



ILIM 2023 Stewardship and Responsible Investment Report

Helping people build better
futures

Contents

Principle 1

Purpose and strategy

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

04

Principle 2

Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

10

Principle 3

Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

16

Principle 4

Market-wide and systemic risk

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

19

Principle 5

Policies, processes and effectiveness

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

25

Principle 6

Accounting for client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment.

29

Principle 7

Integrating stewardship and investment

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

35

Principle 8

Monitoring service providers

Signatories monitor and hold to account service providers.

45

Principle 9

Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

49

Principle 10

Collaborative engagement

Signatories, where necessary, participate in collaborative engagement to influence issuers.

60

Principle 11

Escalation – using our influence to make a difference

Signatories, where necessary, escalate stewardship activities to influence issuers.

67

Principle 12

Exercising rights

Signatories actively exercise their rights and responsibilities.

70

Foreword



Patrick Burke
Chief Executive Officer

ILIM 2023 Stewardship and Responsible Investment Report – Foreword by Patrick Burke, Managing Director and Anthony MacGuinness, Chief Investment Officer, Irish Life Investment Managers.

Welcome to ILIM's 2023 Stewardship and Responsible Investment report. In this report we highlight how integrating sustainability and stewardship into our investment processes are essential parts of our customer-focused philosophy.

At ILIM, our purpose is 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.

Responsible investing means a number of things to ILIM; from being a good steward of our clients' assets, to integrating more robust decision-making within the portfolios we manage for our clients. This is an important part of our investment process and something we have embedded in our culture throughout the firm.

Our long-term and risk aware investment approach incorporates financially material environmental, social and corporate governance ("ESG") factors that enhance our overall investment framework. We also actively engage with our clients' investments where appropriate, focusing on four key stewardship priority themes: Climate Change, Natural Capital, Human Rights and Corporate Governance. We believe that appropriate engagement with companies and issuers in these areas can better inform how capital is allocated and improve risk management of sustainability issues across our clients' portfolios.

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

Additionally, ILIM acted as a founding investor of the 30% Club Ireland Investor Group and voted on over 55,000 meetings.

We acknowledged the increasing importance of stewardship to our partners and clients by strengthening our efforts and adding further resource to this area. As well as increasing the number of members of our responsible investment team, we created three new senior roles – Chief Sustainability Officer, Head of Stewardship and Head of Sustainable Integration and Solutions.

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. We continued to develop and deliver innovative investment solutions that meet our clients' needs, launching a Global Thematic Fund with a focus on Environmental Solutions and a High Yield Bond Fund that utilises our ILIM proprietary ESG integration methodology.

By submitting this report to the UK Financial Reporting Council (FRC) we highlight how ILIM's approaches to stewardship and responsible investing aligns to our purpose, seeking to fulfil our clients' objectives and delivering long-term sustainable outcomes within their portfolios. We want to thank all our colleagues for their contribution to this report and continued efforts to deliver on this purpose for our clients and wider stakeholders.



Anthony MacGuinness
Chief Investment Officer

Principle 1

Purpose and strategy

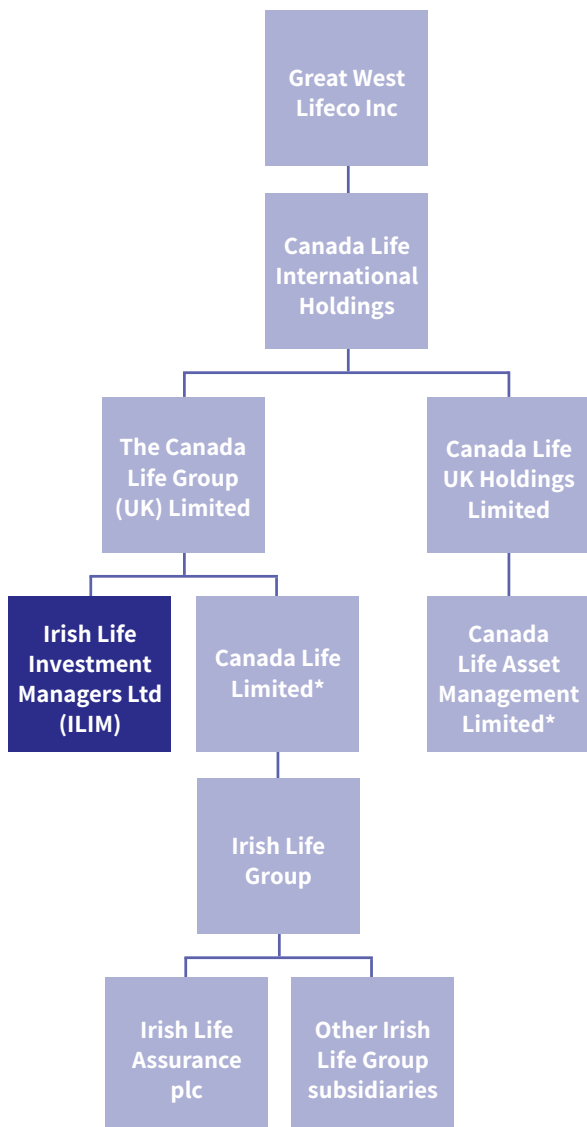
Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Introduction

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

ILIM is a wholly owned subsidiary within the Great-West Lifeco Inc. group of companies. In the group structure, ILIM’s direct parent, Canada Life Group (UK) Limited, is a subsidiary of The Canada Life Assurance Company which in turn is a subsidiary of Great-West Lifeco Inc. Great-West Lifeco Inc. is an international financial services holding company with over CAD\$2.9 trillion in assets under administration as at 31 December 2023.

FIGURE 1 – Corporate structure



* current signatory of the UK Stewardship Code

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 incorporating sustainability as an integral part of our business strategy, recognising the importance of this area to our clients.

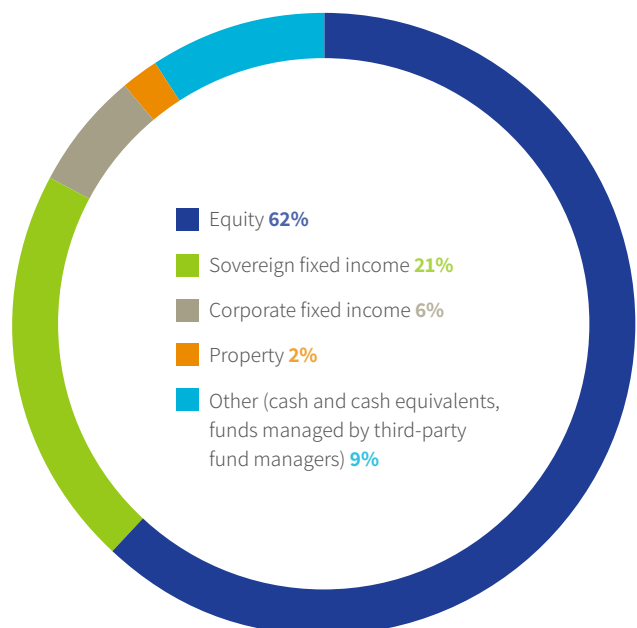
As a firm level, ILIM is a strong advocate for responsible investment and is currently a member of the United Nations Principles for Responsible Investment (UNPRI) (since 2010) and Net Zero Asset Managers Initiative (NZAM) (since 2022).

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 migrate their assets toward solutions which promote sustainability considerations, developing an integration framework which we provide details of in Principle 7.

ILIM’s total assets under management (“AUM”) includes equity (62%), fixed income (27%) – split into sovereign fixed income (21%) and corporate fixed income (6%) – and property (2%). The remaining 9% is attributed to assets invested in funds managed by third-party fund managers, and cash and cash equivalents.

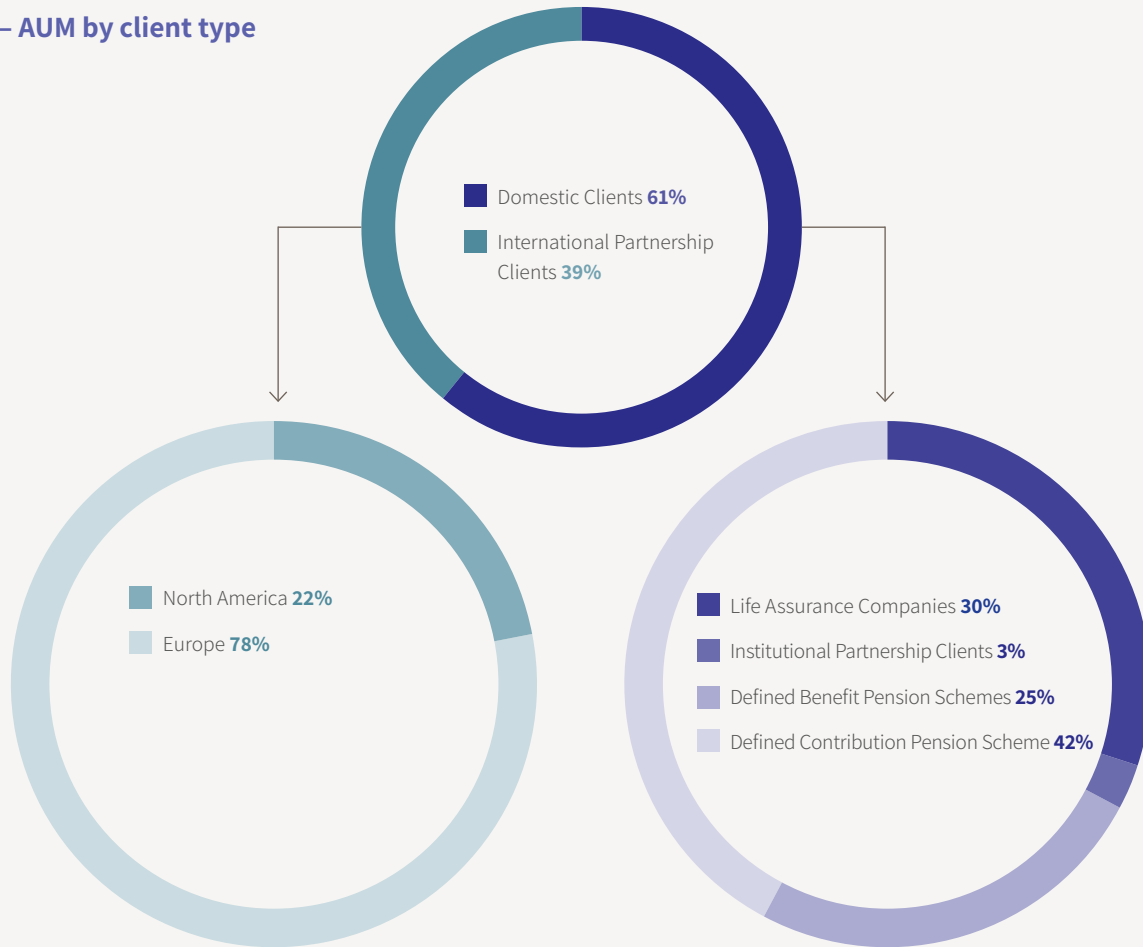
Circa €53.4bn, or 50% of the total AUM, is now following investment strategies which are classified as Article 8 financial products under EU Sustainable Financial Disclosure Regulation (SFDR). This has been driven by client demand and supported by SFDR. ILIM’s client base, as at 31 December 2023, is shown in figure 3 and is discussed further in Principle 6.

FIGURE 2 – AUM by asset class



Source: ILIM, 31 December 2023

FIGURE 3 – AUM by client type



Source: ILIM, 31 December 2023

Purpose

We set out to manage the assets entrusted to us by our clients responsibly, with the objective of delivering longer-term sustainable returns.

Responsible investing means a number of things to ILIM. From being a good steward of assets over the longer term, to integrating more robust decision-making within the portfolios we manage. This takes account of environmental and social matters that may have a financial impact on longer term sustainable returns and on more traditional governance and financial risks, whilst also offering a range of investment options that can meet the sustainability preferences of our clients.

We take our role as a corporate citizen seriously, and look to participate positively in the good function and long-term sustainability of financial markets by promoting responsible investment practices with other stakeholders where we consider them appropriate and aligned with the interests of our clients.

Vision

ILIM’s vision is to be the investment partner of choice for our clients through our expertise, our insights and focus on innovation, while consistently delivering sustainable investment outcomes in line with their expectations.

We recognise that financially material environmental, social and corporate governance (“ESG”) factors provide additional information for investment decision making and can have an impact on the long-term performance of investments. We consider responsible investment as the integration of these factors (along with other financial and non-financial principle factors) into investment management processes and active ownership practices. This helps mitigate potential risks and identify investment opportunities, and is consistent with our fiduciary responsibilities to our clients.

Our values

ILIM is a subsidiary of Great-West Lifeco Inc. and shares a long history of success in helping our clients achieve financial security and well-being. Key to our success is building and maintaining trust with our clients, advisors and other stakeholders worldwide. At ILIM, these core values are defined as follows:

- > Customer First
- > Integrity
- > Respect and Reward
- > Professional People



ILIM's business philosophy and strategy

We work with integrity and ambition to deliver on our promises to our clients. We are recognised as a trusted business partner and take pride in supporting our clients and the communities where we live and work through our corporate social responsibility initiatives.

