustainable Financial Disclosure Regulation (SFDR). This has been driven by client demand.

ILIM plans to continue to engage with investee companies where appropriate and to promote sustainability-related matters with investors, and industry groups. ILIM looks forward to working with its stakeholders on this agenda in 2024 and beyond.

Yours sincerely

Niall O'Leary

Chief Sustainability Officer

Executive summary

This Climate Report (Report) details ILIM's climate-related strategy, management and oversight. This is ILIM's fourth Climate Report. The objective of this Report is to provide information about the current status of ILIM's climate-related strategy, management and oversight across the four pillars previously recommended by the TCFD. ILIM's plans for progress in 2024 and beyond are also reflected in the report.

Governance

ILIM's board of directors is accountable for ILIM's responsible investment strategy. The responsible investment strategy is approved by ILIM's Executive Management Team (EMT) and implemented by ILIM's Responsible Investment Team.

ILIM's Responsible Investment Governance Committee (RIGC) is responsible for reviewing and monitoring ILIM's adherence to our responsible investment strategy. The RIGC is comprised of the Chief Investment Officer, the Chief Sustainability Officer (Chair), the Head of Stewardship, the Head of Sustainable Integration & Solutions, the Head of Irish Commercial Property, the Head of Corporate Clients and the Asset Servicing Manager. The RIGC reports to ILIM's EMT. Climate change risk is integrated into the RIGC's formal quarterly reports to the EMT.

Strategy

In October 2021, ILIM published its Climate Action Pledge which sets out the actions we aim to take to support progress against our net-zero goals. Our Climate Action Pledge is to work in partnership and on behalf of our clients through investment decision making, risk management and public advocacy to accelerate, and play a positive role in, the climate change agenda, both within our own domestic market and globally, in a way that aligns with the interests of our clients.

Risk Management

In accordance with Sustainable Finance Disclosure Regulation (SFDR) requirements, ILIM has a Sustainability Risk Policy. ILIM's Sustainability Risk Policy sets out how ILIM integrates sustainability risks in its decision-making processes. The objective of the Sustainability Risk Policy is to mitigate sustainability risks that are likely to cause material negative impacts on ILIM's clients' investments.

ILIM applies screening, using a set of filters to determine which companies, sectors or activities are eligible or ineligible to be included in a specific portfolio. ILIM identifies ineligible investments by analysing sustainability data obtained from our data provider, Morningstar Sustainalytics.

ILIM's screening/ exclusion approach is a key outcome of our risk management activities. It sets the baseline for investments. We use categories and thresholds in our screening/exclusion approach, utilising the sustainability data from Morningstar Sustainalytics.

Metrics and Measurements

We have earmarked circa 20% of our AUM as the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner ('In-Scope Assets'). For In-Scope Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO_2e/USDm of revenue – to date for Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO_2e/ USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019, subject to our overriding objective of delivering long-term sustainable returns in line with our clients' investment objectives[1].

[1] See Appendix

Introduction & background

Irish Life Investment Managers

ILIM is a global asset manager, serving clients since 1939 when the Irish Life Investments Team was established to manage the assets of Irish Life Assurance Plc. ILIM became a separate, Irish domiciled, legally incorporated company in 1997, and now manages over €107 billion (as at 31 December 2023) of assets for a range of clients based principally in Europe and North America. ILIM is headquartered in Ireland and is the primary asset manager for Irish Life Assurance Plc. ILIM's core investment capabilities extend across multi-asset solution design with expertise in indexation, quantitative active strategies, active fixed income, alternative assets and property.

As a global investment manager, ILIM's clients span institutional pension, non-pension and distribution partners. Our primary purpose is to provide our clients with solutions to meet their current and future investment needs and to deliver on the service commitments we make to them.

There has been significant evolution and growth in client demand relating to responsible investment and sustainability matters in recent years. ILIM has taken a proactive stance to this increased demand and has built up its expertise and strong knowledge base in this area, investing significant resources throughout all facets of the organisation, and has incorporated sustainability as an integral part of our business strategy, recognising the importance of this area to our clients.

ILIM is currently a member of the United Nations Principles for Responsible Investment (UNPRI) (since 2010) and of Net Zero Asset Managers initiative (NZAM) (since 2022). ILIM became a signatory to the UK Stewardship Code in 2024.

At an investment strategy level, ILIM has integrated sustainability as a core tenet in our discretionary investment approach and in the strategies we offer clients. We see a broad range of client needs in this area, and consequently we have worked with clients to support and enable their own sustainability goals and migrate their assets toward solutions which promote sustainability considerations, developing an integration framework.

ILIM's total AUM include equity (62%), fixed income (27%) – split into sovereign fixed income (21%) and corporate fixed income (6%) – and property (2%). The remaining 9% is attributed to assets invested in funds managed by third-party fund managers, and cash and cash equivalents. Circa €53.4bn, or 50% of total AUM, is now following investment strategies which are classified as Article 8 financial products under the SFDR. This has been driven by client demand.

Figure 1: Corporate structure

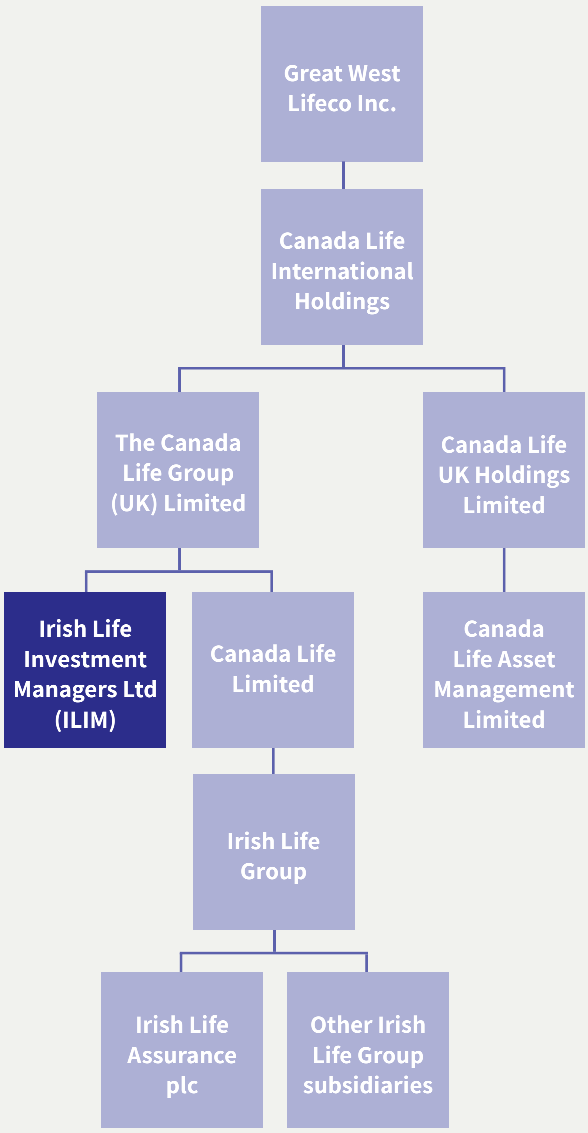
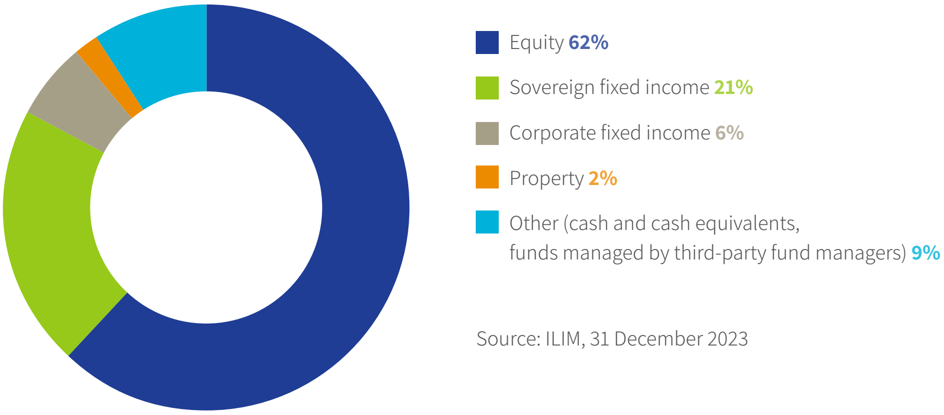
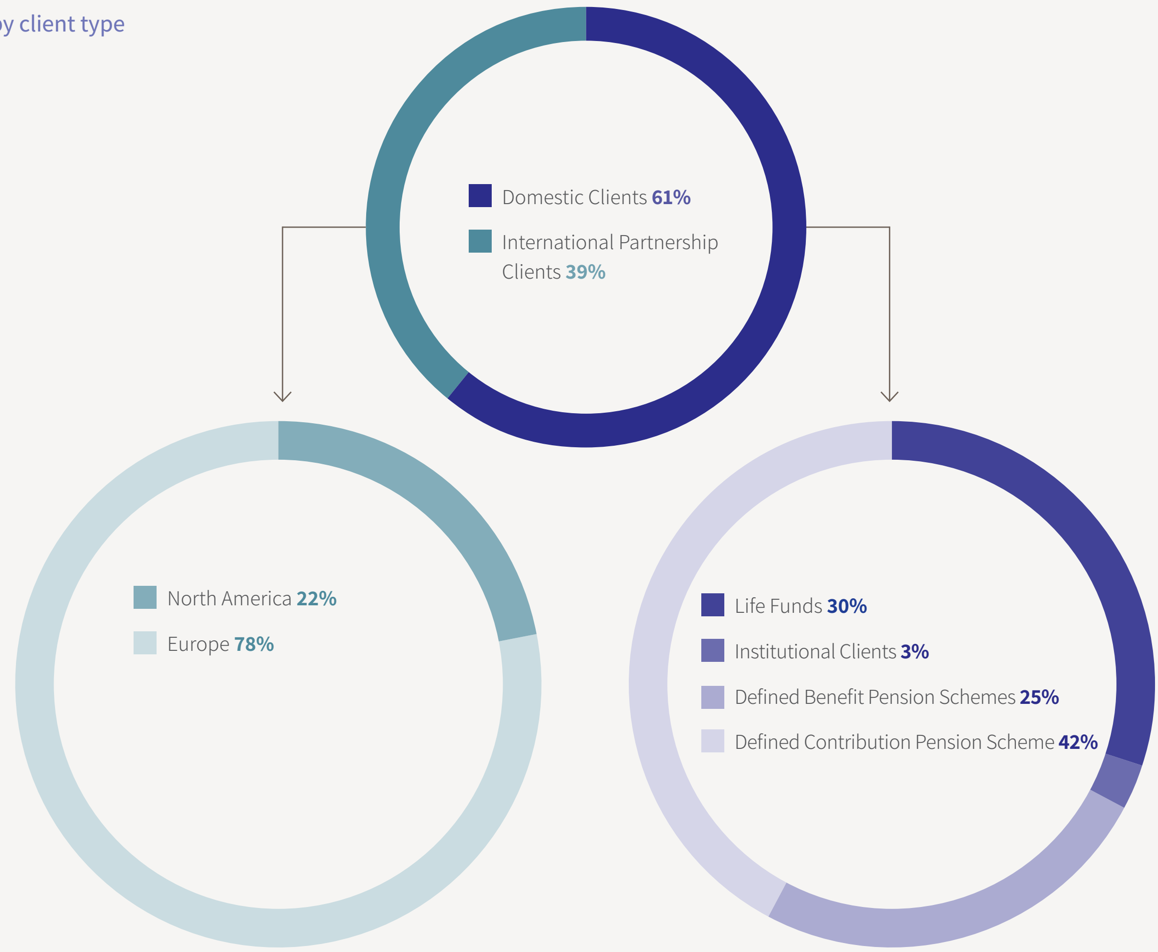


