



## INDEXATION STRATEGIES DISCLOSURES FOR THE EU SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

### Status under the EU Sustainable Finance Disclosure Regulation (SFDR)

Irish Life Investment Managers (“ILIM”) has categorised a number of Indexation strategies as meeting the provisions set out in Article 8 of SFDR for products which promote environmental and/or social characteristics, as further described below.

#### 1. What are the environmental and social characteristics promoted by the strategies?

The strategies are passively managed. Their objective is to track the performance of the relevant Index. The relevant Index aims, among other characteristics to promote environmental and/or social characteristics as set out in the index objective (see section 3 below).

#### 2. How are the environmental and social characteristics measured by the strategies?

In order to meet the environmental and/or social characteristics promoted, the strategy aims, in so far as is possible, for full replication of the underlying constituents of the index in line with ILIM’s approach to indexation.

Underlying investments can also consist of assets that are not relevant to the environmental and/or social characteristics promoted by the strategy, including but not limited to hedging instruments, derivatives, or money market instruments.

In addition, as a responsible investor, ILIM adopts an active ownership approach across its equity holdings, which aims to maximise the medium- to long-term value for our clients. 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 covering financially material ESG risks.



### 3. How are the environmental and social characteristics met by the strategies?

The information below relates to the individual strategies and their relevant indices:

#### Irish Life ESG Enhanced Index

The strategy follows the Irish Life ESG Enhanced Index. This Index is designed to deliver equity market returns with enhanced exposure to more sustainable companies and a better alignment to the low carbon transition economy.

The Index uses both exclusionary screening and integrates Sustainability criteria into its security selection process, both of which ILIM believe can improve the risk profile of the strategies' portfolio relative to the respective market capitalisation index.

The Index follows ILIM's exclusion policy which targets the exclusion of business activities that damage the environmental or social objectives of a sustainable environment in addition to excluding companies that demonstrate harmful corporate behaviour or produce products that harm when used as intended or where production causes significant harm.

The Index selects securities using Sustainability criteria (in addition to an assessment of their governance practices) in order to:

- Remove exposures to the lowest ESG rated companies and increase exposure to better ESG rated companies based on their level of ESG rating; and
- Reduce exposure to companies with high risk of "Stranded Assets" and large fossil fuel reserves and increasing exposure to companies with higher Sustainable Revenues which are best placed to benefit from the transition to a low carbon economy.

#### MSCI World ESG Screened ex Select Conventional Weapons Index

The strategy follows the MSCI World ESG Screened ex Select Conventional Weapons Index. This index is designed to screen out controversial business areas while maintaining a risk profile similar to traditional global equity benchmarks. It is comprised of global companies screened for exposure to thermal coal, weapons, tobacco and other controversial industries. These companies are excluded based on specific environmental, social and governance (ESG) criteria.

#### RAFI ESG Index

The strategy follows the RAFI™ ESG Index. This Index is designed to promote sustainability, financial discipline, and gender diversity, while delivering the potential for added returns through a thoughtful smart beta approach. The strategy helps investors achieve the dual objectives of sustainability and long-horizon outperformance by combining traditional ESG metrics with financial discipline and gender diversity measures and with the proven return engine of the Fundamental Index™ approach.

#### SciBeta Developed Low-Carbon & ESG HFI Multi-Beta (vol, val, mom, pro/inv) Maximum Deconcentration

The strategy follows the SciBeta Developed Low-Carbon & ESG High-Factor-Intensity Multi-Beta (vol, val, mom, pro/inv) Maximum De-concentration Index. This Index is designed to represent the performance of large and mid-capitalisation companies from the underlying investment universe (regional universe) while outperforming its Reference Cap-Weighted Index. The index is representative of a target allocation to five single smart factor sub-indices designed to capture the long-term factor risk premia associated with tilts towards Value, Low Volatility, High Momentum, High Profitability and Low Investment companies while promoting strong average exposure to these tilts and reducing non-rewarded risks. The target allocation to the five Smart Factor Indices is as follows: 1/4 in Value, 1/4 in Low Volatility, 1/4 in High Momentum, and 1/4 in Quality (split between 1/8 in High Profitability and 1/8 in Low Investment). The non-financial objectives of the Index are to deliver a reduction in the Carbon Footprint of the Index relative to that of an unfiltered equivalent and to ensure all constituents of the Index meet defined Environmental, Social and Governance (ESG) standards.

#### MSCI World ex Fossil Fuels ex Tobacco Index

The strategy follows the MSCI World ex Fossil Fuels ex Tobacco Index. This Index is based on the MSCI World Index, its parent index, and includes large and mid-cap stocks across 23 Developed Markets (DM) countries. The index represents the performance of the broad market while excluding companies that own oil, gas and coal reserves and also Tobacco companies. It is a benchmark for investors who aim to eliminate fossil fuel reserves and tobacco exposure from their investments due to concerns about the contribution of these reserves to climate change and the health impacts of Tobacco. The Index is a member of the MSCI Global Fossil Fuels Exclusion Indexes.

### **MSCI World High Dividend Yield ex Fossil Fuels ex Tobacco Index**

The strategy follows the MSCI World High Dividend Yield ex Fossil Fuels ex Tobacco Index. This Index is based on the MSCI World Index, its parent index, and includes large and mid-cap stocks across 23 Developed Markets (DM) countries. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent while excluding companies that own oil, gas and coal reserves and also Tobacco companies. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends.

### **JP Morgan ESG EMBI Global Diversified Index**

The strategy follows the JP Morgan ESG EMBI Global Diversified Index. This Index is designed as an environmental, social and corporate governance (“ESG”) version of the JP Morgan EMBI Global Diversified Index (“EMBIGD”). The methodology for the Index is based on a starting universe that is the EMBIGD. The Index provider determines an ESG score for each constituent of the EMBIGD, using ESG criteria from three different data sources (RepRisk, Sustainalytics and Climate Bonds Initiative). These data providers are leaders in the field of independent ESG research in financial markets.

Each bond issuer is rated from 1 (highest) to 5 (lowest) based on the data provided. Issuers with a score of 1 are given 100% of their EMBIGD index market value, scores of 2 get 80%, 3 get 60%, 4 get 40% and 5 is excluded. Any issuer that is excluded will not be eligible for the 12 months after its ESG score is determined.

Climate Bonds identifies any bond that qualifies as a green bond for the purposes of the Index. These are bonds which are almost entirely linked with green and climate friendly assets or projects. If an instrument is categorised as a green bond by Climate Bonds, then it will get a one-notch rating upgrade (with scores of 1 not eligible for upgrade).



## CONTACT US

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