Our business philosophy is built around our clients and directed towards developing and delivering innovative and, above all, relevant investment solutions that meet our clients' needs. This leads us to focus on delivering investment services to the highest global standards and embracing operational complexity to enable us to deliver tailored investment solutions to our clients.

Our philosophy is defined in the following ways:

- > **A client-centric business:** Understanding our clients' investment objectives is at the centre of every decision we make. By recognising the needs of our clients and building a business centred on them, we seek to remain a relevant and valued investment partner to our clients as they strive to achieve their investment objectives into the future. Our clients value our input, which is evidenced in our recently completed annual client survey with a current client satisfaction index ("CSI") of 84.5%.
- > **Tailored solutions as standard:** We pride ourselves on our ability to deliver bespoke investment solutions that enable our clients to meet their specific investment objectives. One of our key differentiators is the flexibility of our proposition. Product development, service enhancement and operational flexibility have been critical to achieving our goals over many years, but more recently our sustainability credentials have differentiated us in this specific area.
- > **Collaborative:** ILIM adopts a business partnership model with our clients. We believe in engaging with clients both initially and on an on-going basis, to ensure that our investment solutions continue to meet their requirements. Our strong client service and operational flexibility are key differentiators between us and other investment managers.

This client centric, tailored and collaborative approach extends to meeting our clients' sustainability considerations by building tailored investment solutions to meet their individual sustainability requirements.

The promotion of responsible investment practices is a key building block of our business model and a fundamental driver of our business strategy.

Responsible investment in ILIM

ILIM is a strong advocate for responsible investing. ILIM was one of the first Irish signatories to the UNPRI in 2010 and one of the founding members of the Sustainable & Responsible Investment Forum ("SIF") Ireland. ILIM has continued on this advocacy journey through its annual publication of the Taskforce on Climate-Related Financial Disclosures ("TCFD") report since 2021 and is currently a member of the Net Zero Asset Managers Initiative ("NZAM"). Not only has ILIM long been a champion of responsible investment initiatives on a domestic and international stage, but we have also followed through on these initiatives by integrating sustainability into our investment approach where permitted under our clients' mandates. ILIM now has a broad range of Article 8 designated products under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation, or "SFDR"). These are investment products which promote environmental and/or social characteristics and these products span across our multi-asset, equity and fixed income offerings.

Our responsible investment approach

Our Responsible Investment approach is embedded within the stewardship of our clients' assets, our investment processes and core product offerings, forming an integral part of the overall solution set we offer to clients.

Responsible investment forms a key strategic initiative within our business. We have built a dedicated Responsible Investment Team within the business, and supplemented that by additionally embedding dedicated ESG champions across our investment teams and wider business functions. Further details on our responsible investment resource model are set out in Principle 2.

We have strong executive oversight and governance of our programme of work on responsible investment, which has enabled ILIM to meet our regulatory obligations, enhanced our responsible investment proposition and developed our product offering to meet client needs, delivering enhanced sustainability outcomes for our clients.

Integrating sustainability

Within ILIM, we now have €53.4 billion (as at 31 December 2023) of our clients' assets invested in investment solutions that are categorised as Article 8 financial products, which has increased from €22bn at the end of 2020. This represents circa 50% of the total AUM.

ILIM's first sustainability focused investment solution was launched in 2005 and over time we expanded on this by facilitating exclusionary screening on behalf of our clients when directed on selected portfolios. In 2018, we began integrating sustainability considerations into our property portfolios and signed up to Global Real Estate Sustainability Benchmark ("GRESB"). Also in that year, we commenced a research project on the integration of sustainability considerations into equity and corporate fixed income investment strategies.

ILIM takes a thematic approach to responsible investing driven by two overarching macro trends: the trend towards decarbonisation and the move to a more stakeholder centric business model. The trend towards decarbonisation captures the global trend to move towards a lower carbon economy as set out in the Paris Agreement. The move towards a more stakeholder centric model of corporate behaviour reflects the increasing demands on companies to 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 matters.

In 2019, we applied sustainability/ESG integration and exclusions within our "New World" equity investment strategies, and in 2021 we did the same for equivalent corporate fixed income investment strategies. We apply these to our clients' portfolios where we have discretion to do so and have the capability to build bespoke solutions for clients who have specific sustainability requirements.

We recognise that the regulatory landscape, the expectations of our clients and wider stakeholders, the availability of ESG data and industry accepted methodologies are all evolving and dynamic. ILIM's investment approach remains flexible and will continue to progress and adapt over time in order to meet our clients' needs and expectations.

Climate goals

In October 2021, ILIM published its Climate Action Pledge, which sets out the actions we will take to support progress against our net zero goals. Our Climate Action Pledge is to work in partnership 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 change agenda, both within our own domestic market and globally, in a way that aligns with the interests of our clients.

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

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

Further details can be found via this [link](#).

We are currently a signatory to the Net Zero Asset Managers initiative ("NZAM"). We have earmarked circa 20% of our AUM as the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner ("NZAM Committed Assets"). For NZAM Committed Assets, ILIM will seek to achieve a (i) 25% reduction in the weighted average carbon intensity (tCO₂e/USDm of revenue – to date for Scope 1 and 2 only) by 2025, compared to a base year of 2019, and a (ii) 50% reduction in the weighted average carbon intensity (tCO₂e/USDm of revenue – to date for Scope 1 and 2 only) by 2030, compared to a base year of 2019¹.

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

Promoting sustainability education for our staff and clients

Over the past number of years, ILIM has rolled out a significant sustainability education and training programme to its employees. ILIM worked with the Responsible Investment Institute to provide a tiered training programme. This training included a responsible investment fundamentals programme for all staff, a client interaction programme for client-facing staff and module-based training for more specialised employees. In addition to this, formal sustainability training has been made available to all ILIM staff via targeted training. For example, our Fund Management Team can undertake the CFA Institute's Certificate in ESG Investing and/or the UNPRI's Advanced Responsible Investment Analysis, and members of our Investment Risk Team can pursue the Sustainability and Climate Risk ("SCR") certificate run by the Global Association of Risk Professionals. The vast majority of our fund management and distribution teams have completed at least one UNPRI sustainability course, while a number of others have completed specialist courses such as the CFA Institute's Certificate in ESG Investing, mentioned above.

ILIM continues to encourage targeted training across the company. In recent times, there has been a significant drive to encourage client-facing employees to undertake the Professional Certificate in Responsible and Sustainable Finance, which is provided by the Institute of Bankers Ireland.

We have continued our progression of, and upskilling on, responsible investment for our clients by partnering with the UNPRI to launch a Net Zero Training Programme. The programme provided a practical understanding of net zero, the transition pathways and climate scenarios that are used to set goals, and goal-setting methodologies. This course built on the previous responsible investing training sessions we provided to clients in 2021 and 2022 where we partnered with the Responsible Investment Institute in developing four distinct modules aimed at assisting clients in setting responsible investing goals for their portfolios. These sessions were delivered to mixed groups during the summer of 2021 with bespoke sessions then following for many of our largest clients.

Outcomes: Evaluation of effectiveness of purpose and strategy

We believe that our responsible investment approach aligns not only with our corporate purpose, vision, values, and company culture, but is also consistent with our clients' best interests. Integrating sustainability and stewardship into our investment process are essential parts of our customer-focused philosophy, and we see the importance of this to our clients with the amount of our clients' assets invested in investment solutions that are categorised as Article 8 financial products rising from €22bn at the end of 2020 to €53.4 billion as at 31 December 2023

The development of our stewardship activities is a fundamental part of what we do. In 2023, ILIM voted on over 55,000 resolutions, was involved in direct and collaborative engagements covering themes such as corporate governance and natural capital, and participated in industry level forums on wider responsible investment matters. We see this focus as a key part of our role as stewards of our clients' capital and our participation in the financial system in general. We further illustrate this in Principle 4, showcasing how ILIM has been effective in putting the interests of our clients first when managing climate risk and sustainability risks during 2023.

Principle 2

Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Context: How our governance structures and processes contribute to better oversight and accountability for effective stewardship.

ILIM’s board of directors (the “Board”) is accountable for the company’s sustainable investment strategy, which is devised by ILIM’s executive team through a well-resourced responsible investment function. On a group level, ILIM’s policies and procedures are consistent with the policies set by our parent company, Great-West Lifeco Inc.

ILIM’s responsible investment strategy is implemented through a set of policies that define how we manage the impact of wider risks. These policies are:

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

(collectively the “Policies”)

Each Policy is approved by ILIM’s Board on at least an annual basis. The Board is responsible for the governance of risk in ILIM and for establishing mechanisms and structures to control and manage risk. This is discussed further in Principle 5.

TABLE 1: 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 sustainability investment strategy, which includes climate change as one of its priority topics and approval of key sustainability-related policies.	Quarterly
Responsible Investment Governance Committee	The Responsible Investment Governance Committee is responsible for oversight of ILIM’s Board approved Responsible Investment policies, and reviews, among other items, active ownership activities and Investment Risk Sustainability Reports.	Quarterly
Board Risk Committee	Reviews levels of risk, risk assessment, risk management and related policies.	Quarterly

FIGURE 4: Governance model



FIGURE 5: Dedicated resources within the business



The key components of ILIM’s risk governance framework are described below:

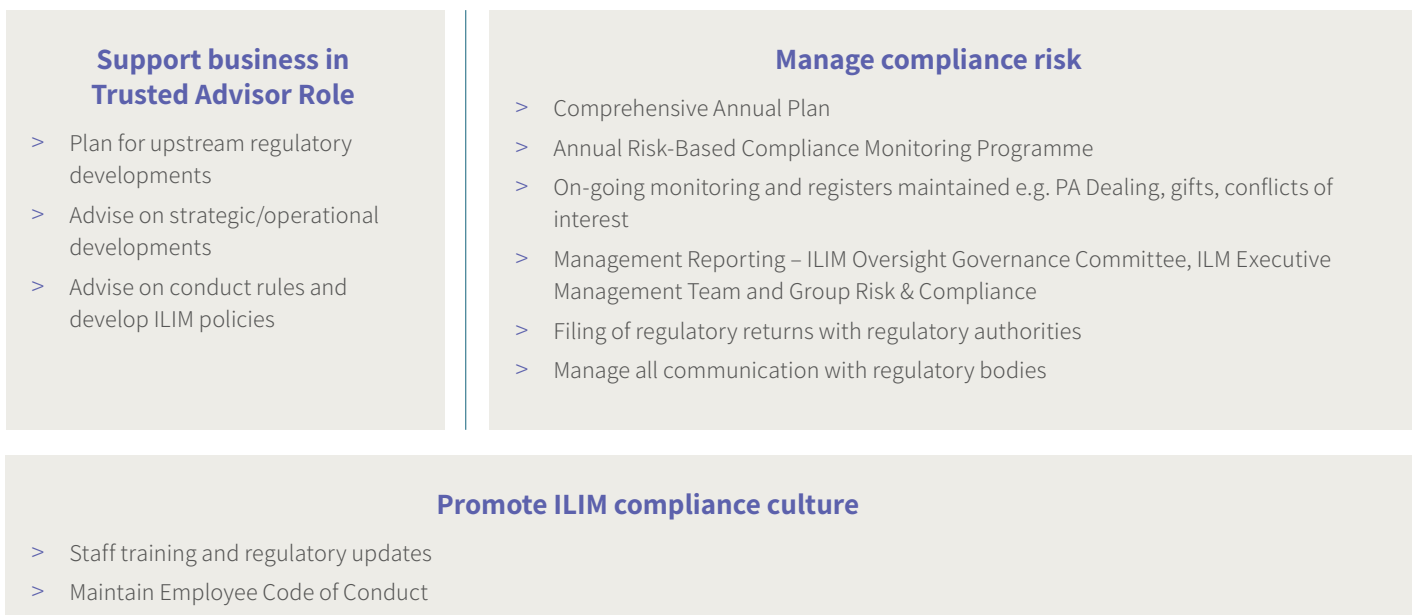
- > **ILIM’s Board** is ultimately responsible for the governance of risk in the company and for establishing mechanisms and structures to control and manage this risk. The Board has delegated oversight of audit and risk issues to the Board Audit Committee and Board Risk Committee, respectively. The Board, and its committees, each meet at least quarterly.
- > The day-to-day management of the business is delegated to the **Executive Management Team (“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 assets under management 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 mandate and internal rules on our fund management systems. The monthly fund management report for the executive management team includes updates from the fund management executive. As mentioned in Principle 5, the environmental and social characteristics (E/S) promoted by our Article 8 investment solutions (investment solutions which promote environmental and/or social characteristics under SFDR) are reported on a periodic basis to the FME.
- > The **Responsible Investment Governance Committee (“RIGC”)** is responsible for oversight of the Policies. The committee is comprised of the Chief Investment Officer, the Chief Sustainability Officer (Chair), the Head of Stewardship, the Head of Sustainable Integration & Solutions, the Head of Irish Commercial Property, the Head of Corporate Clients and the Asset Servicing Manager. The Committee meets on a quarterly basis, or more frequently if required, and agenda items may include but are not limited to the following:
 - > Review of stewardship activities, including the addition of new collaborative engagements and changes to voting procedures, policies and guidelines.
 - > Oversight of external providers of ESG services as detailed in Principle 8.
 - > Consideration of conflicts or potential conflicts of interest. If identified, these are brought to the attention of ILIM’s EMT and noted to the Compliance Team.
 - > Noting of changes to ILIM Stock Exclusion List.
 - > Investment Risk sustainability report which monitors E/S indicators of Article 8 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. Committee membership is comprised of the CIO and members of the Investment Risk Team. The Investment Risk Committee 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 committee is to ensure investment solutions are developed that are fit for purpose and in line with regulatory expectations. The Product Governance Committee 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. More on this approach can be found in Principle 5.

