ILIM

Life | Pensions | **Investments**

Irish Life Investment Managers Limited (ILIM)

2024 Climate Report

Helping people build better futures

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Niall O'Leary

Chief Sustainability Officer Irish Life Investment Managers

Foreword

I am pleased to present Irish Life Investment Managers Limited's (ILIM) 2024 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 our assets managed for third parties in funds that promote environmental or social characteristics within the meaning of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("SFDR"). We continued to develop and deliver innovative investment solutions that meet our clients' needs, collaborating with an ETF provider client to develop a global sustainable strategy which enabled the client to launch an ETF designated as Article 9 under the SFDR. ILIM also delivered a €500m Climate Transition Equity Fund for a large pension provider client. The product supports the transition to a lower carbon economy and aligns positively to a number of the UN Sustainable Development Goals. Building on the client's long-standing relationship with ILIM, the new fund's rules-based investment strategy uses environmental data and aims to reduce the carbon exposure of the fund's portfolio over time.

Over the course of 2024, ILIM continued to build relationships with the companies it engages with. ILIM led on an expanded number of engagements with companies on the topics of climate, water and forests on behalf of the CDP investor signatories and participated in the investor groups from Nature Action 100, including planning the engagement strategies and meetings with companies. ILIM continued to engage with the government of Brazil as part of the Investor Policy Dialogue on Deforestation ("IPDD"), joining meetings with stakeholders during the year, and participated in an engagement trip to Brazil focused on reducing deforestation. Furthermore, ILIM participated in roundtables and consultation panels on topics such as climate and human rights to contribute to the development of collaborative initiatives. In 2024, ILIM participated in 370 engagements with 303 entities on our priority themes, with 37% of the activities conducted directly and 63% collaboratively.

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 climate-related risk through investment decisions, risk management and advocacy in a way that serves the investment objectives of our clients.

Metrics and measurements

Overall, there is a general improvement in the carbon-related performance of our assets under management (AUM) categories versus their respective benchmarks.

Key ILIM highlights include:

- **Engagement with investee companies:**
  - ILIM directly engages with investee companies on climate-related risk 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 2024 with other institutional investors on climate-related risk, such as the CDP Non-Disclosure Campaign and Climate Action 100+.
- **Climate-Related Risk 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-related risks. These are assessed on a number of criteria, including commitment to managing climate-related risks and considering GHG emissions as an indicator of risk, where appropriate. Voting actions are focused on matters we assess as highest risk.
- **Property portfolio:**
  - ILIM participates in the Global Real Estate Sustainability Benchmark ("GRESB"). ILIM has set specific ambitions relating to energy, water, waste and wellbeing, 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 its clients' property portfolios. This process is intended to reduce the exposure of its clients and their assets to risks associated with or arising from environmental problems or issues through acquisitions, refurbishments and new developments.
  - 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 and net zero carbon, while being mindful of broad environmental considerations. LEED methodology is applied to all new developments with the aim of achieving the platinum level of certification, which is the highest possible grade. 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 2024, ILIM was awarded green stars in all the property funds under management that participated in GRESB and remains 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 2,000 participants globally, and denotes market leader status. In addition, ILIM has achieved five stars in Pension, Development and Residential funds and four stars in the Irish Life Retail Property Fund Modules. In 2023, ILIM came first in Europe in the Management section out of over 1,000 participants, while in 2024, ILIM had a perfect score of 100% for Development, demonstrating strong performance in sustainable property management and development versus peers.
- **Knowledge sharing:**
  - ILIM continues to provide information to our clients on climate-related risks and opportunities.

Circa €69.5bn[1], or 53% of the total AUM, follows investment strategies which are classified as Article 8 or Article 9 financial products under the SFDR. Growth in Article 8 and Article 9 AUM has primarily 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 where aligned with the interests of our clients. ILIM looks forward to working with its stakeholders on this agenda in 2025 and beyond.

Yours sincerely

Niall O'Leary

Chief Sustainability Officer

[1] As at 31 December 2024

Executive summary

This Climate Report (Report) details ILIM's climate-related strategy, management and oversight. This is ILIM's fifth 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 2025 and beyond are also reflected in the report.

Governance

ILIM's Board of Directors ("The Board") 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 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-related 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 ambitions. Our Climate Action Pledge is to work in partnership with and on behalf of our clients by using our influence in terms of investment decision-making, risk management and public advocacy to accelerate and play a positive role in the climate-risk management agenda, both within our own domestic market and globally, where these activities serve the investment objectives of our clients.

Risk Management

In accordance with SFDR requirements, ILIM has a Sustainability Risk Policy. ILIM's Sustainability Risk Policy outlines the integration of sustainability risks in decision-making processes and is overseen by the Board. The objective of this Policy is to mitigate sustainability risks that are likely to cause material negative impacts on ILIM's clients' investments.

For listed equity and corporate fixed income, where possible and where consistent with the client mandates or where we have discretion to do so, 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, which are designed to enhance long term risk-adjusted returns. It sets the baseline for investments, utilising sustainability data from Morningstar Sustainalytics. Below this baseline, companies are deemed ineligible for investment.

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

Introduction & background

Irish Life Investment Managers

ILIM, previously part of Irish Life Assurance plc (established in 1939), and a separate, Irish domiciled, legally incorporated company since 1997. We are a global asset manager, and manage over €131 billion (as at 31 December 2024) of assets for a range of clients based 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. We recognise the importance of this area to our clients.

At a firm level, ILIM is a strong advocate for responsible investment and is currently a signatory of the United Nations Principles for Responsible Investment ("UNPRI") (since 2010). ILIM became a signatory to the UK Stewardship Code in 2024 and in 2025 our signatory status to the UK Stewardship Code was re-confirmed. At an investment strategy level, ILIM has integrated sustainability as a core tenet of our discretionary investment approach and 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, where in line with their objectives, migrate their assets toward solutions which promote sustainability considerations, through the development of an integration framework.