Figure 2: AUM by asset class



Source: ILIM, 31 December 2023

Figure 2: AUM by client type



Source: ILIM, 31 December 2023

Climate ambitions

In October 2021, ILIM published its Climate Action Pledge, which sets out the actions we intend to take to support progress against our net-zero ambitions. Our Climate Action Pledge is to work in partnership with, and on behalf of, our clients through investment decision making, risk management and public advocacy to accelerate and play a positive role in the climate change agenda, both within our own domestic market and globally, in a way that aligns with the interests of our clients.

Our Climate Action Pledge is focused on the below key areas:

> Advocacy for climate action

> Strengthening governance of the climate agenda

> Integrating climate risk into firm-wide risk management

> Integrating climate alignment into the design of ILIM's proprietary investment solutions

> Using stewardship to accelerate the climate agenda of the companies in which we invest our clients' assets.

We are currently a signatory to the NZAM. We have earmarked circa 20% of our AUM as the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner ('In-Scope Assets'). For In-Scope Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO2e/USDm of revenue – to date for Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO2e/USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019, subject to our overriding objective of delivering long-term sustainable returns in line with our clients' investment objectives[2].

ILIM's NZAM approach currently adheres to the Paris Aligned Investor Initiative (PAII.) The PAII is a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. The PAII framework is designed to provide a foundation, based on climate science, on which a broad range of asset owners and asset managers can define strategies, measure alignment, and set goals on net-zero emissions and transitioning their portfolios.

This report details ILIM's climate-related performance, strategy and metrics, in line with the disclosure recommendations of the TCFD.

[2] See Appendix

Governance

"Disclose the organisation's governance around climate-related risks and opportunities"

Board oversight

ILIM's board of directors (Board) is accountable for ILIM's responsible investment strategy (Responsible Investment Strategy), which incorporates the strategy for addressing climate risks and opportunities. The Responsible Investment Strategy is approved by ILIM's Executive Management Team (EMT) and implemented by ILIM's Responsible Investment Team (RI Team).

ILIM's Responsible Investment Strategy is implemented through a set of policies that define how we manage the impact of wider risks. These policies are:

- the Responsible Investment Policy
- the Sustainability Risk Policy
- the Engagement Policy
- the Voting Policy

(collectively the 'Policies')

Each Policy is approved by ILIM's Board on at least an annual basis. The Board is responsible for the governance of risk in ILIM and for establishing mechanisms and structures to control and manage risk.

Senior management's role

The key components of ILIM's risk governance framework are described below. These include the management of risks such as climate change.

- **ILIM's Board** is ultimately responsible for the governance of risk in the company and for establishing mechanisms and structures to control and manage this risk. The Board has delegated oversight of audit and risk issues to the Board Audit Committee and Board Risk Committee, respectively. The Board, and its committees, meet at least quarterly.
- The day-to-day management of the business is delegated to **the EMT**. The EMT has a formalised governance structure in place, with monthly meetings which focus on the operational agenda for the business. It also holds special meetings focused on the strategic agenda for the business and meets weekly to review ongoing developments in the business. The operational and strategic agendas include matters related to sustainability.
- **Executive Committees** are responsible for reviewing, challenging and providing quarterly reports to EMT on the critical functions and key drivers for the business. Each committee is comprised of leaders from the business and includes a minimum of 3 EMT members. The committees meet on a monthly basis. As necessary each committee will escalate any issues requiring EMT attention to the EMT. There are a number of committees with representatives from various functions which are mentioned below.

  Business Executive Committee – HR, Finance, Operations and IT

  Investments Executive Committee – Investment Performance, Investment Product, Investment Risk, Product Delivery

  Customer Executive Committee – Flows, Pipeline, Brand, Marketing and Product Governance

  Oversight Executive Committee – Compliance, Operational Risk, Internal Audit, ICOFR

  The committees are chaired by business leaders, with the exception of the oversight committee which is chaired by the head of Compliance & Business Risk.
- The risk management for ILIM's AUM is overseen by the **Fund Management Executive (FME)**. The FME is responsible for monitoring our clients' mandates, reviewing the performance of portfolios versus benchmarks and overseeing fund management operations. That includes the implementation of our Best Execution Policy and the implementation of mandate and internal rules on our fund management systems. The monthly fund management report for the EMT includes updates from the FME. The environmental and social characteristics (E/S) promoted by our Article 8 investment solutions (investment solutions which promote environmental and/or social characteristics under SFDR) are reported on a periodic basis to FME.
- The **Responsible Investment Governance Committee (RIGC)** is responsible for oversight of the Policies. The committee is comprised of the Chief Investment Officer, the Chief Sustainability Officer (Chair), the Head of Stewardship, the Head of Sustainable Integration & Solutions, the Head of Irish Commercial Property, the Head of Corporate Clients and the Asset Servicing Manager.

  The RIGC meets on a quarterly basis, or more frequently if required, and agenda items may include but are not limited to the following:

  - Review of stewardship activities, including the addition of new collaborative engagements and changes to voting procedures, policies and guidelines.
  - Oversight of external providers of ESG services.
  - Consideration of conflicts or potential conflicts of interest. If identified, these are brought to the attention of the EMT and noted to ILIM's Compliance Team.
  - Noting of changes to ILIM's Stock Exclusion List.
  - Sustainability metrics provided by ILIM's Investment Risk Team, which monitors E/S indicators of Article 8 or 9 investment solutions.
  - Update on ESG product development and pipeline.
- The development of new investment solutions/strategies is overseen by the **Product Governance Committee (PGC)**. The main purpose of the PGC is to ensure investment solutions are developed that are fit for purpose and in line with regulatory expectations. The PGC reports directly to the EMT. ILIM also has an **On-Boarding Governance Committee**, which in collaboration with all stakeholders, seeks to deliver a successful overall outcome by making an initial assessment of all new activity for size, complexity and operational risk.

> The **Project Approval Board (PAB)**, supported by the **Project Management Office (PMO)**, provides oversight of change management projects within ILIM and puts in place appropriate governance structures to manage the risks associated with significant projects.

> ILIM has an **Operational Risk Steering Committee (ORSC)** which exercises authority delegated to it by the EMT to provide governance to the management of operational risk within ILIM, and to ensure operational risk levels across the business are in line with our stated risk appetite.

The governance structure is based on the 'three lines of defence' model of risk management.

Figure 4: ILIM's Board and executive oversight of climate-related risks and opportunities

Governing Body	Sustainability Related Responsibilities	Frequency of Review/Meeting
Board of Directors	Engages with senior leaders on near and long-term business strategy and reviews management's performance in delivering the Responsible Investment Strategy that includes climate change as one of its priority topics, and approval of the Policies.	Quarterly
Responsible Investment Governance Committee	Responsible Investment Governance Committee is responsible for oversight of the Policies, and reviews, among other items, active ownership activities and the sustainability reports and metrics provided by the Investment Risk Team.	Quarterly
Board Risk Committee	Reviews levels of risk, risk assessment, risk management and related policies	Quarterly

Figure 5: Governance model

Fund Management Executive
- Responsible for ILIM's investment strategies including the Responsible Investment Strategy
- Research and development of new capabilities including ESG across equity, fixed income and real estate

Responsible Investment Governance Committee
- Oversight and implementation of the Policies
- Oversight of regulatory requirements, active ownership activities, external service provider agreements and product pipeline

Product Governance Committee
- Approval and oversight of new products
- Assessment of sustainability preferences and SFDR classifications.