FIGURE 6: Compliance governance



FIGURE 7: Role of Compliance Team



Incorporating sustainability into our investment process

As a long-term investor on behalf of our clients, our processes continually evolve with the dynamic nature of the markets, societies and ecosystems in which we operate. Sustainability considerations are an important part of our approach to managing risk and achieving our long-term investment goals on our discretionary mandates. We integrate sustainability considerations into our approach where we consider them appropriate and aligned with the interests of our clients.

Our responsible investment program is led by ILIM’s Responsible Investment Team. The Responsible Investment Team oversees sustainability integration, engagement, voting and portfolio screening. In conjunction with the asset class portfolio managers, the Responsible Investment Team monitors ESG investment integration

activities. The Responsible Investment Team reports on activities to the RIGC which is chaired by ILIM’s Chief Sustainability Officer. This diverse nine-person team has an average of over fourteen years’ experience in the industry. The individual team members report to Niall O’Leary, Chief Sustainability Officer, while members focused on stewardship report to Euan Stirling, Head of Stewardship. The Responsible Investment Team members are highly skilled and have undertaken extensive sustainability-related education to complement their work experience. Complementing ILIM’s centralised Responsible Investment Team are a number of ESG Champions who are embedded across the various asset class divisions within the Fund Management Team. The ESG Champions assist the Responsible Investment Team by adding additional asset class specific knowledge.

FIGURE 8: Responsible Investment Team in ILIM



*Euan reports to the CSO with a dotted line to our CIO

Appropriate stewardship resources

Our Responsible Investment Team members have been specifically selected according to their skillset and experience, and matched specifically to our responsible investment strategy. ILIM recognises the need to provide the right resources and tools that allow our Responsible Investment Team and ESG Champions to incorporate our responsible investment approach effectively. ILIM is fully committed to supporting our staff to develop their understanding of sustainability risks and opportunities. We aim to provide relevant staff with training, information-sharing opportunities, the tools to understand sustainability risks and opportunities, and opportunities to collaborate, coupled with new and innovative ways to enrich our investment approach. As previously mentioned in this report, ILIM has rolled out firm-wide responsible investing/sustainability training for employees with additional targeted sustainability education available for staff across the business, such as the UNPRI training and the CFA Institute’s Certificate in ESG Investing.

Over recent years, ILIM has expanded the size and breadth of the Responsible Investment Team, particularly in the stewardship and active ownership arena. Our Stewardship Team now has six dedicated team members, with Euan Stirling leading the team as Head of Stewardship. Our stewardship professionals are involved in direct and collaborative engagements, as outlined in Principle 9 and 10, coupled and aligned with our tailored voting approach, outlined in Principle 12.

Through collaborative engagements, coupled with our membership of collaborative initiatives such as the Institutional Investors Group on Climate Change, UNPRI and Climate Action 100+, our Stewardship Team is able to combine its voice with those of industry peers to build increased influence with the companies in which we invest our clients’ assets. This is designed with a view to achieving the best long-term return for our clients. We discuss later in this report (Principles 8 to 12) how effective these networks have been in enhancing our overall stewardship approach.

Connecting staff incentives to stewardship objectives

We believe in recognising and rewarding our people with a competitive salary and benefits package, which is regularly reviewed and aligned to our values and strategy. Our bonus scheme is designed to reward and incentivise staff by aligning individual contributions and behaviour to the achievement of financial and long-term strategic objectives. The remuneration and bonus objectives of the Fund Management team are linked with sustainability-related objectives. Rewards are linked to the long-term investment performance of a number of our sustainability aligned investment solutions coupled with the external ratings of our overall stewardship approach.

Our deferred variable pay model for senior members of the Fund Management team and other key staff, which includes a three-year deferral period, is intended to not only drive the right long-term behaviours, actions and decisions but also to incentivise retention of key staff. We provide market competitive total rewards to all our people at every level, with our overall compensation and benefits benchmarked annually against McLagan data to achieve appropriate market-based remuneration. To encourage high-level accountability, key decision-makers in our company have elements of their remuneration tied to sustainability objectives, including members of our executive management team and fund management executive. ILIM's Remuneration Policy can be found [here](#).

Our staff are an integral part of achieving our sustainability and stewardship ambitions. We aim to attract, retain and support qualified and experienced staff who will contribute to and enable ILIM to further realise our sustainability and stewardship objectives.

Board of Directors

Our approach to board diversity recognises the value of appointing directors who bring a variety of opinions, experience, skills and backgrounds to our discussions and decision-making processes. Diversity is important to us at Board level because it enables more dynamic oversight and strengthens our governance. While merit and suitability remain the most important drivers of appointments to the Board, we have developed a process that considers a range of factors.

Diversity, Equity and Inclusion

ILIM and the Irish Life Group together share the purpose of helping people build better futures, and that applies equally to our employees. Diversity, Equity and Inclusion ("DEI") is not just something we talk about; it is a critical part of our strategy and who we are as an organisation. We are committed to fostering inclusion and we want our employees to bring their whole selves to work and feel valued.

We recognise that a strong diversity and inclusion culture makes us stronger and drives our success and growth as individuals and as a business. Our cross-company DEI leadership group acts to champion DEI across the Irish Life group of companies including ILIM (the "Irish Life Group"), and brings together our different perspectives and capabilities.

We have a Board approved DEI Strategic Plan with the following pillars:

- > Inclusive Leadership
- > DEI Business Integration
- > DEI Data

ILIM, together with the Irish Life Group, has a number of Employee Resource Groups with dedicated senior leader sponsorship that have the following workstreams:

- > Pride in Diversity
- > Women@Work
- > Ethnicity and Multiculturalism
- > Family Life
- > Able Life

We have many actions already embedded and underway in our business that aim to promote greater diversity, equity and inclusion. Information about the initiatives we have in place are publicly available and can be found [here](#).

Outcomes: Evaluation of effectiveness of governance, resources and incentives

ILIM is driven to address client objectives by integrating and promoting sustainability matters in its activities. We believe that this is achieved by creating the right governance structures and providing adequate resources to our investment and operational teams. Incentivising the members of these teams is a key part of achieving our clients' objectives. We encourage the adoption of this philosophy through the whole organisation, from the Board to every individual employee. ILIM has worked hard to create and maintain a positive and inclusive working environment.

During 2023, ILIM reviewed the structure and resources of its Responsible Investment Team which resulted in the creation of two new senior roles, the Chief Sustainability Officer and the Head of Stewardship. This reflects the developing needs of our clients in the area of sustainability management and ILIM's response in allocating further resources to this strategically important area. By emphasising stewardship and sustainability within our corporate governance structures, we are better able to monitor our activities and empower our staff to take greater control of, and be accountable for, their stewardship responsibilities. We consider that our governance structure delivers effective oversight of our stewardship and sustainability activities.

Principle 3

Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

How we identify and manage conflicts of interest

All ILIM staff attest their adherence to the Great-West Lifeco Inc. Code of Conduct on an annual basis. It highlights that it is the responsibility of all at ILIM to take appropriate steps to identify, manage or prevent potential or actual conflicts of interest that arise in the course of ILIM providing its services. In all instances of actual or potential conflict of interest, ILIM has developed processes to treat its customers fairly and deal honestly and professionally with all its stakeholders. All employees have an obligation to avoid any conflict of interest and to act in the best interests of ILIM's clients.

ILIM, together with the Irish Life Group, has designed and maintains organisational and administrative arrangements to identify, assess and manage any potential conflicts of interest in a timely manner.

In determining the types of conflict of interest that arise in the course of providing its services, and which may be detrimental to clients' interests, ILIM will assess, by way of minimum criteria, whether it, its directors, employees, officers, shareholders or any person(s) directly or indirectly linked to it by control:

- > are likely to make a financial gain or avoid a financial loss, at the expense of the client;
- > have an interest in the outcome of the service or transaction which is distinct from the client's interest in that outcome;
- > have a financial or other incentive to favour the interest of a specific client;
- > carry on the same business as a client; or
- > receive an inducement other than the standard commission from a third party in connection with the service provided, whether in the form of monetary or non-monetary benefits or services.

In the event that ILIM, its directors, employees, officers or shareholders are involved in financial investments or interests which have the potential to raise a conflict of interest with the management of a client's assets, ILIM will seek to ensure that the performance of its duties will not be impaired by any such involvement, and that any conflicts which may arise shall be resolved fairly and without delay.

Reporting potential/actual conflicts of interest

Employees and officers who believe they may have a conflict of interest, become aware of the potential for a conflict of interest involving other people, or are uncertain whether the potential for a conflict of interest exists, must immediately notify ILIM's Compliance Officer.

All potential and actual conflicts of interest, or transactions or relationships that may give rise to a conflict of interest, must be disclosed without delay. This requirement extends to any interests, transactions or relationships involving employees and officers, their immediate family or any other individuals with whom they have close personal relationships. Employees are to exercise good judgment and common sense in anticipating situations that may give rise to a conflict of interest.

Recording of conflicts of interests

Potential and actual conflicts are recorded on a register, maintained by Compliance. To the extent that we deem it necessary to determine a resolution, implement a mitigant and/or strengthen existing controls, additional information may be requested to enable any such actions.

Disclosure to clients

Disclosure to clients will be made where the organisational and administrative arrangements established are not sufficient to ensure, with reasonable confidence, that the risks of damage to clients' interests will be prevented. In the unlikely event that such a situation should arise, ILIM will clearly disclose the following information, via a durable medium, to affected clients before undertaking business on their behalf:

- > specific description of the conflict(s) of interest;
- > the general nature and/or source(s) of conflict(s) of interest;
- > details of the risks to the client(s) that arise as a result of the conflict(s); and
- > description of the steps undertaken to mitigate such risks.

The fact that the organisational and administrative arrangements in place to prevent or manage the conflict(s) are not sufficient to ensure protection of the client's interests must be clearly set out in the disclosure. The details provided in the disclosure will be tailored according to the nature of the client and sufficient to enable the client to make an informed decision on whether to proceed with the service which is related to the conflict of interest. ILIM will review and amend as appropriate its organisational and/or administrative arrangements if necessary to manage or prevent such conflicts of interest.

Procedures and processes in place

ILIM has the following safeguards in place to protect against potential conflicts of interest arising:

- > Procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of a conflict of interest.
- > The separate supervision of employees providing services to clients whose interests may conflict.
- > Our Remuneration Policy reflects the need to prevent any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenue generated by, different persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities. Additionally, the Remuneration Policy requires ILIM to assess the performance of its staff and remunerate them in such a way as to not conflict with its duty to act in the best interests of its clients.
- > Measures to prevent any individual from exercising undue control over the investment activities of another.
- > Measures to prevent any individual from being simultaneously involved in separate investment activities that may prevent the proper management of conflicts of interest.

Dealing as principal

ILIM does not deal as principal with any person, firm or company in any transaction in the course of managing client assets but only acts as an agent of its clients.

Order allocation policy

In accordance with ILIM's Order Allocation policy and procedure, all orders executed and/or decisions to deal on behalf of clients are promptly and accurately recorded and allocated.

Personal account transaction/dealing

While the employees of ILIM are permitted to buy and sell financial instruments (including shares and fixed interest securities) on their own account, this is only on the basis that they adhere to the ILIM Insider Dealing and Market Manipulation Policy and procedures.

Gifts, benefits and inducements

ILIM maintains policies and procedures designed to ensure that any gifts, benefits or inducements offered, given, solicited or accepted by any employee of the company in the course of business do not create a conflict of interest with its responsibilities to its clients.

Third-party arrangements

ILIM's policy is to only enter into third-party arrangements designed to enhance the quality of service provided to clients and to disclose such arrangements to clients where appropriate.

Research payment

ILIM pays for all investment research and related costs out of the firm's own resources.

Record keeping

ILIM maintains a comprehensive system to keep records of cases where a conflict of interest, entailing a risk of damage to any client, has arisen or may arise. Records are maintained for as long as required by the appropriate regulations. Written reports detailing such instances will be provided to senior management regularly and in any event, on an annual basis.

Product governance

The Product Governance Committee ("PGC") considers any conflicts or potential conflicts that arise during the development of new investment solutions/strategies to ensure they are identified, managed and recorded on ILIM's conflicts of interest register.

Intersection of stewardship and conflict of interest

ILIM acts on behalf of its clients when exercising its stewardship activities and, in some instances, client-related activity can appear to potentially conflict with the commercial interests of ILIM. An example of this is where an investee company is also a client of ILIM and that investee company has been identified as one where ILIM intends to take voting action or actively engage with the company.

This instance occurred during 2023. The relevant company was identified as having a lack of diversity on the board. ILIM engaged with the company in writing and further escalated the concern by attending the company's AGM to address the board and vote against director re-election.

This example highlights the prioritisation of client interests when considering potential conflicts of interest and illustrates how ILIM's normal stewardship procedures are followed in cases where such a potential conflict might exist.