ILIM's total assets under management ("AUM") include equity (65%), fixed income (25%) – split into sovereign fixed income (19%) and corporate fixed income (6%) – and property (1%). The remaining 9% is attributed to assets invested in funds managed by third-party fund managers, and cash and cash equivalents. Circa €69.5bn, or 53% of total AUM, is now following investment strategies which are classified as Article 8 or Article 9 financial products under the SFDR. This has been driven by client demand.

Figure 1: Abbreviated Corporate Structure

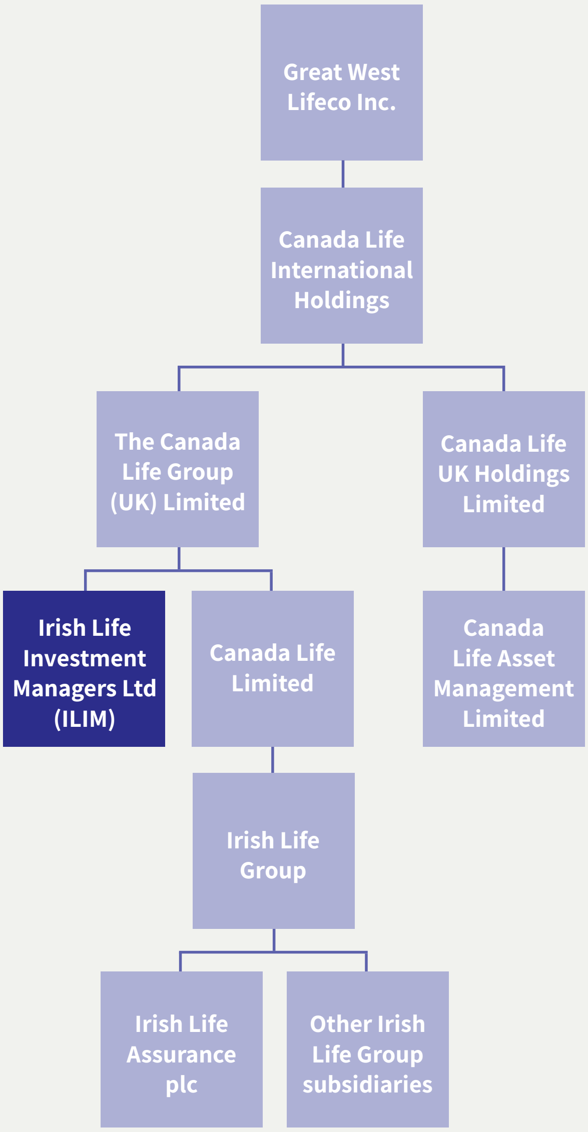


Figure 2: AUM by asset class

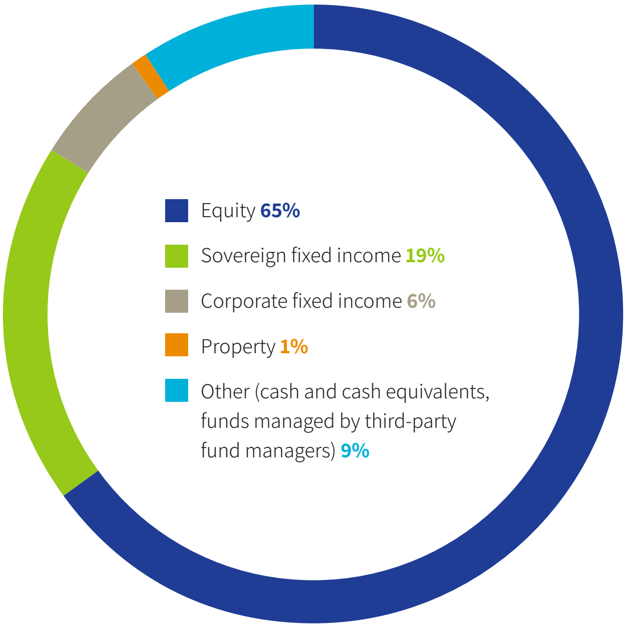
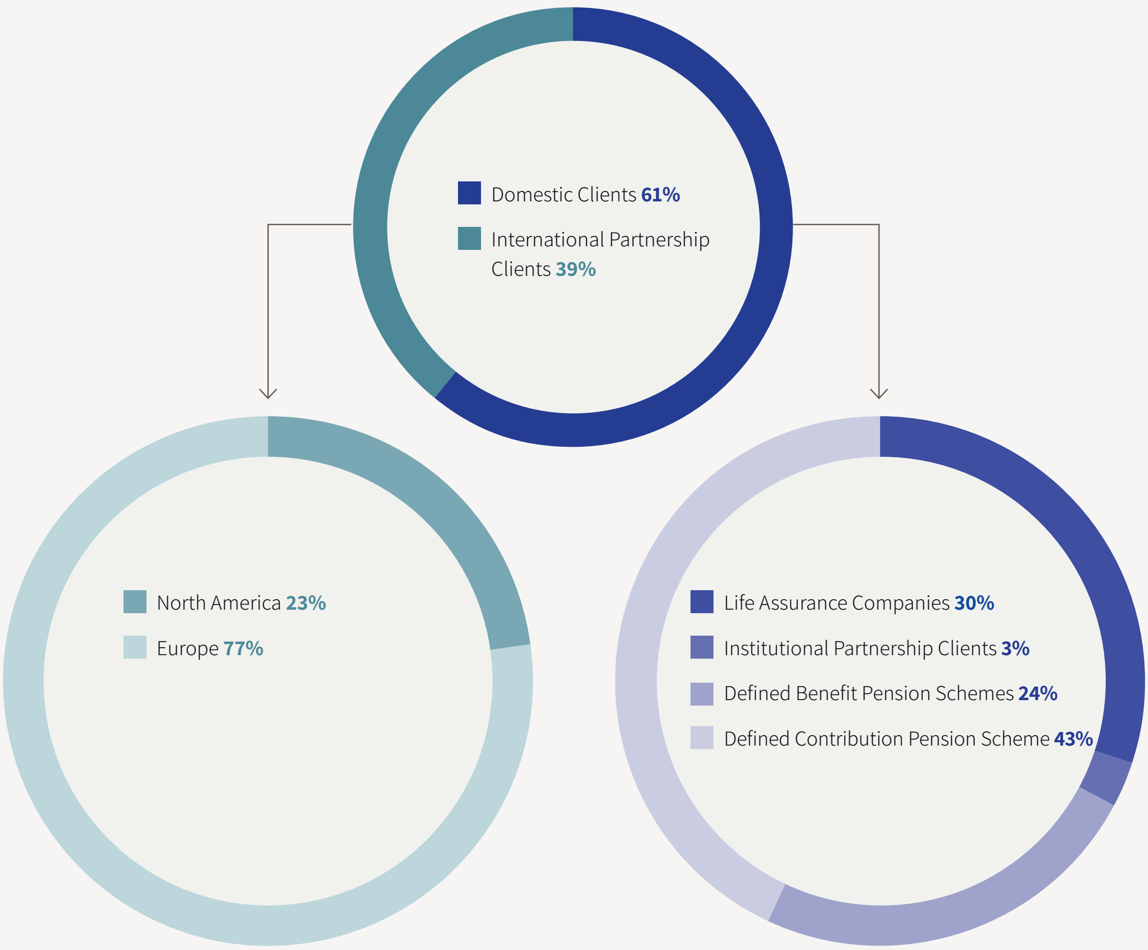


