IRISH LIFE INVESTMENT MANAGERS LIMITED (“ILIM”)

Irish Life

SUSTAINABILITY RISKS POLICY

Document owner:	ILIM Responsible Investment Governance Committee
Version:	1
Maintenance cycle:	Annually
Approved by ILIM Responsible Investment Committee	February 2021
Approved by ILIM board	25th February 2021

1. INTRODUCTION

The EU Sustainable Finance Disclosure Regulation (**"SFDR"**) requires Irish Life Investment Managers (ILIM) to formalise how sustainability is integrated into its business and processes and to make new public and client-facing disclosures on sustainability matters.

ILIM is committed to managing the assets entrusted to it by its clients responsibly, with the objective of delivering long-term sustainable returns.

ILIM's approach to responsible investing is holistic, encapsulating exclusions, integration and active ownership. ILIM believes that consideration of ESG factors is an integral part of the risk-management process and that systematically considering ESG issues will lead to more informed investment decisions.

ILIM's approach to sustainability risk management is based on (amongst other things) our clients' long term investment horizon and the assets and geographies in which they are invested.

This document sets out ILIM's policy in respect of the integration of sustainability risks in its investment decision-making process, as required by Article 3 SFDR. The policy applies in respect of all portfolio management services. The policy is applied with reference to the clients' instructions and discretion permitted within clients' Investment Management Agreements. The level of discretion varies by client and investment strategy; examples of product-specific exceptions are noted in section 4 of this policy.

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

- Responsible Investment Policy
- Engagement Policy
- Voting Policy
- Principal Adverse Impacts (PAI) Investment Due Diligence Policy

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

2. PURPOSE AND SCOPE

ILIM's approach to managing sustainability risk will differ by and be influenced by the asset class, the investment strategy and the specific client mandate and/or discretion specified in Investment Management Agreements.

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.

This policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of ILIM's clients' investments.

ILIM recognises that the world faces growing environmental, social, and governance-related risks. A key part of ILIM's role as a fiduciary is to act in the best interests of its clients, and this includes appropriately taking account of how those ESG risks could impact clients' investments. This policy therefore establishes ILIM's framework to identify, measure, manage and monitor ESG risks.

The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm's investment decisions on sustainability factors. ILIM is compliant with the principal adverse impacts (PAI) rules under Article 4 SFDR, and will separately implement a policy on this matter.

In addition, SFDR is not specifically concerned with the risks that sustainability events may cause to ILIM's own balance sheet or prudential position. Such risk will be separately considered in the ICAAP process.

3. GOVERNANCE

ILIM's Responsible Investment Governance Committee ("the Committee") has overall responsibility for Sustainability Risk matters and owns this policy which is reviewed annually or more frequently if required by the Committee in advance of ILIM Board approval. The Committee is chaired by ILIM's Head of Responsible Investment. The membership of the Committee and its terms of reference are available on request.

A report on Responsible Investment activities, including Sustainability Risk, is provided on a semi-annual basis to the ILIM Executive Management Team with onward reporting to ILIM's Board.

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

4. SUSTAINABILITY RISK MANAGEMENT

As part of its broader risk management processes when investing, ILIM has implemented procedures to (i) identify, (ii) measure, (iii) manage and (iv) monitor sustainability risks. These are divided into the three broad categories of environmental, social and governance risks.

(i) Identify

ILIM has reviewed the sustainability risks which are potentially likely to cause a material negative impact on the value of clients' investments, should those risks occur.

(ii) Measure

ILIM measures sustainability risks using a third party data provider.

(iii) Management

ILIM manages sustainability risk with reference to the clients' instructions and discretion permitted within clients' Investment Management Agreements. The level of discretion varies by client and investment strategy.

Where there is discretion to do so:

- ILIM applies screening which uses a set of filters to determine which companies, sectors or activities are eligible or ineligible to be included in a specific portfolio. ILIM's approach to identifying ineligible investments includes aligning with the concept of 'Do No Significant Harm' (DNSH). This approach is driven by two considerations: companies whose products or services cause harm when used as intended or companies where there is a persistent breach of international standards on company behaviour.
- Investment Integration at ILIM means explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks. ILIM works with third party data providers, and has built ESG infrastructure to integrate ESG factors in portfolio construction and management systems.
- ILIM adopts an active ownership approach across its equity holdings. ILIM uses the discretion afforded to it under a client's Investment Management Agreement to exercise voting rights and to constructively engage with investee companies, encouraging better standards and management processes

In line with best practice, the governance structure in ILIM operates a three lines of defence model. ESG risk is managed by the business units with oversight by Risk and Compliance as part of the second line and the Internal Audit function in the third line.

(iv) Monitoring

ILIM's Investment Risk Management team conducts periodic monitoring of client portfolios, to check that positions remain consistent with client instructions, including those relating to sustainability where deemed necessary. The Investment Risk Management team reports to the Responsible Investment Governance Committee quarterly.

5. DISCLOSURE OF THIS POLICY

SFDR requires that ILIM publishes on its website information about this policy. ILIM satisfies this requirement by disclosing this policy on its website.

CONTACT US

PHONE: (01) 704 1200
FAX: (01) 704 1918
WEBSITE: www.ilim.com
WRITE TO: Irish Life Investment Managers, Beresford Court, Beresford Place, Dublin 1