Compliance & Investment Risk
- Oversight of the SFDR Article 8/9 classification of funds
- Oversight of:
  - SFDR and TCFD reporting
  - Regulatory requirements
  - Analysis and oversight of Principal Adverse Impact metrics

Reporting Infrastructure
- Oversight of the performance of ILIM strategies
- Independent analysis of the performance of sustainable investment solutions relative to broad market benchmark

Figure 6: Dedicated resources within ILIM

Managing Director and Chief Investment Officer
(Executive Sponsorship)

Executive Management Team
(Executive Leadership with Divisional Ownership)

Chief Investment Officer	Chief Sustainability Officer (RI Executive Leadership)	Head of Individual Markets Distribution	Director Head of Global Corporate and Institutional Distribution	Director Business & Technology Services (BTS)	Chief Financial Officer and Head of Strategic Projects	Chief People Officer	Chief Risk Officer
Sponsorship of RIGC Proprietary Sustainable Solutions – Multi Asset and Quant Property	Proprietary Sustainable Indexation – Equity and Fixed Income Responsible Investment Governance	Client engagement and training Sponsorship of Product Governance Committee Client Reporting Marketing and Promotion	Client engagement and training Sponsorship of Product Governance Committee	Performance Reporting ESG operations and data integration	ESG Strategic Budget Expenditure Financial reporting	Responsible Investment Training Rewards structures	ESG regulatory analysis and business compliance Investment Risk

Figure 7: Compliance governance

ILIM Board of Directors

- Majority of non-executive directors including independent non-executive director

Board Audit/Risk Committees

- ILIM Board is supported by the Board Risk Committee and the Board Audit Committee.
- ILIM Chief Risk Officer and ILIM Compliance Officer attend the quarterly Board Risk Committee meetings.

Irish Life Group Compliance and Operational Risk Committee

- The ILIM Managing Director and ILIM Chief Risk Officer are members of this committee.

Irish Life Group Compliance Function

- Oversight and reporting to Irish Life Group's compliance function (Group Compliance) including reporting to the Chief Compliance Officer of Great-West Lifeco Inc.

ILIM Management

- Monthly reporting by Compliance to ILIM Oversight Governance Committee

Reporting Lines

- ILIM Head of Compliance has a direct reporting line to Group Compliance and a dotted reporting line to ILIM Managing Director
- ILIM Head of Compliance is a member of ILIM Executive Management Team

Strategy

“Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.”

(a) Identifying climate-related risks and opportunities

ILIM incorporates Environmental, Social and Governance (ESG) factors in its investment management processes where it has discretion to do so under its clients’ mandates.

ILIM considers responsible investment as the integration of ESG considerations into investment management processes and ownership practices where we believe these factors can support more sustainable returns.

We take 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**.

Figure 8: ILIM’s Responsible Investment approach

Sustainability megatrends	**Decarbonisation** As climate change poses a significant risk to all assets, we are actively reducing our investment exposure to climate risk, as set out by the Paris Agreement.	**Stakeholder-centric business model** We focus on companies that can demonstrate good corporate behaviour both internally and externally, e.g. with employees, in communities and with suppliers and shareholders.		
Priority themes	Climate Change	Natural Capital	Human Rights	Corporate Governance
Guiding frameworks	EU Taxonomy; Task Force on Climate-related Financial Disclosures (TCFD)	Task Force on Nature-related Financial Disclosures (TNFD)	United Nations Guiding Principles on Business and Human Rights	ICGN Global Governance Principles (GGP)
SDGs alignment	7, 13	6, 12, 14, 15	3, 5, 8, 10	5, 16

Areas of focus to generate sustainable outcomes

1. Solution Design

2. Active Ownership

3. Policy Engagement

The trend towards decarbonisation captures the move towards a lower carbon economy as set out in the Paris Agreement. 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, such as employees, communities and supply chains, as well as shareholders. This is captured in a company's management of its ESG exposures and responsibilities.

Our current Responsible Investment Policy can be accessed here.

The Responsible Investment Policy applies to all assets managed by ILIM on behalf of its clients. The Responsible Investment Policy outlines:

- ILIM's responsible investment approach across various assets classes
- how ILIM monitors sustainability outcomes
- the various levels of governance applied to ILIM's Responsible Investment Policy, and
- summary details of ILIM's Conflicts of Interest Policy

ILIM has created two distinct active ownership policies to comply with the Shareholder Rights Directive II (SRDII): one for voting (our Voting Policy), and one for engagement (our Engagement Policy).

The current ILIM Engagement Policy can be accessed here while the current ILIM Voting Policy can be accessed here.

In October 2021, ILIM published its Climate Action Pledge, which sets out the actions we plan to take to support progress against our net-zero goals. Our Climate Action Pledge is to work in partnership and on behalf of our clients through investment decision making, risk management and public advocacy to accelerate and play a positive role in the climate change agenda, both within our own domestic market and globally, in a way that aligns with the interests of our clients.

Our Climate Action Pledge is focused on the below key areas:

- Advocacy for climate action
- Strengthening governance of the climate agenda
- Integrating climate risk into firmwide risk management
- Integrating climate alignment into the design of ILIM's proprietary investment solutions
- Using stewardship to accelerate the climate agenda at the companies in which we invest our clients' assets.

We are currently a signatory to the Net Zero Asset Managers initiative (NZAM). We have earmarked circa 20% of our AUM as the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner ('In-Scope Assets'). For In-Scope Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO2e/USDm of revenue – to date for Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO2e/ USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019, subject to our overriding objective of delivering long-term sustainable returns in line with our clients' investment objectives[3].

ILIM's NZAM approach currently adheres to the Paris Aligned Investor Initiative (PAII). The PAII is a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. The PAII framework is designed to provide a foundation based on climate science, on which a broad range of asset owners and asset managers can define strategies, measure alignment, and set goals on net-zero emissions and transitioning their portfolios.

(b) Incorporating climate-related risks and opportunities into investment strategies

ILIM's approach to incorporating climate-related risks and opportunities into its investment strategies is implemented across all investment functions. The following sections explain ILIM's approach in relation to 'liquid equity and fixed income', 'property assets' and 'alternative assets'.

Liquid equity and fixed income

For listed equity and corporate fixed income, where possible and where consistent with the clients' mandate, ILIM utilises three levers: screening management, investment integration and stewardship.

Screening management: ILIM applies screening, using a set of filters to determine which companies, sectors or activities are eligible or ineligible to be included in a specific portfolio. ILIM identifies ineligible investments by analysing sustainability data obtained from our data provider, Morningstar Sustainalytics. ILIM's screening/exclusion approach is a key outcome of our risk management activities. It sets the baseline for investments. It covers a range of categories, including climate-related topics, and sets thresholds for inclusion/exclusion.

Investment integration: We take a thematic approach to responsible investing driven by two overarching macro trends, (i) the trend towards decarbonisation and, (ii) the move to a more stakeholder-centric business model. To integrate these themes into our investment processes, ILIM has developed a proprietary investment framework to incorporate ESG and decarbonisation metrics into its investment process across our corporate fixed income and equity investment solutions. This is explained further in part (b) of the Risk Management section of this Report (see page 17).

Stewardship: Stewardship and the incorporation of environmental factors into investment decisions are complementary strategies, with the potential for each to feed into the other. This can be achieved by using insights from investment decision making to enhance engagements and vice versa. To ensure that our clients' holdings are aligned with their long-term net-zero ambitions, we use environmental metrics, such as financed emissions, to prioritise climate engagements. We also use external research to assess the progress of such climate engagements. We prioritise companies in high-impact sectors, where their dependencies and/or impacts are more material to our clients' portfolios.

In terms of engagement with policymakers and industry bodies, ILIM and the Irish Life group of companies (Irish Life Group) frequently engage with policymakers and industry groups relating to market risk, systemic risk and sustainability risks. We have sought opportunities to promote issues related to climate change, natural capital and social-related matters through our engagement with other investors and industry bodies.

ILIM became a signatory to the Financial Reporting Council's UK Stewardship Code in 2024.

[3] See Appendix

Property assets

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

ILIM adopts an active ownership approach across the real estate assets in which it invests on behalf of its clients and aims to maximise the medium to long-term value for its clients. Regarding standing assets, ILIM constructively engages with property managers, encouraging better standards and management processes covering financially material sustainability risks. At asset level, ILIM has developed an Environmental Management System (EMS) to manage sustainability impacts, risk and opportunities across its clients' real estate portfolios. The EMS also aims to improve resilience and performance in ILIM's clients' portfolios and assets, thereby avoiding a significant diminution in value which might result from poor environmental management, and which may lead to the 'stranding' of a real estate asset.

In all new developments, ILIM aims to achieve the implementation of key elements of globally recognised sustainability standards including LEED (Leadership in Energy and Environmental Design), WELL Building Standard, while being mindful of broad environmental considerations.

As part of ILIM's real estate acquisition process, a comprehensive due diligence is conducted that includes financial, physical, governance, regulatory, market, environmental and social considerations. ILIM's due diligence process includes a technical assessment against material ESG themes. These technical assessments result in Property Improvement Plans which seek to improve ESG impacts and put the asset on a pathway to net zero to reduce its carbon emissions.

ILIM participates in the Global Real Estate Sustainability Benchmark (GRESB). ILIM has set specific ambitions relating to energy, water, and waste and wellbeing for the properties in our clients' portfolios, together with a robust reporting regime to monitor performance against those aims, and to provide a basis for engagement with tenants and other stakeholders across our clients' property portfolios. This strategy is implemented for acquisitions, refurbishments and new developments. LEED is a voluntary rating system to certify sustainable buildings and neighbourhoods. It provides a framework to create healthy, highly efficient and cost-saving green buildings. The highest certification within LEED is the platinum and this platinum certification is explicitly used by ILIM on new developments. ILIM's procedures provide guidelines to reduce the exposure of our clients and their assets to risks associated with or arising from environmental problems or issues in their property portfolios.

In 2023, ILIM was awarded green stars in all the property funds that we manage that participated in GRESB, and is the largest participant in Ireland in GRESB, managing an extensive portfolio of diversified property funds. A green star is reserved for the top 20% of over 2000 participants globally in GRESB. In addition, ILIM has achieved five stars in Pension, Development and Residential funds and four stars for its property Modules fund. ILIM came first in Europe in management out of over 1,000 participants, demonstrating its leadership in sustainable property management and development.