FIGURE 3: AUM by client type



Source: ILIM, 31 December 2024

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 by using our influence in terms of investment decision-making, risk management and public advocacy to accelerate and play a positive role in the climate-related risk management agenda, both within our own domestic market and globally, where these activities serve the investment objectives 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 at the companies in which we invest our clients' assets, where directed by our clients or where we are given discretion to do so.

We have earmarked circa 20% of our AUM as the proportion of assets to be managed in line with these ambitions ('In-Scope Assets'). For the 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 the end of 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) of those In-Scope Assets 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 Climate Report 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 ambitions 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

The 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 Board is accountable for ILIM’s responsible investment strategy (Responsible Investment Strategy), which incorporates the strategy for addressing climate-related risks and opportunities. The Responsible Investment Strategy is devised by ILIM’s Executive Management Team (“EMT”) through a well-resourced responsible investment function.

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’)

The Policies, available **here**, and amendments thereto are approved by ILIM’s Board. The Board, through the Board Risk Committee, 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 include the management of risks such as climate-related risk and are described below:

> 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.

> The risk management for ILIM’s AUM is overseen by the **Fund Management Executive (“FME”)** which 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 mandates and internal rules on our fund management systems. The monthly fund management report for the EMT includes updates from the FME. The sustainability characteristics promoted by our Article 8 and 9 investment solutions are reported on a periodic basis to the FME.

> The **Responsible Investment Governance Committee (“RIGC”)** is responsible for oversight of the Policies. The RIGC is comprised of 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 every two months, 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 ILIM’s EMT and noted to ILIM’s Compliance Team.
> Noting of changes to ILIM’s Stock Exclusion List.
> Investment Risk sustainability report which monitors E/S indicators of Article 8 investment solutions and sustainability indicators of Article 9 investment solutions.
> Update on ESG product development and pipeline.

> The **ILIM Investment Risk Committee (“IRC”)** exercises authority delegated to it by the ILIM Board Risk Committee (“BRC”) to provide investment risk oversight to the portfolios managed by ILIM. The IRC reports monthly as part of the Investment Risk and Fund Management Oversight Committee meeting. This oversight committee is comprised of the CIO, senior members of the Fund Management Executive and members of the Investment Risk Team. The IRC is responsible for reviewing existing and emerging risks that may impact portfolio and strategy performance.

> 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-related risk as one of its priority topics, and approval of the Policies.	Quarterly
Responsible Investment Governance Committee	Responsible for oversight of the Policies, and reviews, among other items, active ownership activities and the Investment Risk Sustainability Reports.	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 strategy for fund 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 ESG strategies relative to broad market benchmarks

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	Sponsorship of RIGC; Proprietary Sustainable Solutions – Multi Asset and Quant; Property
Chief Sustainability Officer	Proprietary Sustainable Indexation – Equity and Fixed Income; RI Governance; RI Executive Leadership; Stewardship Oversight
Head of Individual Markets	Client engagement and training; Sponsorship of Product Governance Committee; Client Reporting; Marketing and Promotion
Director Head of Global Institutional Distribution	Client engagement and training; Sponsorship of Product Governance Committee
Chief Financial Officer and Head of Strategic Project Developments	ESG Mainstream Project Governance and Oversight; ESG Strategic Budget Expenditure; Financial reporting
Director Operations & IT	Performance Reporting; ESG operations and data integration
Chief People Officer	RI Training; Rewards structures
Chief Risk Officer	ESG Regulatory analysis and business compliance; Investment Risk; Legal oversight

Figure 7: Compliance governance

ILIM Board of Directors

- Majority of non-executive directors including independent non-executive director.
- Quarterly update to the Board/Committee on compliance, with the Compliance Officer in attendance.

Board Audit/Risk Committees

- ILIM Board is supported by the Board Risk and Board Audit committees.

Group Compliance Management Committee

- Compliance Officer is a member of this committee.

Group Compliance Function

- Oversight and reporting to Group Compliance including reporting to the Chief Compliance Officer of the wider 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 directed by its clients or 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 longer-term sustainable returns.

We take a thematic approach to responsible investing, driven by two overarching macro trends: the move towards **decarbonisation** and the move to a more **stakeholder-centric business model**.

Figure 8: ILIM's Responsible Investment approach

Sustainability megatrends	**Decarbonisation**	**Stakeholder-centric business model**		
Priority themes	Climate-Related Risk	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				

The move towards decarbonisation captures the trend towards a lower carbon economy globally. The move towards a more stakeholder-centric model of corporate behaviour reflects the increasing demands on companies to take into account the interests of their wider group of stakeholders, such as employees, communities, supply chains and shareholders, including through companies' management of sustainability risks.

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 asset classes
- how ILIM monitors sustainability outcomes
- the various levels of governance applied to ILIM's Responsible Investment Policy
- 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"). These policies reflect the activities we undertake in conjunction with our proxy voting agent, Institutional Shareholder Services UK Limited ("ISS") on voting, and our engagement service provider, Glass Lewis Europe Limited ("Glass Lewis") on engagement activities.