Outcomes: Evaluation of the effectiveness of conflicts of interest management

In the year under review, ILIM continued to manage conflicts of interest effectively. We believe that our current approach to identifying and managing conflicts of interest is robust. We shall continue to emphasise to our staff the importance of doing what is right and support our staff with the tools to identify potential conflicts.



Principle 4

Market-wide and systemic risk

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Context

As an investment manager with broad exposure across global markets, we understand that market-wide and systemic risks will influence the future value of our clients' portfolios more than the performance of individual companies or sectors. This incentivises us to support well-functioning financial markets while considering the broader impacts of sustainability factors. We therefore dedicate significant resources to identify the broad market-wide and systemic risks that most significantly impact our clients' investments, and we work collaboratively with other stakeholders where we believe that this will yield the best results.

Activity

Systemic risks

Engagement with policy makers and industry bodies

ILIM and the 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 change, natural capital and social-related matters through our engagement with policymakers and industry bodies. The case studies presented below showcase ILIM's activities and engagements in Ireland and globally.

Climate

- > ILIM's Managing Director, Patrick Burke, was appointed as one of a select number of industry leaders to join the Central Bank of Ireland's Climate Risk and Sustainable Finance Forum ("Climate Forum"). The Climate Forum was established to bring together a range of stakeholders to collectively build capacity and share best practices to advance the financial sector's response to climate change. As part of the work of the Climate Forum, Patrick contributed to the work of the Capacity Building Working Group with a particular focus on capacity building for the broker and financial advisory sector. The Climate Forum was established to assess the status and to recommend action to accelerate sustainable finance capability in Ireland's financial services sector.
- > From a European policy engagement perspective, ILIM representatives, acting on behalf of Irish Life Group, were heavily involved in the submission of a consultation to the European Insurance and Occupational Pensions Authority ("EIOPA") on its proposed approach to tackle greenwashing in the insurance and occupational pensions markets. At a local level, ILIM representatives were also part of a Central Bank of Ireland's SFDR workshop.

Nature

- > Through its active participation in CDP, ILIM co-signed the "Open Letter to Governments on the Water Crisis". This was part of the United Nations 2023 Water Conference that took place in March 2023, summarising the key policy asks that CDP signatory investors would like to see agreed. The objective was to signal the interest of the financial community in seeking to strengthen governments' strategies and commitments to issues relating to access to water and sanitation.
- > ILIM joined the Investor Policy Dialogue on Deforestation (IPDD), which is a collaborative investor initiative that engages with public agencies and industry associations in selected countries, including Brazil and Indonesia, on the issue of deforestation. ILIM is a member of the Brazil workstream. Through this initiative, during 2023 ILIM engaged with the government of Brazil, urging it to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples. Please refer to Principle 10 for further information regarding this initiative.

Governance

- > During 2023, ILIM joined the International Corporate Governance Network ("ICGN"). ICGN advances high standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment. This is achieved through a comprehensive international work programme based around the ICGN Global Governance Principles and ICGN Global Stewardship Principles.
- > ILIM was one of the founding members of the 30% Club Ireland Investor Group. Through our participation with the 30% Club Ireland Investor Group, we are advocating for, and highlighting the importance of, diversity as a key element of good governance. ILIM plans to continue to use our influence in the Irish market to promote the representation of women on company boards and in senior management level positions in Irish companies to 30% or more. Further details on ILIM's collaborative engagements can be found in Principle 10.

ILIM is also represented on a number of financial market industry groups in Ireland including the Irish Association of Investment Managers (“IAIM”), CFA Society Ireland, the Irish Association of Pension Funds (“IAPF”), and is a founding member of Sustainable and Responsible Investment Forum Ireland.

As part of our contribution to the development of responsible investment standards, we participate in initiatives through the Principles of Responsible Investment (“PRI”). The Responsible Investment Team identifies and prioritises initiatives relevant to ILIM’s stewardship activities. In 2023, ILIM signed a joint statement with other investors to Japanese financial authorities and government, asking to strengthen their commitments to increasing board independence and diversity in Japan.

Market-wide risks

ILIM’s Board is responsible for the governance of risk in the company and for establishing mechanisms and structures to control and manage this risk. The Board delegates oversight of risk and audit matters to the Board Risk Committee and Board Audit Committee respectively.

The day-to-day management of the business is delegated to the ILIM Executive Management Team. The ILIM Executive Management Team (“EMT”) has a formalised governance structure in place to allow it to oversee and manage risks across the business.

The risk management for AUM is overseen by the Fund Management Executive (“FME”). The FME is responsible for monitoring our clients’ mandates, reviewing performance of portfolios against benchmarks, and overseeing the fund management operations including the implementation of our Best Execution Policy and the implementation of mandate and house rules on the fund management systems. The monthly fund management report for the Executive Management Team includes updates from the FME. The FME has implemented a number of committees to oversee fund management risks including the:

- > Strategic & Tactical Asset Allocation Committees, responsible for determining the appropriate allocations on ILIM discretionary mandates;
- > Execution Committee, which oversees trade execution processes and outcomes in ILIM; and
- > Responsible Investment Governance Committee (“RIGC”), responsible for oversight of ILIM’s Board approved Responsible Investment Policy, and reviews, among other items, active ownership activities and Investment Risk Sustainability Reports.

ILIM’s Asset Allocation Committee is responsible for setting both the strategic long-term asset allocation and tactical short-term positioning of all our discretionary mandates. When performing these duties, the committee considers risks to the macroeconomic environment and any other risks that could lead to adverse outcomes for our investment portfolios including movements in market factors such as interest rates and currency rates. The committee has monthly scheduled meetings but also meets more regularly when required. It discusses specific topics and follow-up items that aim to align our investments appropriately. We consciously seek to implement processes that help avoid ‘group think’ and foster an unbiased perspective when forming our views. This includes using a number of external research providers as well as undertaking internal research projects which are carried out by ILIM’s Multi-Asset Group. This information and analysis help inform the investment decisions taken by the Asset Allocation Committee.

Members of both the Asset Allocation Committee and the Multi-Asset Group engage directly with our clients to help them further their macroeconomic understanding, and to provide an unbiased view for clients’ investment decisions. We engage with various stakeholders, such as defined contribution and defined benefit pension schemes, sovereign wealth funds, and policy makers, to promote a well-functioning financial system based on macroeconomic considerations.

The ILIM Investment Risk Committee (“IRC”) exercises authority delegated to it by the ILIM Board Risk Committee (“BRC”) to provide investment risk oversight of the portfolios managed by ILIM. IRC membership is comprised of the CIO and members of the Investment Risk Team. The IRC’s responsibility is to review existing and emerging risks which may impact portfolio and strategy performance and to ensure that portfolios are managed in line with their investment guidelines under various risk scenarios. The IRC meets quarterly, and from time to time as required.

As mentioned previously, ILIM’s Investment Risk Team, independent from the Fund Management Team, identifies, measures and monitors climate metrics across the investments that ILIM makes on behalf of its clients. It then reports on the metrics, and any risks emerging from such metrics, to the Fund Management Team and the RIGC.

In accordance with SFDR requirements, ILIM has implemented a Sustainability Risks Policy and has publicly disclosed our Principal Adverse Impacts (PAI) Statement. To enable this, ILIM has built a risk/reporting framework which enables environmental, social, governance and climate metrics to be used on all standard risk analysis and reporting documents.

Market abuse framework

ILIM is required under Regulation (EU) No 596/2014 (the “Market Abuse Regulations” or “MAR”) to have arrangements, systems and procedures in place for the purpose of detecting actual or attempted insider dealing and market manipulation. ILIM has adopted processes and procedures designed to detect and report actual or attempted market abuse. It is important that ILIM, as a firm, understands its responsibilities and takes great care to comply with these obligations.

ILIM has in place an insider dealing and market manipulation procedure, which is overseen by Compliance, that details the steps to be taken when a staff member is made an insider. Controls include lockdown of trading on the security on personal transactions. Following release of the information into the public domain, Compliance conducts monitoring of trades in Charles River Investment Management System (“CRIMS”) order management system and a review of the personal account dealing register. Output is confirmed to the CFO and the Compliance Officer.

ILIM has in place comprehensive internal policies and procedures to mitigate against the risk of market abuse. These include the following:

- > ILIM’s Insider Dealing and Market Manipulation Procedures
- > ILIM’s Suspicious Transactions and Orders Reporting Policy and Procedure
- > ILIM’s Personal Account Transactions Policy
- > ILIM’s Conflicts of Interest Policy
- > ILIM’s Record Keeping Policy
- > Irish Life Group’s Whistleblowing Policy
- > ILIM’s Code of Business Conduct and Ethics
- > Great-West Lifeco Inc.’s Code of Conduct



FIGURE 9: Code of Business Conduct and Ethics

ILIM Code of Business Conduct & Ethics

- > Forms part of contract of employment
- > Mandatory annual training
- > Sets out ILIM’s policies and staff obligations
 - > Personal Account Dealing
 - > Best Execution, Research, Record Retention
 - > Market Abuse/Insider Dealing
 - > Conflicts of Interest
 - > Gifts and Inducements
 - > Advertising/Marketing
 - > Data Protection (Privacy)
 - > Anti-Money Laundering (AML)
 - > Fit & Proper
 - > Information Security
 - > Confidentiality
 - > Social Media
 - > Fraud

Great-West Lifeco Inc. Code of Conduct

- > Sets out Great-West Lifeco Inc.’s global conduct of business policies
- > Mandatory annual training

ILIM staff are required to participate in regular training

- > Annual AML Training
- > Annual sign-up to Code of Business Conduct and Ethics
- > Annual Market Abuse Training for relevant staff
- > Annual GDPR Training
- > Annual Operational Risk Training
- > Annual information security Training
- > Periodic Compliance reminders to staff

Sustainability risk

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.

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. The 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 published a Principal Adverse Impact Statement (“PAI Statement”). This complements the Sustainability Risk Policy. Our PAI Statement outlines our framework for considering Principal Adverse Impact (“PAIs”) including how the assets managed by ILIM performed across 18 mandatory and two voluntary PAI indicators required under SFDR. The PAI Statement also details ILIM’s approach to managing PAIs including stewardship and integration of sustainability data into the investment process. This is discussed further in Principle 5.

The factsheets for our Article 8 investment solutions contain metrics which show the performance of the environmental and social (E/S) characteristics promoted by these financial products. Samples of these are shown in figure X below. More detailed explanations of the sustainability approach taken by our Article 8 investment solutions can be found in our SFDR disclosures located on our website [here](#).

More details on this are discussed further in Principle 5. Figure 11 is an excerpt from one of ILIM’s SFDR periodic disclosures showing the performance of the E/S characteristics promoted by the financial product in question.

FIGURE 10: New World Developed Market – factsheet excerpt example



FIGURE 11: SFDR Periodic Report – New World Developed Market



Outcomes: Evaluation of the effectiveness of our management of market-wide and systemic risk

ILIM has created structures and processes that are designed to manage the impact of market-wide and systemic risks on our clients' portfolios and their investment outcomes. ILIM is also proactively engaged at an industry and policy level to help foster well-functioning markets both domestically and internationally. We seek to manage market-wide risk through a combination of appropriately diversified strategic asset allocation, robust risk management processes and, where ILIM has the discretion to do so, the integration of both financial and non-financial factors in our investment management processes while adhering to client-mandated controls/constraints.

We apply governance and controls across our business for identifying and reporting key risk factors and indicators that are independently tracked, monitored and reported to our Executive Management Teams, Risk Committees and Board to support a strong risk management culture throughout the organisation. The Execution Committee, the Responsible Investment Governance Committee and the Market Abuse Framework support ILIM's efforts in this area. We believe that these structures are appropriate and adequate to manage the impact of market-wide risks on our clients' portfolios and are aligned to their mandated risk appetites and tolerances.

ILIM seeks to identify and mitigate systemic risk by being involved in local and international initiatives that tackle long-term issues, such as sustainability risks. These are underpinned by ILIM's Sustainability Risk Policy and our compliance with the SFDR. Various officers of ILIM also participate in initiatives promoting sustainability-related activities and positive regulation in this area. These structures and activities are reviewed for their effectiveness on a regular basis and adapted as appropriate.



Principle 5

Policies, processes and effectiveness

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Context

Ensuring our stewardship report is fair, balanced and comprehensive.

Assurance in relation to stewardship

ILIM prides itself on its strong governance framework. The Responsible Investment Team was charged with drafting this report with initial sign-off of the report by Euan Stirling, Head of Stewardship. Subsequent reviews were completed by ILIM’s Chief Investment Officer and ILIM’s oversight functions including Compliance and the Responsible Investment Governance Committee (“RIGC”) before being signed off by ILIM’s Managing Director, Patrick Burke, and approved by ILIM’s Board.

Review of our policies to support and enable effective Stewardship

As mentioned in Principle 2, ILIM’s responsible investment strategy is implemented through a set of policies that define how we aim to manage the impact of wider risks. These policies are publicly available on our [website](#):

- > the Responsible Investment Policy
 - > the Sustainability Risk Policy
 - > the Engagement Policy
 - > the Voting Policy.
- (collectively the “Policies”)

The Policies are reviewed annually. Any annual changes are initially proposed by members of ILIM’s Responsible Investment Team and must be approved by ILIM’s Chief Sustainability Officer. The proposed changes are then subject to approval by the RIGC. Any changes to the Policies that are required outside of the annual update cycle can also be made through the same process. The Board approves updates to the Policies annually or more frequently as required.