Alternative assets

For alternative assets, sustainability factors – including climate-impact-related considerations – are a fundamental part of the due diligence process for investments in funds managed by external fund managers ('External Funds'). These managers, and the External Funds, are assessed against sustainability factors as part of the initial due diligence process we carry out when considering potential investments for our clients, and are also reviewed annually. Sustainability considerations are tailored to best suit individual strategies which include allocations to External Funds, derivative strategies and client mandates.

For investments in External Funds, both the fund strategy and the external fund manager are given an ESG rating based on a number of metrics including, but not limited to, climate impact, diversity and inclusion, and integration of ESG within portfolio construction. These ratings are updated annually for External Funds in which our clients are already invested and as a part of the due diligence process for new investments into External Funds.

(c) Using climate-related scenarios to inform investments

The World Energy Outlook 2022 was published by the International Energy Agency (IEA) in October 2022. This was published with the backdrop of a global energy crisis and macroeconomic headwinds and brings to the fore the urgency of scaling up a range of clean energy technologies while reducing the use of fossil fuels. The World Energy Outlook 2022 covers three main scenarios:

- Net Zero Emissions (NZE),
- Announced Pledges (APS),
- Stated Policies (STEPS) – reflecting the latest energy market data and costs.

ILIM uses a single scenario approach to measure scenario alignment and implied temperature rise (ITR) (for further details see Section 1 (iii) of the Metrics And Measurements section of this Report). This is based on the IEA's Net Zero 2050 scenario from the IEA's World Energy Outlook 2022. The single scenario approach utilises a Transient Climate Response to Cumulative Carbon Emissions (TCRE) multiplier-based methodological approach to estimate global temperature rise due to additional cumulative anthropogenic carbon emissions.

TCRE spans across the "0.27°C–0.63°C range with a best estimate of 0.45°C when expressed in units per 1,000 GtCO2". The World Energy Outlook 2022 database contains emissions pathways for different sectors, but only up until 2050. Yet, it is possible to extract from the World Energy Outlook 2022 some indications on emissions pathways and temperature rise outcomes beyond 2050.

These indications are used to extrapolate the data provided by the IEA. See the Metrics and Measurements section for more details.

The use of the IEA Net Zero 2050 scenario for the implied temperature rise (ITR) calculation is a necessary departure from ILIM's 2022 Climate Report. As noted in ILIM's 2022 Climate Report, the IEA's Sustainable Development Scenario (SDS) is no longer provided by the IEA and was discontinued as a valid scenario in the World Energy Outlook 2021.

The Glasgow Financial Alliance for Net Zero (GFANZ) conducted a survey of market participants in Q1 2022, with the aim of establishing best practice for scenario alignment and implied temperature scores. Following the survey, GFANZ published a public consultation[4] in the summer of 2022, presenting nine key judgements to be considered when undertaking scenario alignment. The methodology used by ILIM is well aligned with seven of these key judgements.

Future strategy developments:

1) Decarbonisation

> For In-Scope Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO2e/ USDm of revenue – to date or Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO2e/ USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019, subject to our overriding objective of delivering long-term sustainable returns in line with our clients' investment objectives[5].

2) Engagement strategy

ILIM aims to reach the following levels of engagements:

> By the end of 2025, to have engaged with a cohort of the investee companies that represent 70% of financed scope 1 and 2 carbon emissions of the AUM that ILIM manages, and

> By 2030, to have engaged with a cohort of the investee companies that represent 90% of financed scope 1 and 2 carbon emissions of the AUM that ILIM manages.

For a broad explanation and discussion of the transition risks of our clients' portfolios, see sections 1(a) of the Metrics and Measurements section.

[4] **https://assets.bbhub.io/company/sites/63/2022/07/GFANZ-Portfolio-Alignment-Measurement-August2022.pdf**
[5] See Appendix

Risk management

"Disclose how the organisation identifies, assesses, and manages climate-related risks."

(a) Integrating climate-related risks into overall risk management

Under SFDR, 'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. ILIM therefore approaches sustainability risk from the perspective of the risk that environmental, social or governance events – including climate-related events – might cause a material negative impact on the value of ILIM's clients' investments. To enable this, ILIM has built a risk/reporting framework which enables ESG and climate metrics to be used on standard risk analysis and reporting documents.

ILIM has an investment risk team (Investment Risk Team), which is a second-line function and is independent from its fund management teams. The Investment Risk Team identifies, measures and monitors climate metrics across the investments that ILIM makes on behalf of its clients. It reports on these metrics, and any risks emerging from them, to the relevant fund management teams and to the RIGC.

ILIM's Sustainability Risk Policy sets out how ILIM integrates sustainability risks in its decision-making processes. The objective of this policy is to mitigate sustainability-related risks that likely to cause material negative impacts on ILIM's clients' investments. While the Sustainability Risk Policy applies to all portfolio management services, the level of discretion which ILIM can apply varies by client mandate and investment strategy.

Complementing the Sustainability Risk Policy, ILIM has also published a Principal Adverse Impact Statement (PAI Statement). Our PAI Statement outlines our framework for considering PAIs, including how the assets managed by ILIM performed across 18 mandatory and two voluntary PAI indicators required under SFDR. The PAI Statement also details ILIM's approach to managing PAIs including stewardship and integration of sustainability data into the investment process. PAI 1 to 6 relate to greenhouse gas (GHG) indicators such as absolute emissions, carbon footprint (the total emissions of a portfolio per million EUR invested) and weighted average carbon intensity (WACI).

ILIM's risk management process is set out in Figure 9 below.

Figure 9: Risk management process

Independent Monitoring
What is the impact of investment decisions on portfolios?

Measurement
Sustainability metrics (ESG, Carbon Intensity, Carbon Risk), PAI and ILIM Climate Reports

Review
Regularly with CIO and Fund Managers

Oversight Reporting
ILIM Board, Responsible Investing Governance and Investment Risk Committees, Beresford Board

(b) Positioning our clients' portfolios with respect to the transition to a lower carbon energy supply, production and use

Screening management: Where feasible[6], ILIM applies screening, using a set of filters to determine which companies, sectors or activities are eligible or ineligible to be included in a specific portfolio. ILIM identifies ineligible investments by analysing sustainability data obtained from our data provider, Morningstar Sustainalytics. We currently use the following categories and thresholds in our approach to screening:

- **Thermal coal:** ILIM excludes companies involved in thermal coal if they earn more than 10% of their revenue from its extraction, or more than 25% from power generation using thermal coal.
- **Unconventional fossil fuels:** Companies that derive more than 10% of their revenue from oil sands and arctic drilling activities are excluded.

Integrating the trend towards decarbonisation

ILIM has developed a proprietary investment framework to incorporate ESG and decarbonisation metrics into its investment process across our flagship 'New World' corporate fixed income and equity investment solutions This framework incorporates a 'decarbonisation tilt' that combines a range of forward- and backward-looking metrics to reduce exposure to companies which score poorly on our decarbonisation metrics and increase exposure to companies that score well on our metrics. Given the wide-ranging scope of climate-change risks and opportunities across sectors and regions, extensive qualitative and quantitative metrics are required for investment decisions. ILIM complements the backward-looking data (such as carbon intensity) with a forward-looking view (carbon risk rating). The following climate-change metrics are considered in the investment process:

- **Carbon Risk Rating** – This is a measure provided by our data provider, Morningstar Sustainalytics and quantifies a company's exposure and management of material carbon issues in its own operations as well as its products and services. At each value chain stage, a company's vulnerability to carbon risks is assessed.
- **Carbon Intensity** –This is a relative metric used to compare company emissions across industries. The figure is expressed in tonnes of carbon dioxide equivalent per million US dollars of total revenue, with absolute emissions divided by total revenue.
- **Green Revenues** – This measures the level of involvement (total percentage of revenue) across the following activities supporting the climate transition:
  - Energy efficiency
  - Green buildings
  - Green transportation
  - Renewable energy
  - Water
  - Pollution prevention & reduction
  - Resource efficiency technologies & services
- **Brown Revenues** – This measures involvement across the following:
  - Thermal coal extraction and power generation
  - Oil & gas production, power generation, and supporting products / services.
- **Green Tilt** – This assigns more capital to companies with higher green revenues which are best placed to benefit from the transition to a low carbon economy.
- **Brown Tilt** – This reduces exposure to companies with risks of stranded assets by underweighting companies with large fossil fuel revenues.

(c) Active engagement with investee companies and proxy voting

Engagement

Engagement is a key component of ILIM's approach to the responsible investment and stewardship of our clients' assets. The outcomes of these engagements are important as they are used to inform investment decisions on our proprietary solutions. In pursuit of responsible investment, ILIM where it determines appropriate exercises voting rights and constructively engages with investee companies to promote better corporate behaviour, and to encourage these companies to update their policies and practices. ILIM also engages with tenants and other stakeholders with regard to real estate investments. ILIM believes that investors, whether working individually or collectively, may influence the behaviour of investee companies, reducing portfolio risk and delivering more sustainable long-term outcomes for clients.

We previously described the two mega trends that we use to drive our responsible investment activities: decarbonisation and a trend to a more stakeholder-centric business model. Within these mega trends we have identified four priority themes: climate change, natural capital, human rights, and corporate governance, which guide our engagement prioritisation and actions.

ILIM engages with investee companies both on a direct and on a collaborative basis.

When it comes to direct engagement, ILIM conducts its own direct outreach, based on analysis conducted by ILIM's Stewardship Team.

Voting-driven engagements and engagements with Irish companies are prioritised via ILIM's own direct outreach. This is because these engagements are intrinsically linked to ILIM's Global Proxy Voting Guidelines and because of ILIM's potential influence in the local market. On the topic of decarbonisation, ILIM conducts direct engagement with investee companies across a number of sectors, including oil and gas, and power generation utilities, with a good response rate given the rising relevance of the topic in the industry.