The current ILIM Engagement Policy can be accessed here, and the current ILIM Voting Policy can be accessed **here**.

(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 or where we have discretion to do so, 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, which are designed to enhance long term risk-adjusted returns. It sets the baseline for investments, utilising sustainability data from Morningstar Sustainalytics. Below this baseline, companies are deemed ineligible for investment. 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 move 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 flagship 'New World' corporate fixed income and equity investment solutions. This is explained further in part (b) of the Risk Management section of this Report (see page 16).

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 objectives, we use environmental metrics, such as financed emissions (as an indicator of risk), to prioritise engagements. We also use external research to assess the progress of such climate-related risk 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 advocate on issues related to climate-related risk, natural capital and social-related matters through our engagement with policymakers and industry bodies.

ILIM became a signatory to the Financial Reporting Council's UK Stewardship Code in 2024, and in 2025 our signatory status to the UK Stewardship Code was re-confirmed.

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 of these investments. Regarding standing assets, ILIM constructively engages with property managers, encouraging better standards and management processes covering financially material sustainability risks. At the 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 and net zero carbon, while being mindful of broad environmental considerations. LEED methodology is applied to all new developments with the aim of achieving the platinum level of certification, which is the highest possible grade. ILIM's experience in the implementation of environmentally conscious building practices has meant that all new development projects since 2020 surpass their ESG requirements upon completion and value is enhanced. ILIM drives the incorporation of renewables, high-efficiency technology and sustainable practices where possible in these projects. ILIM works with the local community, consulting with stakeholders on construction works and the impact on the immediate environment, and closely collaborates with the design teams to encourage the most energy efficient use of spaces and mechanical and electrical systems. As part of ILIM's real estate acquisition process, a comprehensive due diligence effort is conducted that includes financial, physical, governance, regulatory, market, environmental and social considerations. ILIM's due diligence process includes technical assessments against material ESG themes. These assessments result in Property Improvement Plans which seek to improve ESG impacts and provide recommendations to 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, 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 its clients' property portfolios. This process is intended to reduce the exposure of its clients and their assets to risks associated with or arising from environmental problems or issues encountered during acquisitions, refurbishments and new developments.

In 2024, ILIM was awarded green stars in all the property funds under management that participated in GRESB and remains 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 and denotes market leader status. In addition, ILIM has achieved five stars in Pension, Development and Residential funds and four stars in the Irish Life Retail Property Fund Modules. In 2023, ILIM came first in Europe in the Management section out of over 1,000 participants, while in 2024, ILIM had a perfect score of 100% for Development, demonstrating strong performance in sustainable property management and development versus peers.

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 them as a potential investment 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 factors 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.

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) of these In-Scope Assets by the end of 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) of these In-Scope Assets 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].

[3] 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's Sustainability Risk Policy 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. The objective of this Policy is to mitigate sustainability-related risks that could have such impacts.

ILIM has an investment risk team (Investment Risk Team), which is independent from the ILIM 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 outlines the integration of sustainability risks in decision-making processes and is overseen by the Board. The objective of this Policy is to mitigate sustainability risks that are likely to cause material negative impacts on ILIM's clients' investments. For that purpose, ILIM has implemented procedures to identify, measure, manage and monitor these risks, supported by third-party data providers.

ILIM has published a Principal Adverse Impact Statement ("PAI Statement"). Our PAI Statement outlines our framework for considering Principal Adverse Impacts ("PAIs"), including how the assets managed by ILIM performed across the 18 mandatory and two voluntary PAI indicators set out in the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 ("SFDR RTS"). The PAI Statement also details ILIM's approach to managing PAIs, including through stewardship and the integration of sustainability data into the investment process. PAIs 1–6 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 Risk, 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: For listed equity and corporate fixed income, where possible[4] and where consistent with the client mandates or where we have discretion to do so, 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 applies the following categories and thresholds as the baseline for investments:

> **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 extraction:** Companies that derive more than 10% of their revenue from oil sands are excluded.

Integrating the move 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-related 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-related risk metrics are considered in the investment process:

> The **Carbon Risk Rating** 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.

> The **Carbon Intensity** 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.

> The **Green Revenues** component measures a company's level of involvement (total percentage of revenue) across the following activities:
>
> > Energy efficiency
>
> > Green buildings
>
> > Green transportation
>
> > Renewable energy
>
> > Water
>
> > Pollution prevention & reduction
>
> > Resource efficiency technologies & services

> The **Brown Revenues component**, on the other hand, measures a company's involvement across the following:
>
> > Thermal coal extraction and power generation
>
> > Oil & gas production, power generation, and supporting products/services

> The **Green Tilt component** assigns more capital to companies with higher green revenues, which are best placed to benefit from the transition to a lower carbon economy.

> The **Brown Tilt** component reduces fossil fuel exposure 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 responsible investment and the stewardship of our clients' assets. The outcomes of these engagements are important as they are used to inform investment decisions relating to our proprietary solutions. In pursuit of responsible investment, ILIM 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, have the ability to 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 the trend to a more stakeholder-centric business model. Within these mega trends we have identified four priority themes: climate-related risk, 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 Responsible Investment Team, which will be informed by analysis of voting outcomes, and also conducts direct engagements with the support of our direct engagement partner Glass Lewis.

On the topic of decarbonisation, ILIM conducts direct engagement with investee companies across a number of sectors, including oil & 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.

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; in 2024, ILIM played an increasingly active role in collaborative engagements. 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. ILIM continued to play an active role in the CDP Non-Disclosure Campaign ("CDP NDC"), expanding the number of companies that it led engagements on from 44 in 2023 to 105 in 2024. These engagements were on the topics of climate, water and forests. ILIM also expanded the number of collaborative engagements it was involved in as part of the Net Zero Transition initiative with Morningstar Sustainalytics, complementing the initial set of engagements that were undertaken when the Net Zero Transition initiative collaboration was launched in 2023 by Morningstar Sustainalytics.