ILIM’s governance framework

ILIM’s governance structure is based on the ‘three lines of defence’ model of risk management. In this model, the first line of defence resides in the business units. ILIM’s Risk and Compliance functions operate as part of the second line of defence, and the Irish Life Group Internal Audit function (“Internal Audit”) forms the third line. ILIM’s Risk and Compliance functions report into the Irish Life Group’s Risk and Compliance leads. This allows for independence from the business, provides improved reporting to the Irish Life Group and consistency across the Irish Life Group’s second-line monitoring functions. The maintenance of dotted-line reporting by ILIM’s Risk and Compliance functions into ILIM’s Managing Director, and the continued location of these functions within ILIM (as opposed to being an Irish Life Group support function), is designed to maintain the business partnership role. More on the governance framework and risk management processes can be found in Principles 2 and 4.

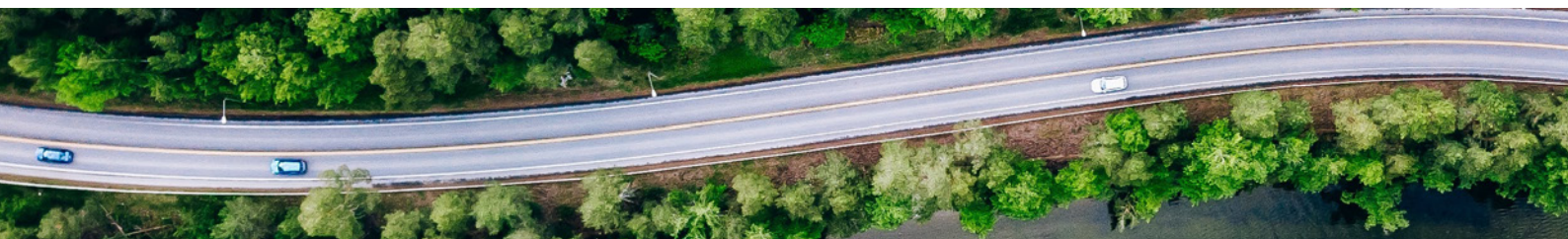
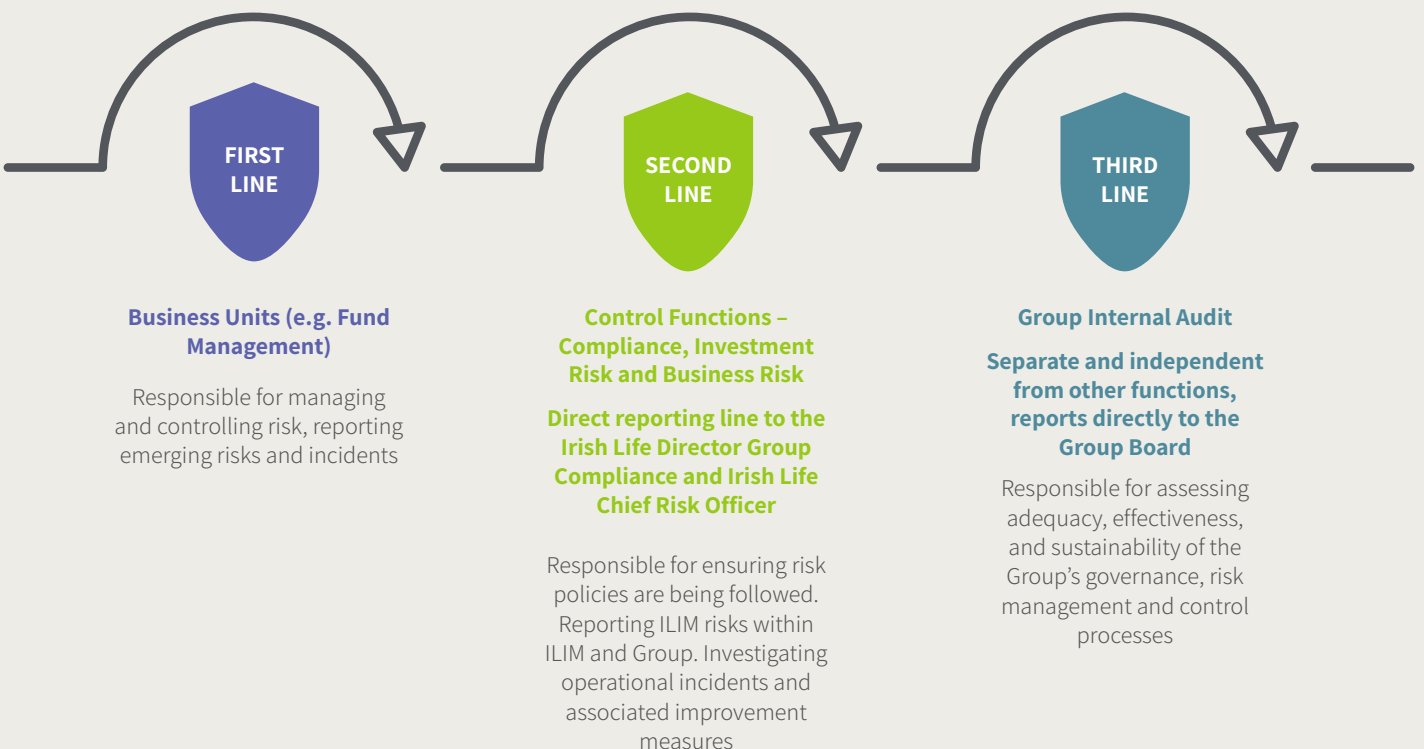


FIGURE 12: Risk monitoring: three lines of defence



ILIM also has a dedicated **Business Risk Team**. The primary objective of the Business Risk Team is to provide independent risk oversight and embed a disciplined risk management culture across ILIM. The Business Risk Team assists ILIM in the achievement of its goals and objectives by furnishing ILIM with risk analyses, reviews, recommendations, advice, opinions, and information concerning its activities from a risk perspective. In providing such influence and guidance, the Business Risk Team must remain objective in the ongoing assessment of ILIM's activities.

The "three lines of defence" approach provides independent oversight of the operation of ILIM's Responsible Investment Team.

Internal Audit review

In 2023, ILIM's third line of defence, Internal Audit, conducted a thorough review of ILIM's sustainability-related activities specifically relating to SFDR reporting and ILIM's processes to implement SFDR requirements. Internal Audit's detailed report noted that there is a strong emphasis from senior leadership in ILIM in relation to responsible investing and sustainability considerations, while noting that there is also strong awareness of the risks of perceived greenwashing and the regulatory risks associated with the SFDR. Internal Audit commented on the strong collaboration of cross-functional teams relating to the design and publishing of disclosure documents in line with the SFDR requirements. They also noted that the Compliance Team were heavily involved in this work and performed a number of enhanced checks to maintain the quality of output. This included a detailed gap analysis, sample testing of published disclosures and consultation with external legal advisers.

The Internal Audit report highlights the strength of ILIM's ESG reporting and ESG governance framework while also pointing to the importance of ESG and sustainability considerations to ILIM.

Sustainability regulation reporting


With the onset of the SFDR and the increased firm level and product level requirements stemming from the SFDR, ILIM created a cross-functional working group consisting of members from across the business, such as Fund Management, Compliance, Investment Risk, Legal and Distribution. The working group was tasked with helping ILIM, at a minimum, be SFDR compliant.

ILIM initially created an internal framework for the classification and approval of its investment solutions against the classifications set out in the SFDR (i.e. Article 6, 8 or 9). Approval of classification is initially provided by ILIM's Chief Sustainability Officer with subsequent approval of such classifications being provided by ILIM's second line of defence, ILIM's Head of Compliance. This multi-layered approval process supports independent oversight and review of all Article 8 designations. A review of the SFDR designations of our investment solutions is completed annually.


Building on ILIM's overall sustainability strategy and the two overarching mega-trends outlined in Principle 1, namely, "the trend towards decarbonisation and the move to a more stakeholder-centric business model", we reflected this approach in our SFDR documentation accordingly. Our approach to sustainability and the promotion of environmental and/or social characteristics (E/S) for our Article 8 investment solutions, such as the "New World" fund series and our multi-asset investment strategies range (see Principle 7), is aligned with our sustainability strategy. The E/S characteristics that our Article 8 investment solutions promote, and the indicators used to measure the performance of the E/S characteristics are shown below:

FIGURE 13: Extract from New World Developed Equity Fund pre-contractual SFDR disclosure

We consider the following key PAIs in our decision making:

 **Impact on climate change:**

- > Greenhouse gas emissions
- > Carbon footprint
- > Exposure to companies active in the fossil fuel sector

 **Impact on society:**

- > Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- > Exposure to controversial weapons (anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions)

In order for our multi-asset investment solutions to be classified as Article 8, a minimum of 75% of the strategy (excluding neutral assets*) must be in investments which promote environmental or social characteristics. This is subject to a further constraint that at least 50% of the total strategy (including neutral assets) is allocated to investments which promote environmental or social characteristics.

*assets such as cash and government bonds are deemed neutral under SFDR.

Further detail on ILIM's SFDR reporting documentation for our Article 8 investment solutions can be found [here](#).

Firmwide Principal Adverse Impacts Statement

Another important piece of ILIM's SFDR compliance is our firmwide PAI Statement. ESMA defines PAIs as "the most significant negative impacts of investments on the environment and people"². ILIM's firmwide PAI Statement³ outlines our approach to PAIs, the actions we take and plan to take in relation to PAIs, and our stewardship approach.



We highlight the specific PAIs which are directly targeted through our integration approach at a product level and more broadly through our stewardship activities. Separately, we analysed the PAIs performance across our Article 8 designated products relative to their Article 6 broad market benchmarks, which do not promote environmental or

social characteristics and are generally market capitalisation focused. This review was compiled and reported at a senior level internally and showed a marked improvement in many of the PAI indicators, most notably those PAIs targeted directly by our integration approach, such as Carbon Footprint, GHG Emissions etc. The ILIM entity level PAI Statement can be found on our website [here](#).

At a product level, our "New World" investment solution range and our multi-asset investment solution range focus on specific individual PAIs stemming from the environmental and social characteristics promoted by those products. These are shown below:

FIGURE 14: Extract from New World Developed Equity Fund pre-contractual SFDR disclosure

The indicators used to measure the outcomes of this approach are:

- 
Reduce the impact of the Fund on Climate Change
 (relative to the appropriate broad market benchmark)
 - > Reduction in carbon intensity of the portfolio versus the appropriate broad market benchmark.
 - > Reduction in fossil fuel involvement of the portfolio versus the appropriate broad market benchmark.
- 
Increase the Fund's exposure to companies with improved sustainability and lower ESG risk scores
 (relative to the appropriate broad market benchmark)
 - > Reduction in the overall ESG risk scores versus the appropriate broad market benchmark.

The ILIM entity level PAI Statement was approved through our governance framework with reviews and approval from our Chief Sustainability Officer, RIGC and ILIM's Head of Compliance, and was presented to the ILIM Board in June 2023 before release. There was also cross-functional collaboration with Irish Life Group Compliance.

Monitoring of Environmental and Social Characteristics

ILIM monitors the E/S characteristics of our SFDR designated investment solutions on a periodic basis. This is done by ILIM's Investment Risk function. The E/S characteristics of the investment solutions are monitored with the intent that they are in line with expectations and are performing as expected versus a comparative benchmark. A number of additional metrics are also monitored. A report on the E/S characteristics of the SFDR designated products is presented to the Fund Management Executive on a periodic basis and to RIGC when it meets quarterly. Should any exceptions or deviations from expectations be encountered, they are highlighted and investigated further.

Outcomes: Evaluation of policies, processes and effectiveness

During 2023, ILIM continued to enhance the resources and processes that underpin our stewardship activities. The Responsible Investment Team was restructured with the new role of Head of Stewardship. Our 'three lines of defence' model continues to serve ILIM and our clients well. The Internal Audit review helped evaluate where we could improve our reporting processes to manage the associated risks appropriately. Our governance and processes around sustainability policies, integration, stewardship and reporting is of significant importance at the highest levels within ILIM. We continually endeavour to enhance and improve all aspects of stewardship-related policies and processes through our annual review process and through the regular convening of our stewardship and sustainability committees, such as the RIGC and our Sustainability Working Group, which are embedded in the organisation.

² [https://www.esma.europa.eu/press-news/esma-news/esas-analyse-extent-voluntary-disclosure-principal-adverse-impacts-under-sfdr#:~:text=Principal%20Adverse%20Impacts%20\(PAI\)%20are,the%20companies%20they%20invest%20in.](https://www.esma.europa.eu/press-news/esma-news/esas-analyse-extent-voluntary-disclosure-principal-adverse-impacts-under-sfdr#:~:text=Principal%20Adverse%20Impacts%20(PAI)%20are,the%20companies%20they%20invest%20in.)

³ <https://www.ilim.com/media/quoitz0n/ilim-pai-statement-june-2023.pdf>

Principle 6

Accounting for client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

As outlined in Principle 1, ILIM's purpose is to manage the assets entrusted to us by our clients responsibly, with the objective of delivering longer-term sustainable returns.

We manage assets for a wide range of institutional clients, including but not limited to insurance companies, wealth managers, pension schemes, fiduciary managers and sovereign wealth funds across Europe and North America.