In certain instances, we believe that acting collectively with other investors and industry bodies is the most effective engagement approach. For instance, on the topic of forced labour, ILIM engages on a collaborative basis with investee companies in the manufacturing and construction sectors, as these companies are better disposed to respond to this sensitive topic when approached by a group of investors collectively.

ILIM also actively engages with companies selected due to the materiality of a theme for a specific sector or region. These engagements are conducted both via direct engagements and collaborative engagements.

ILIM has been expanding its participation in collaborative engagements over recent years. The Stewardship Team has open discussions with peers and works closely with policymakers, different industry participants and non-governmental organisations to improve behaviours around sustainability. In 2023, ILIM joined two new collaborations on the topic of net zero. ILIM also played an active role in the CDP Non-Disclosure Campaign (CDP NDC) in 2023, leading on engagements with 44 companies on the topics of climate, water and forests, on behalf of the CDP investor signatories.

[6] Screening management is applied where consistent with the clients' mandate and for listed equity and corporate fixed income only.

ILIM's approach to identifying engagement opportunities is focused on enabling the best long-term risk-adjusted returns for our clients, and is based on:

> Identifying companies in our clients' portfolios with low environmental, social, and/or governance scores, combined with financial materiality.

> Materiality of a theme for specific sectors and regions, for example biodiversity and deforestation for food and agribusiness companies, and climate for oil and gas and power generation utilities companies.

> Resolutions aimed at mitigating systemic risks relating to environmental, social and/or governance factors. Examples of voting-driven engagement topics include proposals, often submitted by shareholders, regarding civil rights, audit procedures and disclosures, diversity equity and inclusion, political lobbying disclosures, and climate change reporting disclosed by companies (also referred to as say-on-climate proposals). The majority of these resolutions seek clarity and transparency through enhanced disclosure.

> Influence in the local market. As an Irish-based investment manager, ILIM has greater potential ability to influence Irish companies.

For each of the four priority themes, the criteria we take into consideration when identifying which companies we will engage with include:

Climate Change

> Companies with the largest share of carbon emissions across our clients' portfolios

> Companies where ILIM voted against management advisory resolutions on energy transition plans and where the management advisory resolutions received the lowest levels of support from shareholders

> Companies with operations or financing in areas of the world that are highly exposed to extreme weather events or where the company does not have a strategy in place to manage physical climate risks

Natural Capital

> Companies with operations in a sector that has a substantial impact on the natural environment

> Companies that have faced allegations of contributing to biodiversity loss

> Companies with operations in a water-intensive sector or water-stressed region

> Companies with operations in a sector which generates a large volume of products and packaging

Human Rights

> Companies that have faced allegations of using forced labour in their supply chains

> Companies that source products and materials from countries where labour standards infringements have been reported

> Companies where ILIM supported resolutions on the topics of racial equity or civil rights audits and lobbying disclosure, and where the resolutions received majority or near majority support from shareholders

Corporate Governance

> Companies where ILIM believes that its promotion of gender diversity can make the greatest difference. This is often triggered by votes against resolutions at investee company general meetings for reasons set out in ILIM's Global Proxy Voting Guidelines concerning low levels of gender diversity

> Companies that have faced corruption allegations in the past

Proxy voting

ILIM is conscious of the significance of investor views when they are communicated to investee companies and is therefore mindful to ensure that these views are aligned with our clients' views and directed to achieve their best interests. We use our stewardship framework to create long-lasting relationships with investee companies which are based on trust, respect and mutual understanding. That framework is designed to protect our clients and their portfolios, as well as to create an environment in which their investments can flourish.

We believe that, in 2023, we exercised our clients' voting rights judiciously, following thoughtfully produced guidelines to promote the matters that are in our clients' best interests.

ILIM has developed a set of bespoke voting guidelines, the ILIM Global Proxy Voting Guidelines, which help ILIM make consistent voting decisions while taking the specific circumstances of a company into account. ILIM votes on shareholder meetings in line with the Global Proxy Voting Guidelines. Additionally, ILIM has its own Voting Policy and stewardship processes that are applied when making informed voting decisions.

As a responsible investment manager, ILIM will keep developing its Global Proxy Voting Guidelines in line with the key priority themes that ILIM considers as financially material from a sustainability perspective, namely Climate Change, Natural Capital, Human Rights and Corporate Governance. Acting on our clients' behalf, ILIM will keep exercising voting rights as a means to reduce portfolio risk and deliver more sustainable long-term outcomes.

ILIM reviews and updates its Global Proxy Voting Guidelines around the turn of each year. This involves considering our expectations in relation to sustainability matters and related voting decisions. ILIM's Global Proxy Voting Guidelines are applied equally to all investee companies regardless of the jurisdiction in which the investee company operates or is based. However, they are structured to consider local standards when generating a vote recommendation.

Our Global Proxy Voting Guidelines are customised to incorporate progressive voting guidelines on key corporate governance and sustainability issues. These are structured around its responsible investment framework, which is composed of two sustainability mega trends (decarbonisation and stakeholder-centric business model) and four priority themes (Climate Change, Natural Capital, Human Rights and Corporate Governance).

ILIM's approach is informed by the UN Sustainable Development Goals (SDGs), and the four thematic priority areas are mapped to specific SDGs. Supporting the achievement of the SDG objectives of these priority themes is generally considered as part of ILIM's over-arching approach to voting. When making voting decisions, ILIM considers the interrelation of risks and opportunities within one thematic priority to the management of other thematic priorities.

ILIM's Stewardship Team is responsible for monitoring voting activities and for reviewing the application of the ILIM Global Proxy Voting Guidelines in order to identify and resolve any potential voting inconsistencies. We monitor and evaluate the implementation of ILIM Global Proxy Voting Guidelines and the voting recommendations generated by our proxy voting agent (who also applies the ILIM Global Proxy Voting Guidelines). The ILIM Global Proxy Voting Guidelines are published on the ILIM **website**.

ILIM uses Institutional Shareholder Services UK Limited ('ISS') as its proxy voting agent, and ISS's platform to vote electronically, instruct our voting decisions and generate reports. ILIM utilises ISS's **Climate Awareness Scorecard** methodology to identify the climate-related risks and opportunities of investee companies. This is based on companies' climate change-related disclosures, performance, GHG emissions intensity and exposure, as well as a company's climate risk profile. Data is collected by ISS from company publications including mainstream filings, sustainability and CSR reports, integrated reports and publicly available policies and information on company websites. Additionally, ISS reviews the data companies report to the CDP, when available.

ISS's Climate Awareness Scorecard uses a range of climate-related factors to indicate a company's disclosure practices and performance record, including its industry risk group. Companies are evaluated on overall disclosure (Governance, Strategy, Risk Management, Metrics & Targets) and performance factors (Norms, GHG Emissions, Performance Rating). This showcases the company's understanding of risks associated with climate change, along with its preparedness to face and mitigate them. Disclosure is core to shareholder expectations as it informs investment decisions, and several initiatives have converged around thematic disclosure. ISS's Climate Awareness Scorecard also evaluates the number and severity of violations of international norms on climate change.

Metrics and Measurements

"Disclose the metrics and measurements used to assess and manage relevant climate-related risks and opportunities where such information is material."

The following recommended disclosures are addressed under this Metrics and Measurements section:

a. *Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.*
b. *Disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions, and the related risks.*
c. *Describe the measurements used by the organization to manage climate-related risks and opportunities and performance against such measurements.*

For the purposes of analysing Metrics And Measurements, we have split the assets we manage into the following seven categories ('AUM Categories'). The net asset values provided are as at 31 December 2023).

Equities	
ILIM IP[7]	EUR 16,963m
ILIM ESG Other[8]	EUR 23,578m
ILIM Non ESG[9] (Indexed)	EUR 23,754m
Corporate Fixed Income	
ILIM IP[7]	EUR 4,641m
ILIM Non ESG[9] (Indexed)	EUR 1,390m
Sovereign	
ILIM ESG Other[8]	EUR 5,102m
ILIM Non ESG[9]	EUR 16,396m

ILIM's GHG emissions are disclosed under the Metric and Targets section of this Report. These are set out in section 2(b) below and cover:

(i) ILIM's absolute Scope 1 and scope 2
(ii) Emissions intensity measures (including WACI and relative carbon footprint)

The metrics provided in this section have been expanded from those in ILIM's 2022 Climate Report to incorporate the range of cross-sector climate-related metrics as per the recommendations of the TCFD in its 2021 updates to recommended disclosures. expanded to incorporate the range of cross-sector climate-related metrics TCFD required, following its 2021 update to recommended disclosures.

[7] 'ILIM IP' refers to assets that are invested in strategies designed by ILIM and which promote ESG/sustainability considerations, or which track an ILIM custom index that promotes ESG/sustainability considerations such as the New World Indices.
[8] 'ILIM ESG Other' refers to assets that track a third-party index that promotes ESG/sustainability considerations or that follows a client designed/mandated investment strategy.
[9] 'ILIM Non-ESG' refers to assets invested in strategies which do not promote ESG/sustainability considerations.

a. Metrics used by ILIM to assess climate-related risks and opportunities in line with its strategy and risk management process.

Transition Risks: amount and extent of assets vulnerable to Transition Risks

i. Exposure to fossil fuels

Exposure to fossil fuels is measured solely against the AUM Categories that relate to equities and corporate fixed income investments.

Exposure to all fossil fuel types remains across the AUM Categories listed below. Within these AUM Categories, all of the following criteria show a significantly lower exposure to revenue linked to fossil fuels in comparison with the respective benchmarks:

> Revenue linked to fossil fuels, both in absolute EUR terms and as a percent of total owned revenue
> The weighted percentage of issuers with evidence of fossil fuel expansion projects
> Potential reserves, both in terms of absolute tCO2e, and the proportion attributable to coal

For further details on the definition of "revenue linked to fossil fuels", "weighted percentage of issuers with evidence of fossil fuel expansion projects", "potential reserves", please see the ISS methodology which can be found **here**.