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

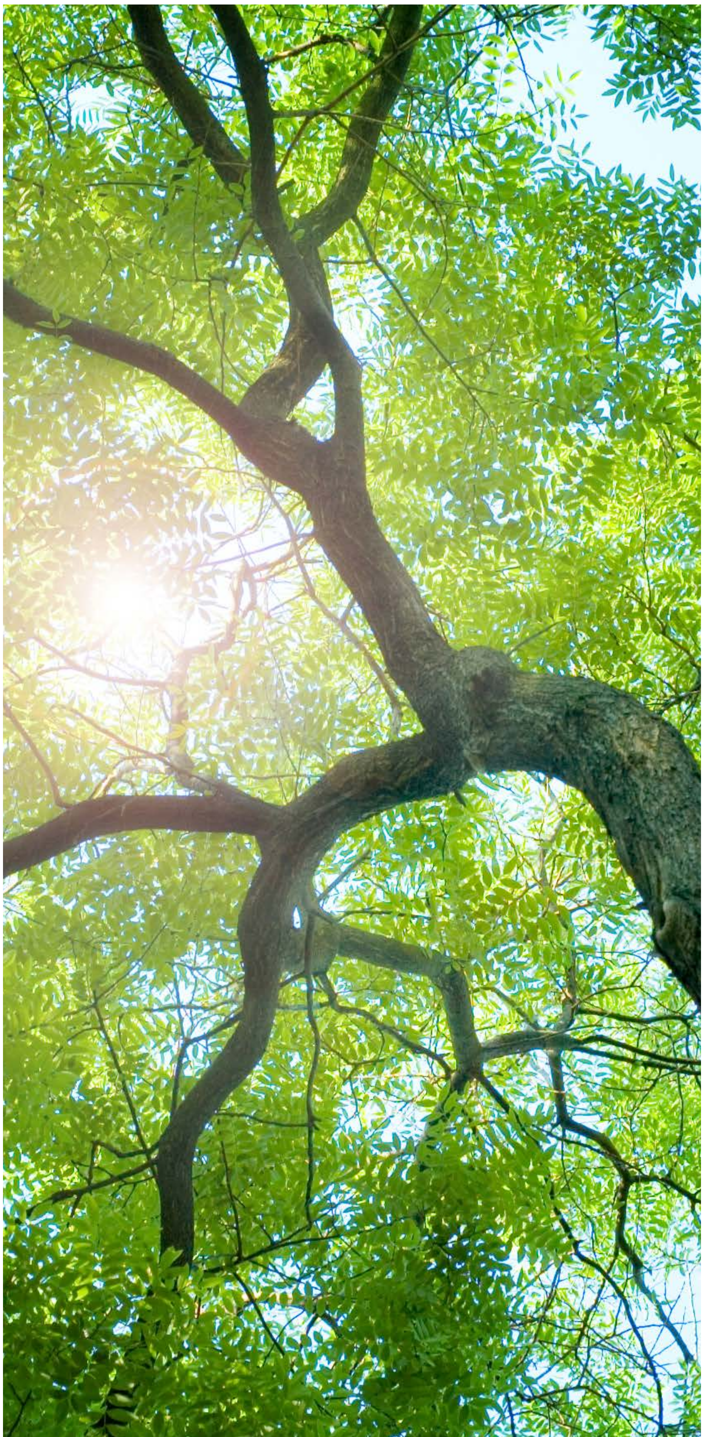
ILIM's approach to identifying engagement opportunities is focused on enabling the best long-term risk-adjusted returns for our clients, and is based on:

> 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 & 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, and in the majority of cases seeking clarity and transparency through enhanced disclosure.

> Influence in the local market. As an Irish-based investment manager, ILIM has greater potential ability to engage directly with and 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-Related Risk

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

> 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 identified with insufficient supply chain strategies.

> Companies which do not have policies regarding the protection of human rights.

> Companies that have faced allegations of human rights violations.

Corporate Governance

> Companies where board gender diversity does not meet accepted best governance practices in the relevant market.

> Companies that have faced corruption allegations in the past.

> Companies with insufficient disclosure on executive remuneration plans and policies.

> Companies where executive remuneration plans and policies do not align with best practices and with the company's and shareholders' long-term interests.

> Companies for which ILIM consecutively voted against the executive remuneration plan.

Proxy voting

ILIM is conscious of the significance of its 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 2024, 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-Related Risk, 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 ILIM's responsible investment framework, which is composed of two sustainability mega trends (decarbonisation and the move toward a stakeholder-centric business model) and four priority themes (Climate-Related Risk, 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 SDGs relating to these priority themes is generally considered as part of ILIM's overarching 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 current proxy voting agent, and ISS's platform to vote electronically, instruct on 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-related risk disclosures, performance, GHG emissions intensity and exposure, as well as companies' climate risk profiles. 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 climate-related risk, 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-related risk.

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 five categories ('AUM Categories'). The net asset values provided are as at 31 December 2024).

ILIM applies its screening management and integration approaches, as described in the risk management section above, to the "Equities - ILIM IP" and "Corporate Fixed Income - ILIM IP" AUM categories where it has discretion to do so per the respective client mandates.

ILIM's GHG emissions are disclosed under the Metrics and Measurements 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)

Figure 10: AUM Categories

EQUITIES

Equities – ILIM IP[5]	EUR 21,311m
Equities – ILIM ESG Other[6]	EUR 35,038m
Equities – ILIM Non ESG[7]	EUR 28,130m

CORPORATE FIXED INCOME

ILIM IP[5]	EUR 4.749m
ILIM Non ESG[7]	EUR 1,538m

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

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 against all AUM Categories.

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" and "potential reserves", please see the ISS methodology which can be found **here**.