With solution design and delivery at the forefront, our core investment capabilities extend across indexation, multi-asset solutions, quantitative active strategies, active fixed income, property and alternative asset classes.

In pursuit of delivering on our purpose, we leverage elements such as communication and reporting while keeping an open dialogue with our clients. This is reflected in the sustainable solutions we provide and in the stewardship of our clients' assets.

ILIM provides a broad range of services to our clients, including front, middle and back-office functions. As part of this, ILIM provides back-office administrative support solutions to our clients, including but not limited to transactional execution, settlements, corporate actions, regulatory reporting, custody management and interaction, and performance and client reporting.



Outcome

We frequently assess different approaches to improve our reporting on stewardship activities. As mentioned in Principle 8, ILIM uses a number of service providers to assist with client reporting and assess the services provided to us against evolving client reporting requirements. For example, ILIM uses ESGAIA (an online platform for investment stewardship data management provided by Esgaia AB – see Principle 8) for tracking our engagement activities as well as facilitating the reporting of these activities to our clients. Clients can access detailed data, such as engagement progress, engagement milestones and objectives through ESGAIA.

Additionally, ILIM has a voting dashboard which is accessed via its website, developed in conjunction with and provided by Institutional Shareholder Services UK Limited ("ISS"), which allows clients to review how we have voted a month after a relevant general meeting has taken place. ILIM has also worked with an institutional partnership client in order to facilitate their voting reporting requirements. ILIM, in conjunction with ISS and our partnership client, has developed a customised voting dashboard specific to their requirements. This voting dashboard can be accessed via the client's own platform. Furthermore, ILIM has developed a customised voting report, provided by ISS, which includes different categories of voting data and facilitates reporting to its clients, in order to be able to have access to detailed information on voting activities.

As mentioned earlier, ILIM continues to evaluate market and client demand in relation to reporting requirements and adjust its reporting accordingly.

Activity

Integrating client feedback

We recognise the importance of client feedback, and we welcome and encourage feedback from all of our clients as well as their consultants. We incorporate client feedback into our stewardship activities and by extension into our responsible investment decisions, where deemed appropriate.

The Responsible Investment Team has regular communications with the Distribution Team in an effort to meet our clients' expectations and requirements regarding stewardship.

We continually explore ways to communicate our stewardship activities more efficiently and effectively to our clients. The Stewardship Team regularly tracks and updates the voting and engagement activities through different platforms (please refer to Principle 8 for further information), which enables timely and transparent client reporting. Our clients also have visibility of our voting activities through our voting platform. This provides information on our voting activities, including voting decisions and voting rationales per meeting.

Finally, the Stewardship Team participates in client calls and meetings where it reports ILIM's stewardship activities and ensures that the client's requirements are incorporated into these activities.

Client reporting

We believe that reporting is crucial in maintaining transparency regarding our activities and the alignment of such activities with the requirements of our clients. As such, we publish a range of reports regarding our stewardship and responsible investment activities. These reports are available on our website:

- > Voting activity through ILIM's voting **dashboard**
- > Responsible Investing Annual Review
- > TCFD Report
- > ILIM's Global Proxy Voting Guidelines
- > Net Zero Asset Managers Climate Pledge – updated annually
- > ILIM's PAI Statement
- > ILIM's Voting Policy
- > ILIM's Engagement Policy
- > SFDR fund-specific material for Article 8 funds

We provide our clients with reports regarding stewardship activities relating to their portfolios, on request. We also keep our clients informed about assessments made by other institutions, such as the PRI, where we determine relevant. Lastly, our website includes webinars and presentations given by members of different teams within ILIM, covering our expectations and market insights.

CASE STUDY

Annual Client Survey

We recognise the importance of direct feedback from clients and that the breadth of our operational jurisdictions coupled with the widely differing nature of our clients' needs has resulted in a complex business model. In order to continue to meet our clients' requirements, we ask direct questions using a Client Survey as well as other means of feedback and communication.

Our approach

In 2017, ILIM launched our first client survey which asked clients about their overall experience in dealing with ILIM as an asset manager. The survey covered a range of areas from individual effectiveness through product design and thought leadership. Each year has seen the survey evolve in the questions that it asks. Each year has seen an increase in the number of responses to questions relating to sustainability while the level of detail our clients are sharing with us in this area is also growing. This reflects the continued rise and importance of sustainability matters on the agenda of our clients and regulators.

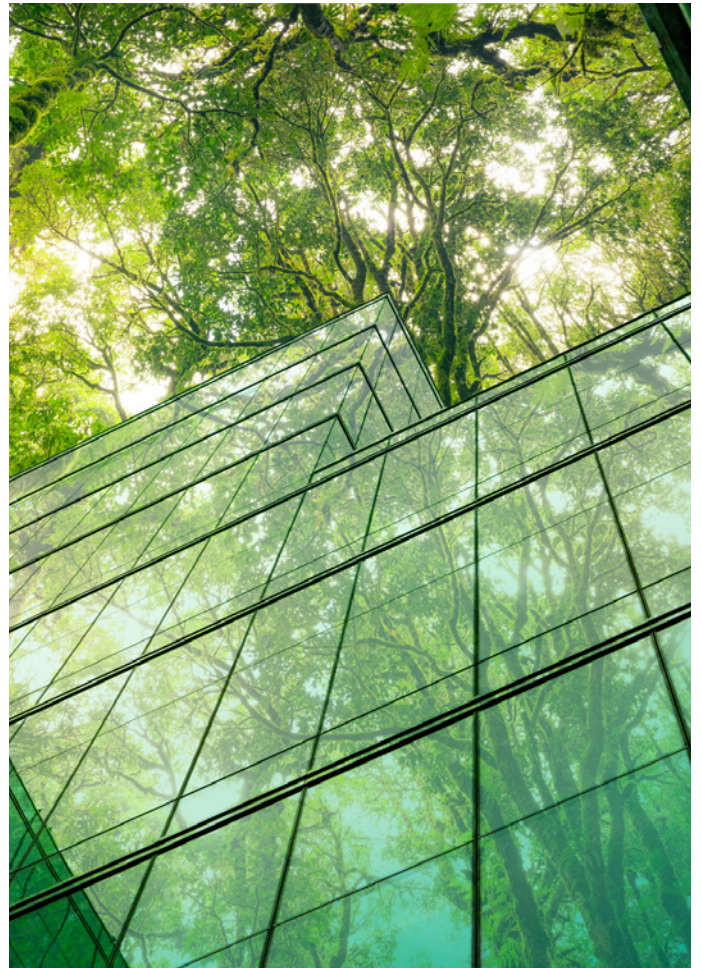
From our 2023 client survey, we saw that the two key priorities for our clients in the area of sustainability were 'Regulatory Compliance' and 'extending the role of sustainable investments across their portfolio'. Other priority areas included using sustainability as a 'member engagement initiative' and 'aligning with company brand'. Our clients continue to see ILIM lead in these areas and consistently mark this specific subject as the number one area for increased thought leadership and product development.

The outcome

It is reassuring to see that the results of the Client Survey indicate clients' satisfaction scores have been consistently high at circa 85%. The survey results are carefully analysed each year to establish new client requirements and to help identify areas where clients would like more content or communication from ILIM. In each of the last two years, ESG and sustainability have featured as areas where clients would like more information. This reflects rising levels of regulation in sustainability around the world as well as increased interest from investors. As a result, ILIM has expanded its range of responsible and sustainability-related investment solutions and has improved our disclosures around responsible investment and stewardship by creating product level SFDR disclosures and an entity level Principle Adverse Impact statement. Each year, the majority of our clients tell us that they have seen improvements in the specific areas that they requested.

Client focus: Life Assurance

Inflows can come from our life assurance clients through retail intermediaries (for example, financial advisers) and we work with these intermediaries on behalf of our life assurance clients, most notably Irish Life Assurance Plc ("ILA"). We support these clients in their efforts to make transparent and consistent disclosures to all their intermediaries and their customers. We provide up-to-date pricing on our clients' funds so that their intermediaries can make recommendations to their customers and subsequently invest in our clients' funds. We regularly provide fund updates that include fund manager commentary and fund-profiling data tools to support our clients and their intermediaries in making recommendations to their customers and to service their needs. We also work with these intermediaries directly where we provide similar support. We further support our life assurance clients by providing regular updates and information through digital and website media for these intermediaries.



CASE STUDY

Pilot website click-through on stewardship activity

The situation

ILIM supported ILA to engage with its pension customers on stewardship matters. This involved helping those pension customers understand the positive sustainability impact that their retirement savings can have through the ways that their savings are invested.

Our approach

ILA's pension customers have access to an 'Investment Centre' web page that gives a range of information and data points on how their pension savings are invested and managed. In order to encourage greater use and understanding of the Investment Centre, a pilot was devised to facilitate click-through from the Investment Centre (via a gateway explaining the power of stewardship) to two interesting case studies outlining our stewardship activities. The first explained how we voted on a shareholder resolution, relating to a multinational coffee shop company, which was designed to reinforce the rights of the workforce. The second described an engagement with a Japanese e-commerce company that centred on anti-discrimination policies and boardroom gender diversity.

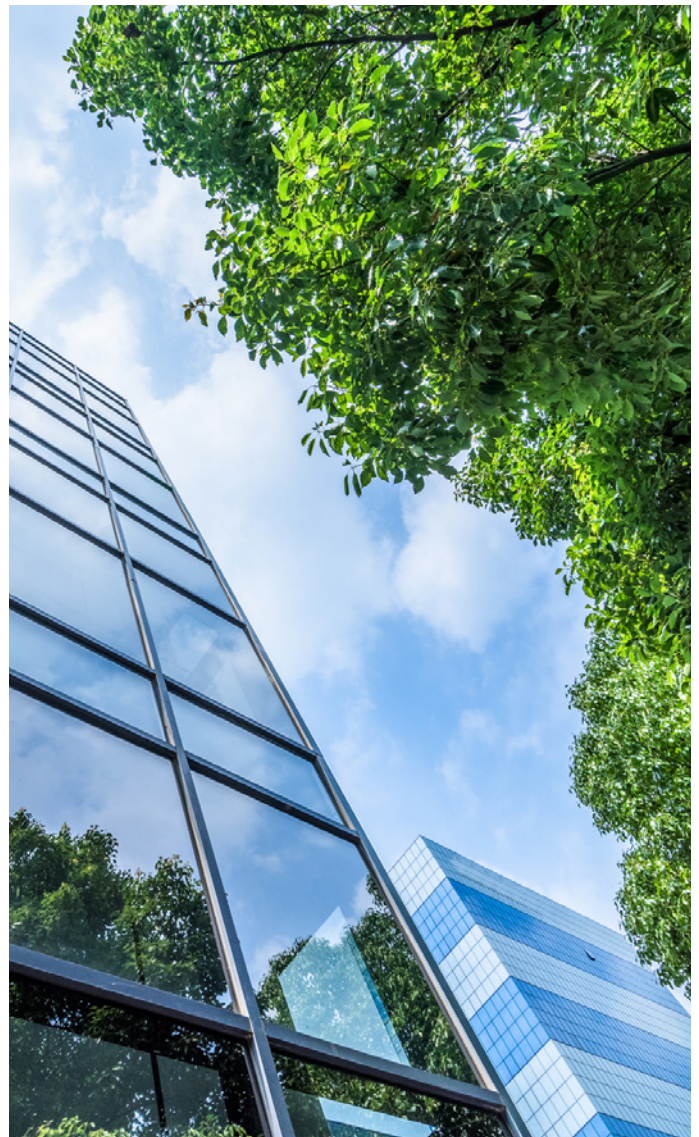
The outcome

The multinational coffee shop example achieved a higher click-through rate than the Japanese e-commerce company, most probably reflecting higher consumer-recognition of the coffee shop brand among Irish pension savers. However, what was consistent was the favourable reaction from those customers who accessed the case studies, with over 70% saying that the issues described were important to them. ILIM and ILA have therefore decided to continue populating the Investment Centre with timely stewardship case studies in order to further engage ILA's pension customers with their saving activities.

Client focus: Institutional Partnership

Our institutional client base is varied in market-channel, structure and investment needs. Our clients include professional fiduciary managers, pension schemes, both defined benefit and defined contribution, and other organisations such as endowments.

We have a dedicated client relationship representative and an accompanying support team to deliver on our clients' service requirements. This team provides regular updates on the client's investment mandate, including a quarterly investment report. We also provide updates on market outlook, market values, broader transaction details and any regulatory data reporting, unless otherwise agreed with the client. We host regular personal meetings with clients, either face-to-face or through conference calls, which can occur as frequently as monthly. At these meetings, we provide full investment and compliance adherence reports to clients, which include a performance summary and forward-looking market views. These are accompanied with a presentation from the client relationship representative and appropriate fund managers, to ensure the client's needs are understood and met by the investment decision makers. In addition, we strive to build strong relationships based on two-way dialogue and encourage our clients to contact their dedicated client relationship representative, or other contact, to raise any ad hoc queries they have about their investments. Additionally, as mentioned previously, ILIM provides a full back-office administrative support solution to our clients.



CASE STUDIES

Working with clients to provide solutions

In addition to building proprietary sustainability-linked investment strategies, ILIM regularly works with clients to create customised mandates in the sustainability space that are tailored to our clients' needs. This further demonstrates the client-centric nature of our business and operating model.