The tables below show the performance of the AUM Categories (PF) versus an appropriate benchmark (BM).

Figure 10: 2023 ILIM AUM Category and benchmark exposure to fossil fuel

	Revenue Linked to Fossil Fuels				Fossil Fuel Expansion (Wt % of issuers)		Potential Reserves (Mio tCO2e)		Coal as % of Potential Reserves	
	Absolute (EURm)		As % of Total Revenue							
	PF	BM	PF	BM	PF	BM	PF	BM	PF	BM
AUM CATEGORY										
Eq ILIM IP	992.7	1,022	9	11	6	7	15.50	44.10	35	67
Equities – ILIM ESG Other	644.2	1,500	4	11	3	7	16.46	104.26	65	80
Corporate Fixed Income – ILIM IP (Indexed)	160.2	228	7	10	6	8	2.40	4.00	30	30

Potential reserves across the two of the equity-related AUM Categories (ILIM IP ESG and ILIM Other ESG) are between 65% to 85% lower than equivalent potential reserves in the respective benchmarks. According to the screening criteria adopted by ILIM, companies involved in thermal coal are excluded if they earn more than 10% of their revenue from its extraction, or more than 25% from power generation using thermal coal. In addition, the tilting approach described in the Risk Management section of this Report has positively impacted the above results. The decarbonisation tilt reduces exposure to companies with this type of fossil fuel involvement.

This type of exposure to fossil fuels of the above AUM Categories versus the respective benchmarks as shown in this Report is less than that reported in ILIM's 2022 Climate Report. This is primarily due to significant reductions in absolute potential reserves within the equity benchmarks, although the levels in the benchmarks remain significantly higher than those in the AUM Categories.

For further methodological explanation, see the following **link**.

ii. Weighted average carbon risk rating

Exposure to weighted average carbon risk rating is measured against all asset classes.

Figure 11: 2023 Weighted Average Carbon Risk Rating (all asset classes). The Carbon Risk Rating (CRR) is provided by our data provider Morningstar Sustainalytics and assesses on a scale of 0 (very poor performance) to 100 (excellent performance).

	CRR	
	PF	BM
EQUITIES		
ILIM IP	61	57
ILIM ESG Other	59	55
ILIM Non-ESG (Indexed)	58	

	CRR	
	PF	BM
CORPORATE FIXED INCOME		
ILIM IP	61	60
ILIM Non-ESG (Indexed)	60	

The Carbon Risk Rating (CRR) assesses the forward-looking climate change performance of an AUM Category. This assessment evaluates the effectiveness of an AUM Category in implementing methodologies that aim to reduce GHG emissions by state, corporate, and private actors, and in adapting to a changed climate by reducing its vulnerability to climate risks. It includes an assessment of the alignment of the AUM Category with national and international reduction targets.

CRR is an assessment of overall strategy, along with issuer exposure to, and management of, material carbon issues in its own operations and its products and services. In addition, at each value chain stage, a company's vulnerability to carbon risks is assessed.

In terms of weighted average CRR, all Equities and Corporate Fixed Income AUM Categories outperformed in absolute terms (i.e. are scored above 50) and also outperformed their benchmarks.

For further methodological explanation, see the following **link**.

iii. Scenario Alignment and Implied Temperature Rise

Section 2(c) in the Strategy section of this Report provides an explanation of ILIM's approach to scenario alignment.

Figure 12 below shows the metrics related to the latest IEA Net Zero 2050 scenario, including (i) Implied Temperature Rise (ITR), (ii) Over/undershoot percentage and (iii) Projected Emissions-to-Allocated Budget under/overshoot percentage.

Figure 12: Implied temperature rise, 2023 assessments vs benchmarks

		2023
	PF / BM	Target Projection vs IEA Net Zero 2050
EQUITIES		
ILIM IP	Portfolio	1.8
	Benchmark	1.9
ILIM ESG Other	Portfolio	1.8
	Benchmark	1.9
ILIM Non-ESG (indexed)	Portfolio	1.8

		2023
	PF / BM	Target Projection vs IEA Net Zero 2050
CORPORATE FIXED INCOME		
ILIM IP	Portfolio	1.8
	Benchmark	1.9
ILIM Non-ESG	Portfolio	1.8

Under this metric, all ILIM AUM Categories outperformed their respective benchmark in 2023. For detailed methodological explanation of the Implied Temperature Rise (ITR) assessment, see the following **link**.

Below we take a closer look at the ITR outcomes of the AUM Categories.

Equities – ILIM IP

Figure 13: Equities – ILIM IP – GHG Emission Pathway vs Climate Scenario

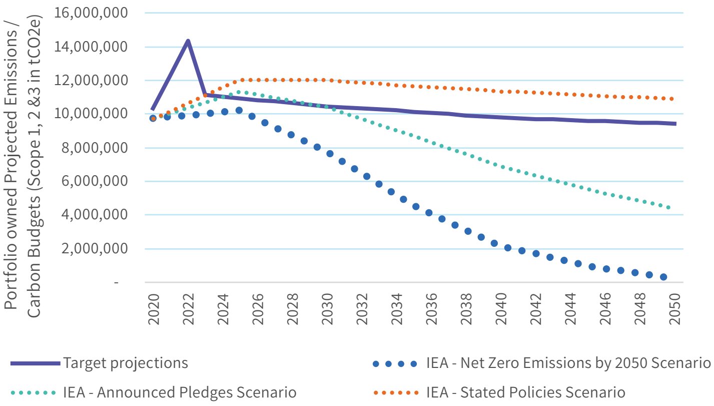


Figure 13 illustrates the GHG Emission Pathway of Equities – ILIM IP. The potential temperature increase for this AUM Category is forecast as being 1.8°C by 2050. The projected emissions of the investee companies in this portfolio undershoot the IEA's Stated Policies (STEPS) scenario (the highest dotted line).

Equities – ILIM ESG Other

Figure 14: Equities – ILIM ESG Other – GHG Emission Pathway vs Climate Scenario

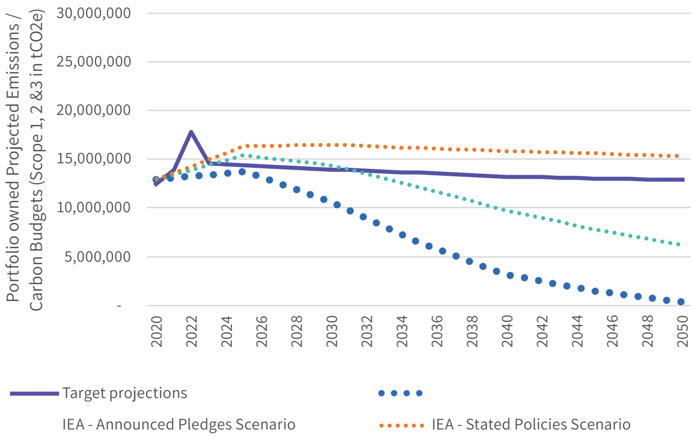


Figure 14 illustrates the GHG Emission Pathway of Equities – ILIM ESG Other. The potential temperature increase for this AUM Category is forecast as being 1.8°C by 2050. The projected emissions undershoot the IEA's Stated Policies (STEPS) Scenario (the highest dotted line).

Equities – ILIM Non ESG (Indexed)

Figure 15: Equities – ILIM Non ESG (Indexed) – GHG Emission Pathway vs Climate Scenario

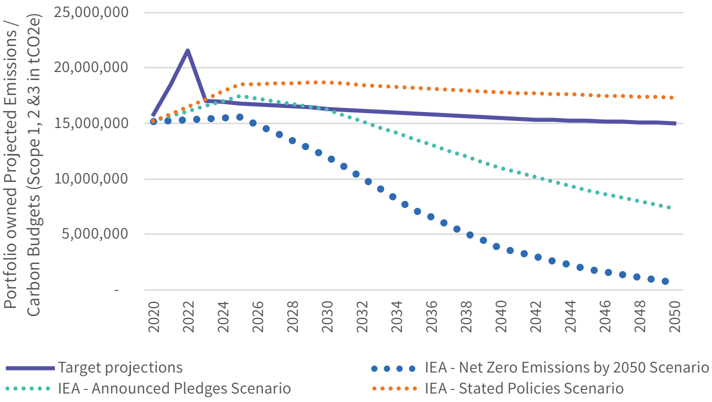


Figure 15 illustrates the GHG Emission Pathway of Equities – Non ESG (Indexed). The potential temperature for this AUM Category is forecast as being 1.8°C by 2050. The projected emissions undershoot the IEA's Stated Policies (STEPS) scenario (the highest dotted line).

Corporate Fixed Income – ILIM IP

Figure 16: Corporate Fixed Income – ILIM IP – GHG Emission Pathway vs Climate Scenario

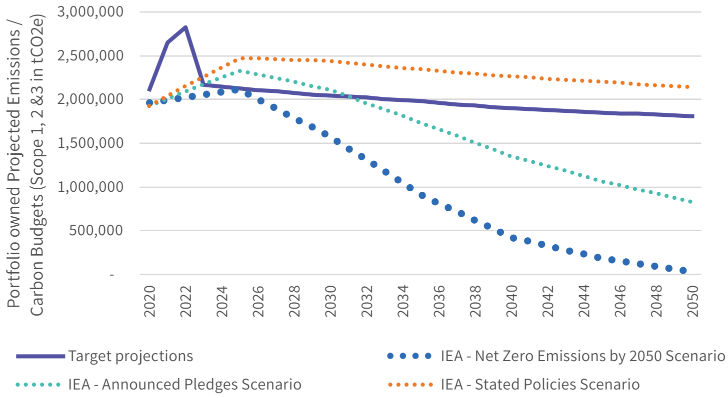


Figure 16 illustrates the GHG Emission Pathway of Corporate Fixed Income – ILIM IP. The potential temperature increase for this AUM Category is forecast as being 1.8°C by 2050. The projected emissions undershoot the IEA's Stated Policies (STEPS) scenario (the highest dotted line).