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

Figure 11: 2024 ILIM AUM Category and benchmark exposure to fossil fuel

	Revenue Linked to Fossil Fuels				Fossil Fuel Expansion (Weighted % of issuers)		Potential Reserves (Mil tC02e)		Coal as % of Potential Reserves	
	Absolute		As % of Total Revenue							
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
AUM CATEGORY										
Equities- ILIM IP	852	863	8%	9%	5%	6%	14.8	44.0	26%	65%
Equities- ILIM ESG Other	584	1400	4%	9%	3%	6%	14.3	111.9	50%	75%
Corporate Fixed Income – ILIM IP	106	186	5%	8%	7%	9%	2.0	4.9	13%	37%

Potential reserves across the two equity-related AUM Categories (ILIM IP and ILIM ESG Other) are between 58% to 87% lower than equivalent potential reserves in the respective benchmarks. As mentioned previously, companies involved in thermal coal that earn more than 10% of their revenue from its extraction, or more than 25% from power generation using thermal coal are excluded from the "Equities - ILIM IP" and "Corporate Fixed Income - ILIM IP" AUM Categories. In addition to the screening approach applied to these categories, the tilting approach described in the Risk Management section of this Report has positively impacted the above results. The decarbonisation tilt generally helps to reduce the exposure to companies with fossil fuel involvement.

This type of exposure to fossil fuels of the above AUM Categories versus the respective benchmarks as shown in this Report shows a marginal improvement to that reported in ILIM's 2023 Climate Report, primarily due to market movements and small changes in the nature of the assets.

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 AUM Categories

Figure 12: 2024 Weighted Average Carbon Risk Rating (all AUM Categories). 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).

	Carbon Risk Rating	
	Portfolio	Benchmark
EQUITIES		
Equities – ILIM IP	63	61
Equities – ILIM ESG Other	61	59
Equities Non-ESG	58	
CORPORATE FIXED INCOME		
Corporate Fixed Income ILIM IP	55	54
Corporate Fixed Income Non-ESG	56	

The Carbon Risk Rating (CRR) assesses the forward-looking climate-related risk 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 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. Transition Value-at-Risk

Figure 13: 2024 asset class-level transition risk (EURm and as percent of total AUM)

	Transition Value at Risk			
	Absolute (EURm)		As % of Total AUM	
	Portfolio	Benchmark	Portfolio	Benchmark
AUM CATEGORY				
Equities – ILIM IP	711	945	3%	4%
Equities – ILIM ESG Other	1,200	1,300	3%	5%
Equities – ILIM Non-ESG	1,100		4%	
Corporate Fixed Income – ILIM IP	242	308	6%	7%
Corporate Fixed Income – ILIM Non ESG	73		5%	

As per Figure 13, the total estimated transition Value at Risk (VaR) for the AUM Categories is not insignificant, at around the 3% to 6% 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 AUM Categories 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**.

Figure 14: 2024 power generation exposure and distribution

	Power Generation Exposure and Distribution					
	Fossil Fuels		Nuclear		Renewables	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
AUM CATEGORY						
Equities – ILIM IP	40%	58%	20%	18%	40%	24%
Equities – ILIM ESG Other	47%	61%	13%	16%	40%	23%
Equities – ILIM Non ESG	56%		18%		26%	
Corporate Fixed Income – ILIM IP	25%	32%	36%	35%	39%	33%
Corporate Fixed Income – ILIM Non ESG	28%		38%		34%	

Figure 14 shows the energy generation mix as a percentage from different sources of power generation in the AUM Categories. There is a larger allocation to renewables across the AUM Categories which incorporate sustainability factors (ILIM IP and ESG Other) as opposed to the non-ESG AUM Categories. In the "Equities-ILIM IP" category, 33% of the power generation is attributed to renewables versus 20% for the Category's benchmark, while the "Corporate Fixed Income - ILIM IP" Category also had 33% of power generation from renewables versus 28% for its respective benchmark. This improvement stems from the "green tilt" which is incorporated into the integration process. For more information on the methodology applied by ISS, please see the following **link**.

iv. Brown Revenues (weighted % of total revenue)

Figure 15: 2024 Brown revenues – AUM Category vs benchmark (where applicable)

	Portfolio Brown Revenue Weighted % of Total Revenue	
	Portfolio	Benchmark
AUM CATEGORY		
Equities – ILIM IP	13%	16%
Equities – ILIM ESG Other	12%	16%
Equities – ILIM Non-ESG	15%	
Corporate Fixed Income – ILIM IP	13%	16%
Corporate Fixed Income – ILIM Non ESG	15%	

Figure 15 shows the weighted percentage of total revenues attributable to brown activities, products and services.

The brown revenues 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). This stems from the screening and integration approaches applied to the categories whereby companies involved in brown revenues may be underweighted or excluded from some of the funds/portfolios within the AUM Categories. For more information on the methodology applied by ISS, please see the following **link**.

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

i. Physical Value at Risk (VaR)

Figure 16: Physical VaR (*Data based on IPCC RCP 4.5 'Most Likely' Scenario) for 2024

	Physical Value at Risk			
	Absolute (EURm)		As % of Total AUM	
	Portfolio	Benchmark	Portfolio	Benchmark
AUM CATEGORY				
Equities – ILIM IP	114	109	0.5%	0.5%
Equities – ILIM ESG Other	217	237	0.6%	0.7%
Equities – ILIM Non ESG	127		0.5%	
Corporate Fixed Income – ILIM IP	28	28	0.6%	0.6%
Corporate Fixed Income – ILIM Non ESG	7		0.5%	

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-related risk, along with total anticipated net change in value.

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

ii. Physical Risk Management

Figure 17: Physical risk management data at AUM Category/benchmark level (2024)

	Physical Risk Score		Physical Risk Management – Assessment Categories (as % of total)							
			Robust		Moderate		Weak		Not covered / None	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
AUM CATEGORY										
Equities – ILIM IP	57	56	25%	26%	19%	20%	5%	6%	51%	48%
Equities – ILIM ESG Other	55	55	18%	18%	16%	16%	5%	5%	61%	61%
Equities – ILIM Non ESG	60		18%		16%		5%		61%	
Corporate Fixed Income – ILIM IP	70	70	27%	25%	22%	22%	6%	6%	45%	47%
Corporate Fixed Income – ILIM Non-ESG	69		37%		24%		8%		31%	

The Physical Risk Score is assessed on a scale of 0 (very poor performance) to 100 (excellent performance).