The fossil fuel focused endowment

The situation

Our client wanted a strict interpretation of fossil fuel involvement, while balancing a tracking error budget and a desire for income.

Our approach

ILIM developed a Climate Focused Strategy and the Low Carbon Equity Income strategy, designed with a stringent set of sustainable criteria. In developing these strategies, ILIM worked closely with the client to ensure that their specific requirements were met.

The outcome

These bespoke strategies include an expanded set of customised exclusions, aimed at reducing the client's exposure to the fossil fuel value chain and a tilting mechanism to increase its exposure to sustainable activities, such as renewable energy, green buildings, and green transportation. The new tilting step builds on the previous criteria that focused on activities such as renewable energy, green buildings, and green transportation.

Climate focus: five key outcomes

01	Fossil fuel related revenue 100% reduction
02	Carbon solutions Increased allocation to these companies
03	Carbon intensity Improved by 75% (Scope 1 and 2)
04	Temperature alignment 1.50% (Paris aligned)
05	ESG risk rating 10% reduction

The ETF provider looking for an SFDR designated Article 9 product

The situation

Our client wanted a product which was passive and rules based that offered their clients a broad exposure to sustainable themes and which was categorised as Article 9 (a product which has a sustainable investment objective with a high degree of sustainable investments) under SFDR regulations.

Our approach

ILIM devised a Sustainable Investment Framework and several investment themes based on the UN Sustainable Development Goals to allocate capital across social and environmental objectives. Themes included Climate Action, Natural Capital and Social related themes. Constraints were implemented to target desired outcomes in a limited capacity in order to avoid dilution of the core strategy. For more details on this framework please see the case study in Principle 7.

The outcome

A fully systematic and passive, risk-controlled strategy covering environmental and social objectives designated as Article 9 under SFDR, utilising a sustainable investment framework developed by ILIM.

Migrating a large institutional client's portfolio from Article 6 investment strategies to Article 8 investment strategies

The situation

ILIM manages a range of strategies (Equity & Fixed Income) for a third-party client. During 2022/2023 ILIM worked closely with the client to migrate three of their existing equity strategies from Article 6 strategies (no promotion of environmental and/or social characteristics) to strategies that are classified as Article 8 under SFDR. The re-structure involved migrating these strategies from mainstream published benchmarks to a customised investment solution. The re-structure was co-ordinated and managed by our specialist Indexation Team in consultation with the client.

Our approach

There were some key steps to the re-structure of these strategies. Firstly, we needed to verify the new benchmarks and automate the import of all relevant files into our systems. In addition to this, the inclusion of the previously manual exclusion lists provided by the client were checked to ensure they had been incorporated into the new benchmarks. Lastly, the trading of the client's portfolio from the old to the new benchmarks was examined and a suitable trading strategy implemented.

The outcome

ILIM managed our client's needs with the successful migration of assets from a strategy that was classified as an Article 6 financial product to one that was classified as Article 8.

Client migrating from a custom benchmark to Paris aligned strategy

The situation

ILIM manages two equity strategies on behalf of an international client. During Q4 2023, ILIM worked closely with the client's advisers to transition one of the equity strategies from a custom benchmark to a Paris Aligned strategy. The transition was co-ordinated and managed by our specialist Indexation Team in consultation with the client's advisers.

Our approach

In advance of the trade date, there were a number of preparatory meetings with the client's adviser involving detailed portfolio analysis on the trading impact of the transition.

There were some key steps to our approach. Firstly, we needed to verify the new benchmarks and automate the import of all relevant files into our systems. In addition to this, the inclusion of the previously manual exclusion lists provided by the client were checked to ensure they had been incorporated into the new benchmarks. Lastly, the trading of the portfolio from the old to the new benchmark was examined, and a suitable trading strategy implemented.

The outcome

Successful migration of c. €800 million of assets from a customised approach to a Paris-aligned strategy.

Outcomes: Evaluation of effectiveness of accounting for client and beneficiary needs

We believe that we are aligned with our clients' interests and have demonstrated a desire and willingness to understand their needs during the year under review. Our business model is built around providing our clients with the investment solutions and information they need to support their business and their end customers. Our heritage is partnership, and it is a relentless business focus of ILIM to manage to our clients' needs. Technology, trends, and financial markets are in a constant state of change, so we are always looking for ways to improve our offerings. In particular, we focus on the feedback that our clients give us during our direct contact with them and through our annual Client Survey. During 2023, we demonstrated our focus on stewardship across the range of investments we manage for our clients; we have reflected client needs in our investment process; we responded to our clients' concerns and upgraded our systems to support their evolving needs.

Principle

7

Integrating stewardship and investment

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

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

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

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

The trend towards decarbonisation captures the transition to a lower carbon economy as set out in the Paris Agreement. The move towards a more stakeholder-centric model of corporate behaviour reflects the increasing demands on companies to act as good corporate citizens with responsibility to a wider group of stakeholders such as employees, communities and supply chains, as well as shareholders. This is captured in a company’s management of ESG exposures and responsibilities.

Our current Responsible Investment Policy can be accessed [here](#).

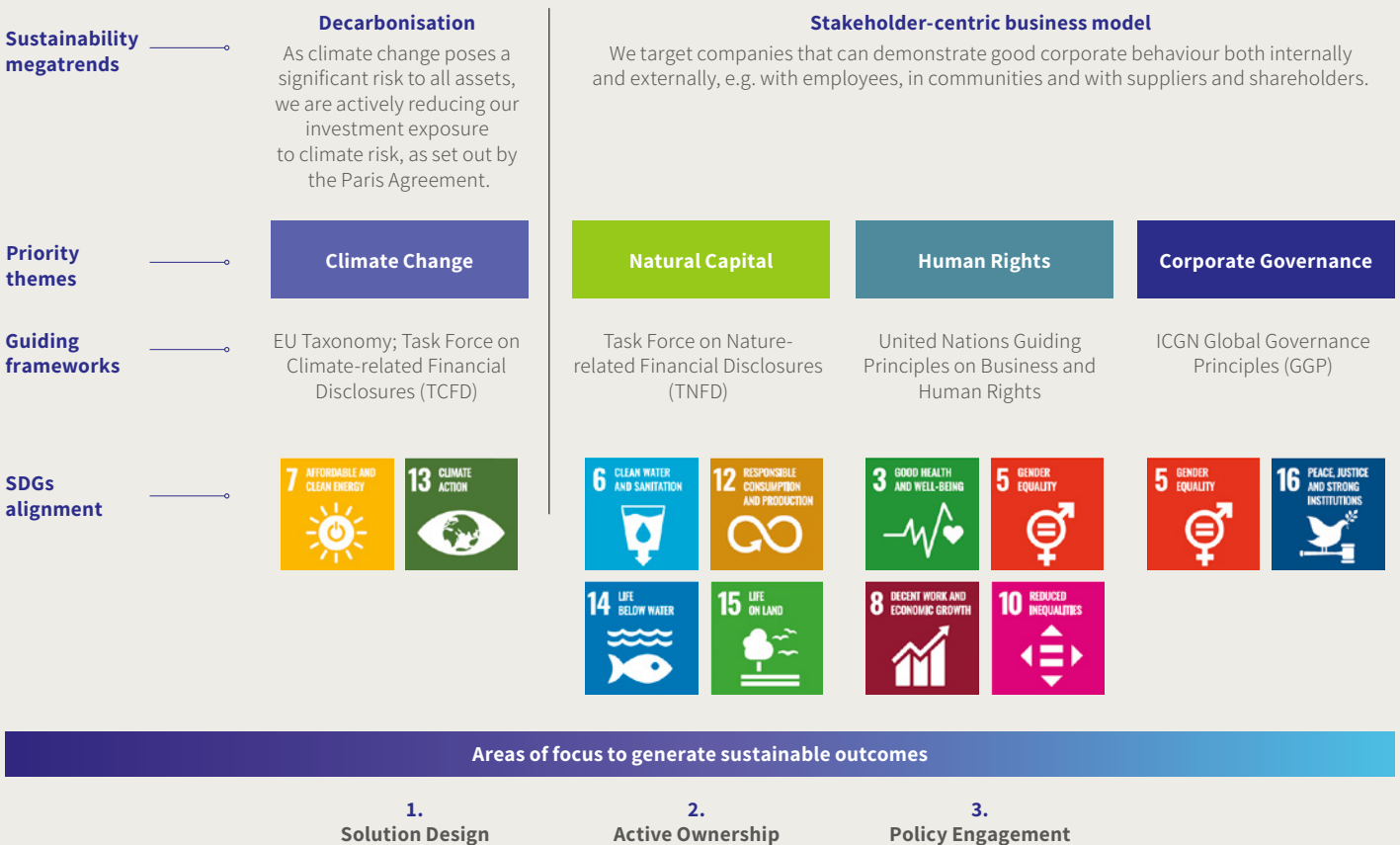
The Responsible Investment Policy applies to all assets managed by ILIM on behalf of its clients. The Responsible Investment Policy outlines:

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

ILIM has created two distinct active ownership policies to comply with the Shareholder Rights Directive II (SRDII): one for voting (our Voting Policy), and one for engagement (our Engagement Policy). These policies reflect the activities we undertake in conjunction with our partners, Institutional Shareholder Services UK Limited (“ISS”) on voting, and Glass Lewis Europe Limited (“Glass Lewis”) on engagement activities.

The current ILIM Engagement Policy can be accessed [here](#).

FIGURE 15: Responsible Investment Approach



Liquid equity and fixed income

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

1: Screening management

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

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

UN Global Compact violators: These are companies that Morningstar Sustainalytics has deemed to be in violation of the UN Global Compact. The UN Global Compact is a set of 10 principles establishing minimum requirements regarding universally accepted principles on human rights, labour, environmental protection, and anti-corruption. This is a binary violating/non-violating flag, and any company deemed by Morningstar Sustainalytics to be in violation of the UN Global compact is excluded.

Companies undergoing severe controversies: These are incidents that have a severely negative impact on the environment, society and the company itself. Severe controversies, classified as level 5 per Morningstar Sustainalytics, pose serious ongoing risks to the company, which is sometimes unable or unwilling to correct the issue or has attempted to conceal its wrongdoing or involvement. Any company deemed to be involved in a severe controversy is excluded.

Companies with involvement in controversial weapons: We have

identified certain weapon categories to be controversial due to their disproportionate and/or indiscriminate impact on civilians. These include anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions. Any company involved in the core weapon system, or components/services of the core weapon system that are considered tailor made and essential for the lethal use of the weapon, is excluded.

Tobacco: Any company that produces specified tobacco products, or with more than 10% of its revenue derived from retailing or distributing those specified tobacco products, is excluded.

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 and arctic drilling activities are excluded.

In 2023, applying ILIM's exclusions approach to an investable universe with global broad market exposure resulted in the following:

- > The prevalence of companies with a severe or high level of ESG risk⁴ was 15% lower.
- > The investable universe became 7% less carbon intensive⁵.

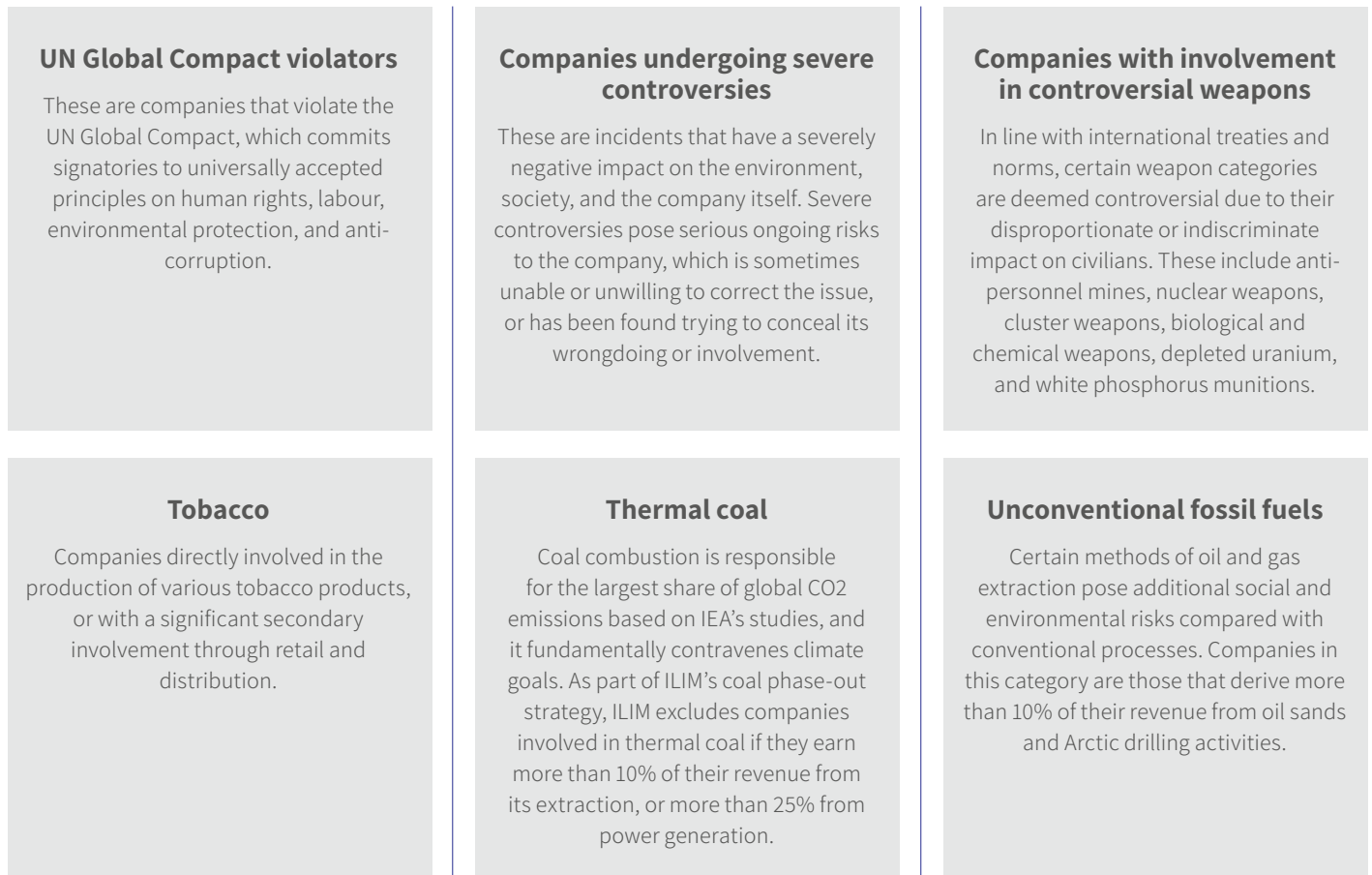
In November 2023, the application of the exclusion list resulted in the exclusion of circa 125 securities from the parent benchmark of our proprietary New World Global Equity investment solution, i.e. the Solactive GBS Global Markets Large & Mid Cap Index. These exclusions corresponded to a weight of circa 4% of the parent index.