Corporate Fixed Income – ILIM Non ESG (Indexed)

Figure 17: Corporate fixed Income – ILIM Non ESG (Indexed) – Portfolio GHG Emission Pathway vs Climate Scenario

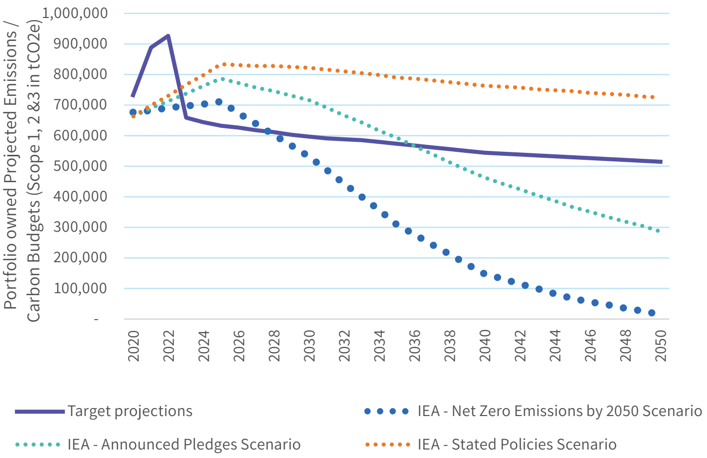


Figure 17 illustrates the GHG Emission Pathway of Corporate fixed Income – ILIM Non ESG (Indexed). The potential temperature increase of this AUM Category is forecast as being 1.8°C by 2050. The portfolio's projected emissions undershoot the IEA's Stated Policies (STEPS) scenario (the highest dotted line).

iv. Transition Value-at-Risk

Figure 18: 2023 Asset class-level transition risk (EURm and as percent of total AUM)

	Transition Value at Risk			
	Absolute (EURm)		As % of Total AUM	
AUM CATEGORY	PF	BM	PF	BM
Equities – ILIM IP	678	859	4	5
Equities – ILIM ESG Other	1,000	1,500	4	6
Equities – ILIM Non ESG (Indexed)	1,300		5	
Corporate Fixed Income – ILIM IP	215	232	5	6
Corporate Fixed Income – ILIM Non ESG (Indexed)	82		11	

As per Figure 18 left, the total estimated transition Value at Risk (VaR) for the Equities and Corporate Fixed Income AUM Categories are significant at around the 5% of ILIM's total AUM; however, all outperformed their respective benchmarks. Transition VaR is based on the IEA's Net Zero Emissions 2050 Scenario and relates to the total potential financial impact of transition risks and opportunities on the AUM Categories. The VaR presented is a net number between the positive and negative potential share price performance in the relevant AUM Category. The Transition VaR is an equity-based analysis, and its output should not be interpreted as the potential change in price of a bond. Nevertheless, the VaR remains a useful metric for corporate fixed income as it is a holistic indicator of the issuer's exposure to physical or transition risks, even if not directly material to a bond price itself.

For further methodological explanation, see the following **link**.

v. Power Generation Exposure / Energy Mix[10]

Figure 19: 2023 Power Generation Exposure and distribution

	Power Generation Exposure and distribution (%)		
AUM CATEGORY	Fossil Fuels	Nuclear	Renewables
Equities – ILIM IP	39	20	41
Equities – ILIM ESG Other	58	15	27
Equities – ILIM Non ESG (indexed)	58	19	23
Corporate Fixed Income – ILIM IP	31	33	35
Corporate Fixed Income – ILIM Non ESG (Indexed)	35	38	27

Figure 19 shows the energy generation mix as a percentage from different sources of power generation in the AUM Categories. The overall power generation mix showed a proportional movement to renewables across all AUM Categories, most notably in Equities – ILIM IP which increased from 30% in 2022 to 41% in 2023. For more information on the methodology applied by ISS, please see the following **link**.

vi. Brown Revenues (Weighted % of total revenue)

Figure 20 shows the weighted percentage of total revenues attributable to brown activities, products and services.

Figure 20: 2023 brown revenues – AUM Category vs benchmark (where applicable)

	Portfolio Brown Revenues – Weighted % of Total Revenue	
AUM CATEGORY	PF	BM
Equities – ILIM IP	12	16
Equities – ILIM ESG Other	11	16
Equities – ILIM Non ESG (Indexed)	15	
Corporate Fixed Income – ILIM IP	11	14
Corporate Fixed Income – ILIM Non ESG (Indexed)	13	

Assessment is derived from ISS ESG, where percentages of revenue are attributed to products and/or services that contribute to, or obstruct, the achievement of specific SDGs. Equities – ILIM IP, Equities – ILIM ESG Other and Corporate Fixed Income – ILIM IP outperformed their respective benchmarks in terms of the percentage of revenue derived from products or services with a significant or limited obstruction to SDG Goal 13 (Mitigating Climate Action). For more information on the methodology applied by ISS, please see the following **link**.

[10] Further details on the methodology used can be found **here**.

2. Physical Risks: amount and extent of assets vulnerable to Physical Risks

i. Physical Value at Risk (VaR)

Figure 21: Physical VaR (*Data based on IPCC RCP 4.5 'Most Likely' Scenario) for 2023

	Physical Value at Risk			
	Absolute (EURm)		As % of Total AUM	
	PF	BM	PF	BM
AUM CATEGORY				
Equities – ILIM IP	124.9	121.3	0.7	0.7
Equities – ILIM ESG Other	243.3	247.6	1.0	1.1
Equities – ILIM Non ESG (Indexed)	136.8		0.6	
Corporate Fixed Income – ILIM IP	25.5	25.5	0.6	0.6
Corporate Fixed Income – ILIM Non ESG (Indexed)	7.6		0.6	

The Value at Risk (VaR) of an individual issuer estimates the change in share price as a result of considering the financial impact of physical risks. The VaR is computed using a valuation model based on the Economy Value Added (EVA) framework and highlights potential impact on the values of the AUM Categories in 2050 based on current risk levels and hazards due to climate change, along with total anticipated net change in value.

For further methodological explanation, see the following **link**.

ii. Physical Risk Management

Figure 22: Physical risk management data at AUM Category/ benchmark Level (2023).
The Physical Risk Score assesses on a scale of 0 (very poor performance) to 100 (excellent performance).

	Physical Risk Score		Physical Risk Management – Assessment Categories (as % of total)							
			Robust		Moderate		Weak		Not covered / None	
	PF	BM	PF	BM	PF	BM	PF	BM	PF	BM
AUM CATEGORY										
Equities – ILIM IP	56	56	25	25	20	19	5	5	50	51
Equities – ILIM ESG Other	54	53	18	17	17	16	5	5	60	62
Equities – ILIM Non ESG (Indexed)	60		17		16		5		62	
Corporate Fixed Income – ILIM IP	71	70	30	27	24	23	7	6	40	44
Corporate Fixed Income – ILIM Non-ESG (Indexed)	69		37		26		8		29	

Physical risks can have a financial impact on our clients' portfolios both at the operational and the market level. In Figure 22 (above), the physical risk scores of the Equities and Corporate Fixed Income AUM Categories have similar performance. The Equities and Corporate Fixed Income AUM Categories show a marginal improvement on the respective benchmarks, across both overall physical risk and also physical risk management assessments. Relative to 2022, the percentage of issuers with Robust Physical Risk Management increased across all of the Equities AUM Categories.

For further methodological explanation, see the following **link**.

b. Scope 1 and 2 greenhouse gas (GHG) emissions, and the related risks.

The TCFD recommended that asset managers and asset owners in particular should disclose metrics on Weighted Average Carbon Intensity (WACI). WACI allocates Scope 1 & 2 GHG emissions based on portfolio weights and can be applied across asset classes without relying on an ownership approach. It allows for blending fixed income and equity holdings as it is only linked to the underlying issuer and not to the security-level valuation. The Relative Carbon Footprint (RCF) is an additional useful metric based on the ownership principle, which is the key logic of the GHG protocol. WACI and RCF figures are for the listed ILIM AUM Categories versus their respective benchmarks in Figure 23 below. This shows the position as of 31 December 2023.

Figure 23: Overview of end-2023 climate-related metrics for ILIM AUM Categories and the respective benchmarks

	WACI		Emissions Exposure tCO2e		RCF	
	PF	BM	PF	BM	PF	BM
EQUITIES						
ILIM IP	80.33	125.43	1,178,500	1,646,748	69.60	97.38
ILIM ESG Other	98.08	163.90	1,953,709	3,239.158	83.13	138.12
ILIM Non-ESG	113.86		2,030,007		85.88	
CORPORATE FIXED INCOME						
ILIM IP	76.11	109.12	227,154	320,308	52.40	80.46
ILIM Non-ESG	109.73		110,928		83.76	

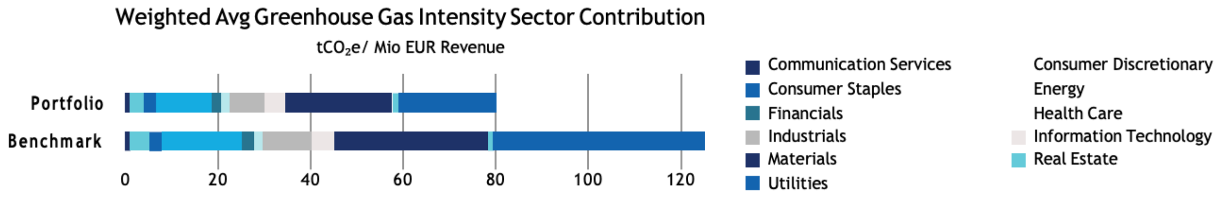
Figure 24 below shows a 2023 versus 2022 year-on-year comparison between all absolute emissions and intensity measures metrics in the equity and corporate fixed income portfolios. Each portfolio has improved significantly year-on-year in terms of WACI (Scopes 1 and 2), which is principally driven by the screening of investments in high-emission sectors.