Physical risks can have a financial impact on our clients' portfolios both at the operational and the market level. In Figure 17 (above), the physical risk scores of the AUM Categories have similar performance. The AUM Categories are in line with their respective benchmarks, across both overall physical risk and also physical risk management assessments. The percentage of issuers with Robust Physical Risk Management was similar to the levels in 2023 across the 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. 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 for the listed ILIM AUM Categories versus their respective benchmarks as of 31 December 2024 are shown below in Figure 18. The performance of the AUM Categories which incorporate sustainability characteristics through screening and integration – namely Equities - ILIM IP, Equities - ILIM ESG Other and Corporate Fixed Income - ILIM IP – show improvement versus their respective benchmarks. The Scope 1 & 2 WACI for these categories is reduced by 35% to 42%. Additionally, these AUM Categories show a marked reduction in absolute Scope 1 & 2 emissions versus their respective benchmarks.

Figure 18: Overview of end-2024 climate-related metrics for ILIM AUM Categories and the respective benchmarks

	WACI		Emissions Exposure tCO2e		Relative Carbon Footprint	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
EQUITIES						
Equities – ILIM IP	76.5	119.1	1,104,879	1,543,048	51.9	71.9
Equities – ILIM ESG Other	83.5	144.4	1,788,633	3,260, 674	51.2	93.4
Equities – ILIM Non-ESG	113.7		1,878,461		67.1	
CORPORATE FIXED INCOME						
Corporate Fixed Income – ILIM IP	72.7	125.4	188,163	322,130	43.4	74.3
Corporate Fixed Income – ILIM Non-ESG	103.7		100,307		66.8	

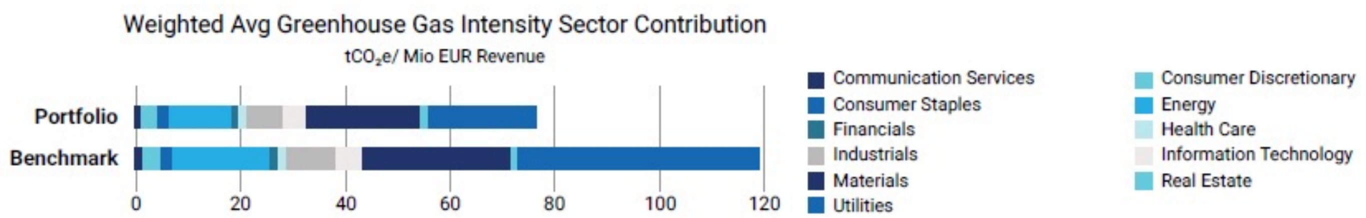
Figure 19 below shows a 2024 versus 2023 year-on-year comparison between all absolute emissions and intensity measures of the AUM Categories. Each AUM Category has improved year-on-year in terms of WACI (Scopes 1 & 2), which is principally driven by the screening of investments in high-emission sectors and also absolute emissions and relative carbon footprint.

Figure 19: Summary of 2023 and 2024 results of climate-related metrics for the AUM Categories versus benchmarks

		WACI (tCO2 / RevenueM)			Emissions (tCO2e)		Relative Carbon Footprint	
		2024	2023	% change	2024	2023	2024	2023
EQUITIES								
ILIM IP	Equities – ILIM IP	76.5	80.3	-5%	1,104,879	1,178,500	51.9	69.6
	Equities – ILIM IP Benchmark	119.1	125.4	-5%	1,543,048	1,646,748	71.9	97.4
ILIM ESG Other	Equities – ILIM ESG Other	83.5	98.1	-15%	1,788,633	1,953,709	51.2	98.1
	Equities – ILIM ESG Other Benchmark	144.4	163.9	-12%	3,260,674	3,239,158	93.4	138.1
ILIM Non-ESG	Equities – ILIM Non-ESG	113.7	113.9	0%	1,878,461	2,030,007	67.1	113.9
CORPORATE FIXED INCOME								
ILIM IP	Corporate Fixed Income – ILIM IP	72.7	76.1	-5%	188,163	227, 154	43.2	76.1
	Corporate Fixed Income – ILIM IP Benchmark	125.4	109.1	15%	322,130	320,308	74.3	80.5
ILIM Non-ESG	Corporate Fixed Income – ILIM Non-ESG	103.7	109.7	-6%	110,307	110,928	66.8	109.7

The carbon performance of the Equities - ILIM IP is characterised by a lower relative carbon footprint and WACI compared to the benchmark. Figure 20 illustrates the WACI breakdown by sector relative to the benchmark.

Figure 20: Greenhouse Gas Intensity (Equities - ILIM IP vs benchmark)



Further to this, Figure 21 (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.

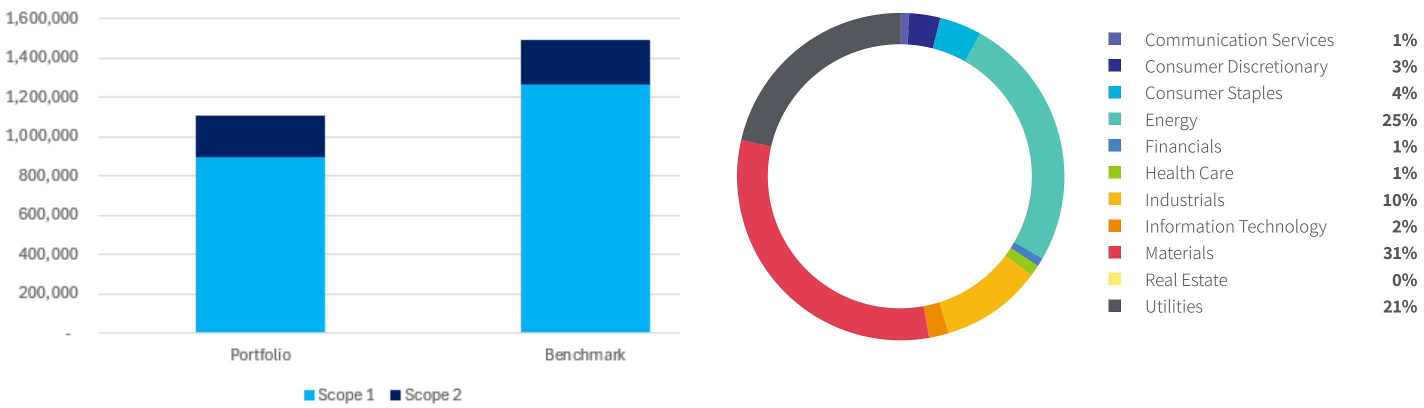
Fractionally fewer investments are made in sectors with higher average GHG emission intensities, such as the materials, industrials and the energy sectors compared to the benchmark, while the utilities sector is overweight (by 7.0%) compared to the benchmark. However, the utilities sector has a significantly 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 23.8%) when compared to their sector peers in the benchmark. The same goes for the materials sector, where stock selection (on a Scope 1 & 2 basis) contributes positively (by 6.9%) compared to the benchmark.