Figure 24: Summary of 2022 and 2023 results of climate-related metrics for the AUM Categories vs benchmarks

		WACI (tCO2 / RevenueM)			Emissions (tCO2e)		RCF (tCO2 / InvestM)	
		2023	2022		2023	2022	2023	2022
EQUITIES								
ILIM IP	ILIM IP	80.33	119.09	-33%	1,178,500	1,138,374	69.60	75.27
	Benchmark	125.43	184.84	-32%	1,646,748	1,740,237	97.38	115.44
ILIM ESG Other	ILIM ESG Other	98.08	146.41	-33%	1,953,709	2,007,106	98.08	105.28
	Benchmark	163.90	222.43	-26%	3,239,158	2,953,604	138.12	163.90
ILIM Non-ESG	ILIM Non ESG (Indexed)	113.86	172.19	-34%	2,030,007	2,092,508	113.86	104.10
CORPORATE FIXED INCOME								
ILIM IP	Portfolio	76.11	94.70	-20%	227,154	201,216	76.11	53.65
	Benchmark	109.12	149.91	-27%	320,308	339,486	80.46	90.55
ILIM Non-ESG	Portfolio	109.73	198.00	-45%	110,928	163,110	109.73	106.97

The carbon performance of the Equities – ILIM IP is characterised by a lower RCF and WACI compared to the benchmark. Figure 25 illustrates the WACI breakdown by sector relative to the benchmark.

Figure 25: Greenhouse Gas Intensity (Equities – ILIM IP vs benchmark)



Further to this, Figure 26 (below) shows the extent to which higher or lower GHG exposure between the Equities – ILIM IP and the benchmark can be attributed to sector allocation versus issuer selection. Here, a portfolio with a larger amount of assets allocated to an emissions-intense sector will ultimately have higher GHG emissions exposure. However, this can be offset by the selection of less emissions-intense issuers from that sector.

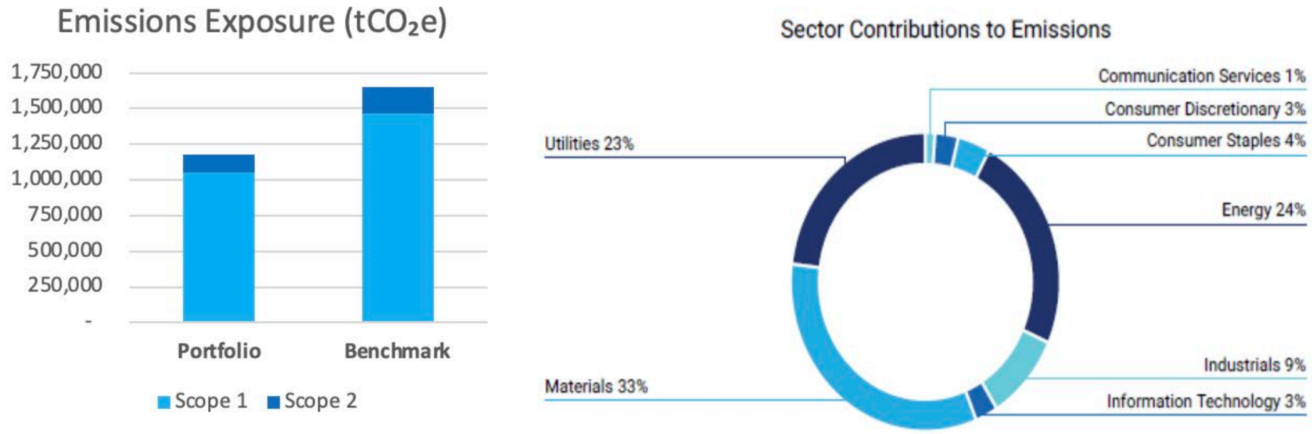
Fractionally fewer investments are made in sectors with higher average GHG emission intensities, such as the materials, industrials and the energy sectors compared to the benchmark, while the utilities sector is overweight (by 6.85%) compared to the benchmark. However, the utilities sector has a significantly positive effect on the carbon footprint of the Equities – ILIM IP against the benchmark, as the utility issuers display a notably better carbon intensity profile (by 23.42%) when compared to their sector peers in the benchmark. The same goes for the materials sector, where stock selection (on a Scope 1 and 2 basis) contributes positively (by 7.11%) compared to the benchmark.

Figure 26: Top sectors-to-emissions attribution exposure (Equities – ILIM IP)

Sector	Portfolio Weight	Benchmark Weight	Difference	Sector Allocation Effect	Issuer Selection Effect
Communication Services	7%	7.37%	-0.37%	0.03%	-0.17%
Consumer Discretionary	11.77%	11.13%	0.65%	-0.13%	0.41%
Consumer Staples	6.62%	6.75%	-0.13%	0.05%	-0.26%
Energy	4.12%	4.56%	-0.44%	1.81%	0.47%
Financials	16.38%	16.03%	0.34%	-0.02%	0.42%
Health Care	12.61%	11.07%	1.54%	-0.08%	0.00%
Industrials	9.35%	10.6%	-1.25%	0.92%	0.32%
Information Technology	21.9%	22.94%	-1.04%	0.09%	0.03%
Materials	4.41%	4.56%	-0.15%	1.02%	7.11%
Real Estate	2.66%	2.37%	0.29%	-0.03%	-0.04%
Utilities	3.18%	2.63%	0.55%	-6.85%	23.42%
Cumulative Higher (-) and Lower (+) Emission Exposure vs. Benchmark				**-3.18%**	**31.71%**
Higher (-) and Lower (+) Net Emission Exposure vs. Benchmark				**29%**	

Figure 27 (below, left) shows the emission exposure of the Equities – ILIM IP and the benchmark. The emissions exposure (scope 1 and 2) of the Equities – ILIM IP is significantly less compared to the benchmark. In Figure 27 (below, right), Scope 1 and 2 emission exposure of the Equities – ILIM IP is aggregated by GICS sectors. The materials, energy and utilities sectors are identified as the biggest contributors to those emissions.

Figure 27: Emission exposure analysis for Equities – ILIM IP



c. Goals used by ILIM to manage climate-related risks and opportunities and performance.

In October 2021, ILIM published its Climate Action Pledge, which sets out the actions we will take to support progress against our net zero ambitions. Our Climate Action Pledge is to work in partnership and on behalf of our clients through investment decision making, risk management and public advocacy to accelerate and play a positive role in the climate change agenda, both within our own domestic market and globally, in a way that aligns with the interests of our clients.

Conclusion

This Report outlines ILIM's climate-related strategy, management and oversight, with a view to increasing transparency in these areas. It has shown the areas in which ILIM is performing strongly. ILIM aims to make further improvements in the years ahead.

ILIM's Climate Action Pledge is focused on the below key areas:

- **Promoting climate action**
- **Strengthening governance of the climate agenda**
- **Integrating climate alignment into the design of ILIM's proprietary investment solutions**
- **Integrating climate risk into firmwide risk management**
- **Using stewardship to accelerate the climate agenda at the companies in which we invest our clients' assets**

ILIM has earmarked circa 20% of our AUM as the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner ('In-Scope Assets').

For In-Scope Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO2e/USDm of revenue – to date for Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO2e/USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019. ILIM seeks to continue with these climate-related endeavours into 2024 and beyond, subject to our overriding objective of delivering long-term sustainable returns in line with our clients' investment objectives[11].

[11] See Appendix

Appendix

This document contains net-zero goals. These are based on ILIM's current expectations and beliefs concerning future developments and their potential effects on ILIM and its clients. Such predictions, projections and beliefs are based on current expectations and assumptions and, as a result, are subject to uncertainties. They are not intended to serve, and must not be relied on, as a guarantee, an assurance, a prediction or a definitive statement of fact. Actual events and circumstances are difficult or impossible to predict and are beyond our control. ILIM can give no assurance that it will be able to achieve the net-zero goals contained in this document. Factors that may affect our ability to achieve the net-zero goals contained in this document include but are not limited to: (i) our clients' preferences, including a continued client demand for sustainability-focused investment strategies, (ii) the market for sustainability-focused investment strategies continuing to develop in line with the European Green Deal and the EU Action Plan: Financing Sustainable Growth, (iii) policymaker / governmental strategies continuing to align with the European Green Deal and the EU Action Plan: Financing Sustainable Growth; (iv) the companies in which we invest our clients' assets being receptive to our engagements and being open to adopting more sustainable practices, (v) access to high-quality and reliable data, (vi) the ability to implement business plans, forecasts and other expectations, (vii) the legal and regulatory environment, (viii) the risk of legal or regulatory challenge. This foregoing list of factors is not exhaustive.

As an investment manager, our primary purpose is to provide our clients with solutions to meet their investment needs and to deliver on the promises we make to them. Our commitments, objectives, goals and targets may need to change or be recalibrated to meet our other strategic objectives and the reasonable expectations of our clients, including expectations around financial performance. This may include prioritising other strategic objectives over our climate- related goals in pursuit of fulfilling our primary purpose of delivering long-term sustainable returns in line with our clients' investment objectives. As our business, our industry and climate science evolve over time, we may need to adjust our climate- related goals and our approach to meeting them. We will also need to remain thoughtful about the regulatory and business environment of the jurisdictions in which we operate, as our ability to achieve our climate goals is contingent on the success of our partners and communities.

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