Figure 21: Top sectors-to-emissions attribution exposure (Equities – ILIM IP)

Sector	Portfolio Weight	Benchmark Weight	Difference	Sector Allocation Effect	Issuer Selection Effect
Communication Services	8.0%	8.2%	-0.2%	0.0%	-0.2%
Consumer Discretionary	11.9%	11.4%	0.5%	-0.1%	0.2%
Consumer Staples	5.9%	5.9%	0.0%	0.0%	-0.5%
Energy	3.2%	3.8%	-0.6%	3.1%	-1.8%
Financials	17.2%	16.8%	0.4%	0.0%	0.4%
Health Care	10.5%	9.7%	0.8%	-0.1%	0.0%
Industrials	9.2%	10.2%	-1.0%	0.9%	0.2%
Information Technology	25.2%	26.0%	-0.8%	0.1%	-0.1%
Materials	3.3%	3.4%	-0.1%	0.5%	6.9%
Real Estate	2.5%	2.0%	0.5%	-0.1%	0.0%
Utilities	3.1%	2.5%	0.6%	-7.0%	23.8%
Cumulative Higher (-) and Lower (+) Emission Exposure vs. Benchmark				**-2.8%**	**28.9%**
Higher (-) and Lower (+) Net Emission Exposure vs. Benchmark				**26% (Lower than benchmark)**	

Figure 22 shows the emission exposure of the Equities - ILIM IP and the benchmark. The emissions exposure (Scope 1 & 2) of the Equities - ILIM IP AUM Category is significantly less compared to the benchmark. In Figure 22, Scope 1 & 2 emission exposure of the Equities - ILIM IP is aggregated by GICS sectors. As expected, the materials, energy and utilities sectors are identified as the biggest contributors to those emissions.

Figure 22: Emission exposure analysis for Equities – ILIM IP



c. Methods 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 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 cclimate-related risk management agenda, both within our own domestic market and globally, where these activities serve the investment objectives of our clients.

Conclusion

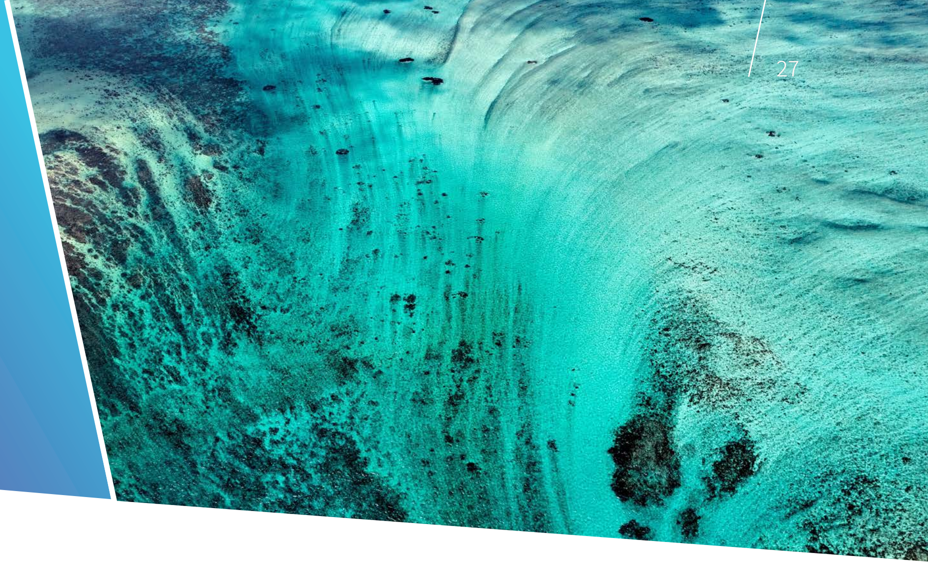
This Report outlines ILIM's climate-related strategy, management and oversight, with a view to increasing transparency in these areas. It has shown the areas in which ILIM is performing strongly. ILIM aims to make further improvements in the years ahead.

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

- **Advocacy for 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, where directed by our clients or where we are given discretion to do so.**

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 & 2 only) of these In-Scope Assets 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 & 2 only) of these In-Scope Assets 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[8].

[8] See Appendix



Appendix

This document contains net zero ambitions and forward-looking statements about ILIM's climate-related strategy, management and oversight, which in all cases 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 ambitions contained in this document or that other forward-looking statements will prove to be accurate. Factors that may affect our ability to achieve the net zero ambitions 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, and (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 and ambitions 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 ambitions in pursuit of fulfilling our primary purpose, which is delivering value to our clients and meeting expectations around financial performance. As our business, our industry and climate science evolve over time, we may need to adjust our climate-related ambitions 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-related ambitions is contingent on the success of our partners and communities.

All information contained in this document is, to the best of ILIM's knowledge and belief, true and accurate at the time of printing or publication. Notwithstanding the foregoing, no assurance can be given that the information contained in this document will remain complete or accurate after its printing or publication. Information contained in this document may be derived from data, ratings and measurements which have been obtained from third-party data providers ("Third Party Data"). Such Third Party Data may be based on assumptions, forecasts, calculations, views and opinions of the relevant third-party data provider ("Estimated Data"). Given the developing nature of models, methodologies and assumptions, and the inherent uncertainty in predicting future events, Estimated Data may vary from realised figures or may be otherwise inaccurate or incorrect.

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