4 Morningstar Sustainalytics defines ESG Risk Rating as the "degree to which a company's economic value is at risk driven by ESG factors, as assessed through Morningstar Sustainalytics' calculation of the company's unmanaged ESG risks. Companies are placed into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a "high risk" assessment reflects a comparable degree of unmanaged ESG risk across the research universe, whether it refers to an agriculture company, a utility or any other type of company. Companies with lower Risk Ratings scores have lower ESG risk."

5 This relates to the Weighted Average Carbon intensity (WACI) which is "a relative metric used to compare company emissions across industries". Morningstar Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per million USD of total revenue. This relates to Scope 1 and 2 emissions only.

ILIM’s exclusions policy sets the baseline for investments. Below this baseline, companies are deemed ineligible for investment due to the company’s products or behaviours causing harm, using the following categories and thresholds.

FIGURE 16: ILIM’s screening/exclusion approach



2: Investment integration

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

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.

Integrating the trend towards decarbonisation

This approach incorporates a ‘decarbonisation tilt’ that combines a range of forward and backward-looking metrics to reduce exposure to companies which score poorly on our decarbonisation metrics, and increase exposure to companies that score well on our metrics.

Given the wide-ranging scope of climate change risks and opportunities across sectors and regions, extensive qualitative and quantitative metrics are required for investment decisions. ILIM complements the backward-looking data (such as carbon intensity) with a forward-looking view (carbon risk rating). The following climate change metrics are considered in the investment process:

The Carbon Risk Rating quantifies a company’s exposure and management of material carbon matters 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:

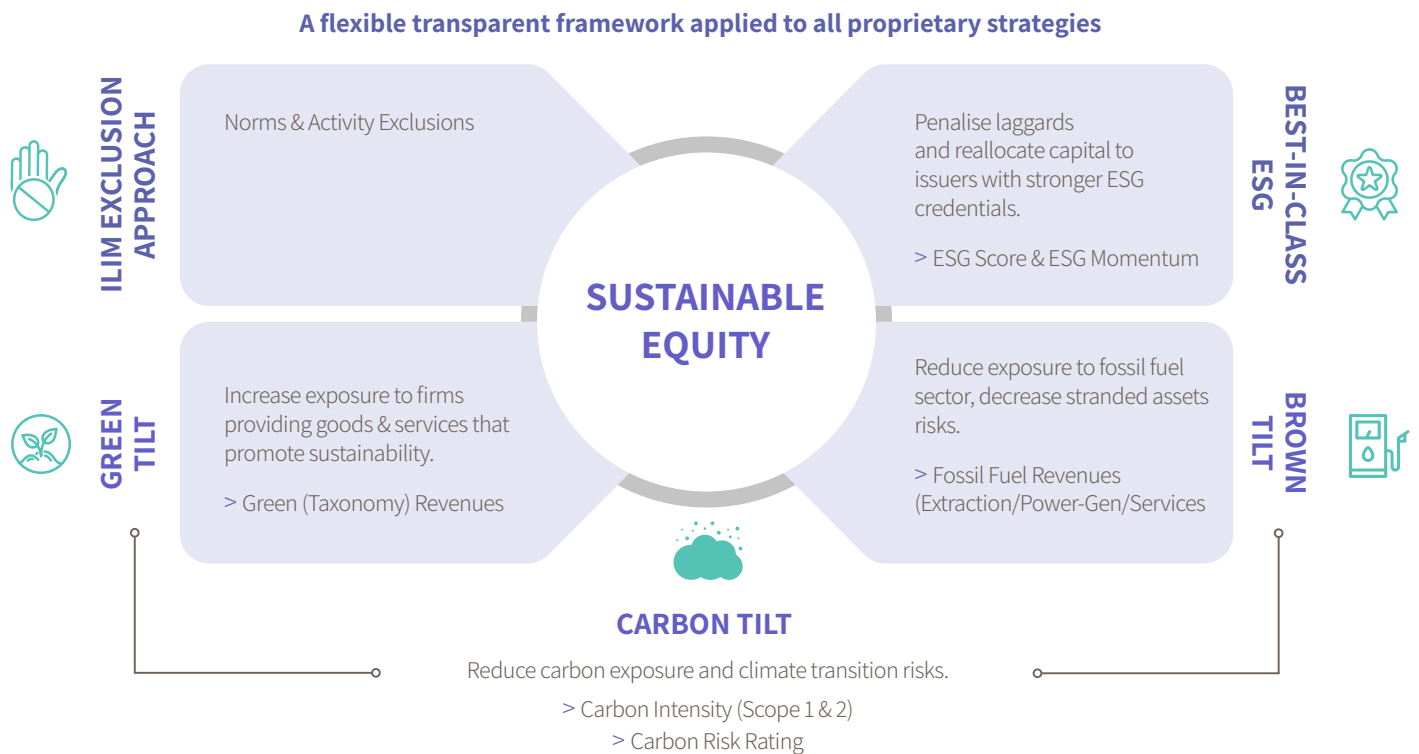
- > Energy efficiency
- > Green buildings
- > Green transportation
- > Renewable energy
- > Water
- > Pollution prevention & reduction
- > Resource efficiency technologies & services.

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 and 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 low carbon economy. The Brown Tilt component reduces exposure to companies with risks of stranded assets by underweighting companies with large fossil fuel revenues.

FIGURE 17: Proprietary ESG Integration Model



Integrating the trend towards stakeholder-centric business models

ILIM creates a proprietary ESG metric using a combination of two Morningstar Sustainability financial materiality driven ESG risk ratings, namely ESG Quality and ESG Momentum.

ESG Quality: This is an ESG risk rating adjusted for industry, country, and market value. Unlike unadjusted ESG risk ratings, this measure removes the distortions that are inherent to the rating process; namely that larger firms have the ability to gather and report more information and can thus appear more sustainable, as well as industry and country related biases. Notably, we also adjust for the distortion in scores between developed and emerging market companies. Failing to do this will result in allocating capital to developed market companies over their emerging counterparts, which has been a key flaw in global market fund construction.

ESG Momentum: This refers to the change in ESG score over a twelve-month period, controlled for industry and country effects. This is an important element of our investment process as it facilitates the flow of capital towards ESG ‘improvers’ and not just companies who score well at the present time.

We combined our adjusted and cleaned ESG Quality and ESG Momentum scores into one ESG factor which is then incorporated into our investment process through assigning more capital to companies that score well on this metric and conversely reducing capital to companies that score poorly, while also removing capital from those who score lowest based on the scoring described above.

Sustainability outcomes

A visual capture of the sustainability outcomes of our fixed income strategies (e.g., the New World Euro Corporate Bond Solution), the Equity (New World Developed Equity Solution and the New World Emerging Market Equity Solution), versus the respective broad market indices, can be seen in the graphics below. One can see the improvement in the sustainability-linked metrics which has been brought about through the integration of sustainability data in the investment approach. In particular, the focus on the trend towards decarbonisation (Carbon Risk Rating⁶, Carbon Laggard Exposure⁷, Carbon Intensity⁸, Fossil Fuel involvement⁹ and Weighted Average Green Revenues¹⁰) and toward stakeholder-centric business models (ESG Risk Ratings Score¹¹, ESG Laggards¹² and prevalence of Severe ESG Risk¹³).

6 The Carbon Risk Rating quantifies the 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. This is followed by an assessment of how much of this risk is manageable as opposed to systemic, with a final step of evaluating the degree to which management policies are already in place.

7 Exposure to companies with High and Severe Carbon Risk (Carbon Risk Rating ≥ 30).

8 Carbon intensity is a relative metric used to compare company emissions across industries. Sustainability divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per million USD of total revenue. Where reported data is insufficient, emissions may be based on proprietary estimation models, which are carried out at subindustry and peer group level for Scope 1 and 2 separately.

9 Fossil Fuel Involvement measures the percentage of revenue that companies derive from thermal coal extraction, coal-based power generation, oil & gas production, oil & gas-based power generation, and oil & gas-related products and services.

10 Weighted Average Green Revenues are calculated, using a simple weighted average to aggregate the percentage of a company’s revenues which are derived from one or more green activities across Climate Action, Human Development, Resource Security, Basic Needs, and Healthy Ecosystems pillars.

11 The ESG Risk Rating measures the degree to which a company’s economic value is at risk driven by ESG factors, as assessed through Sustainability’s calculation of the company’s unmanaged ESG risks. Companies are placed into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a “high risk” assessment reflects a comparable degree of unmanaged ESG risk across the research universe, whether it refers to an agriculture company, a utility or any other type of company. One point of risk is the same, no matter which company or which issue it applies to, and points of risk add up across issues to create overall scores. Companies with lower Risk Ratings scores have lower ESG risk.

12 Exposure to companies with High and Severe ESG Risk (ESG Risk Rating ≥ 30).

13 The prevalence of companies with high exposure to ESG issues

FIGURE 18: Sustainability outcomes – New World Euro Corporate Bond

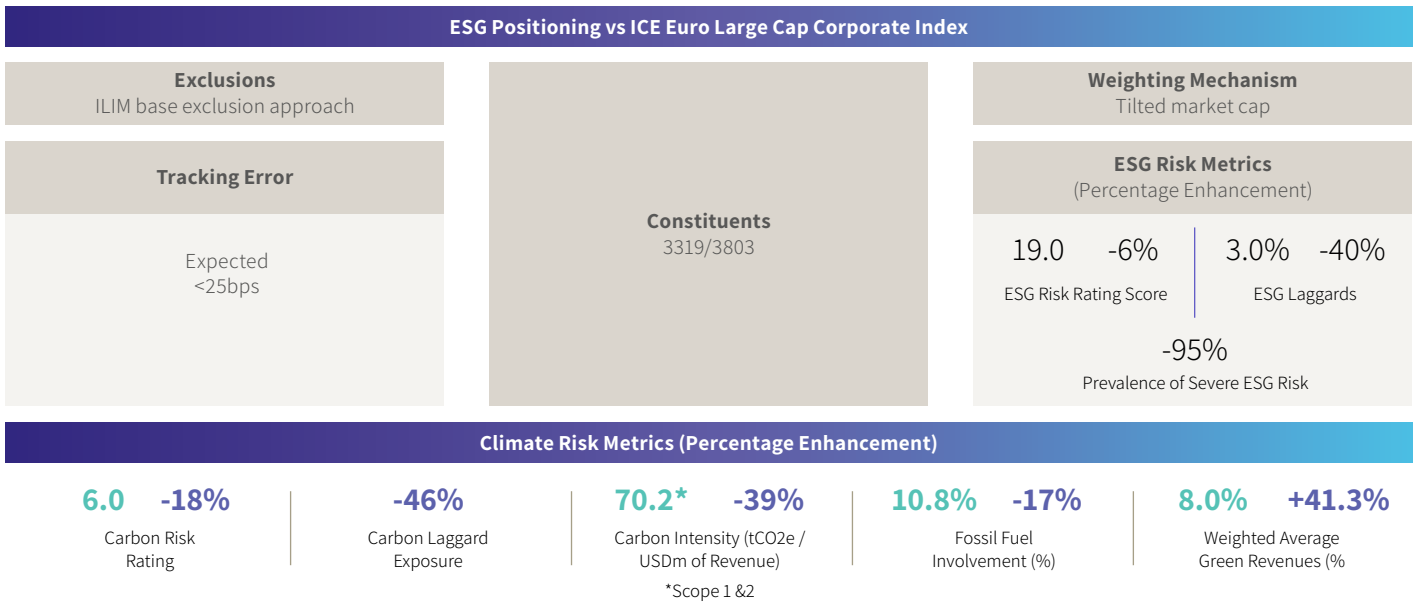


FIGURE 19: Sustainability outcomes – New World Developed Equity Solution

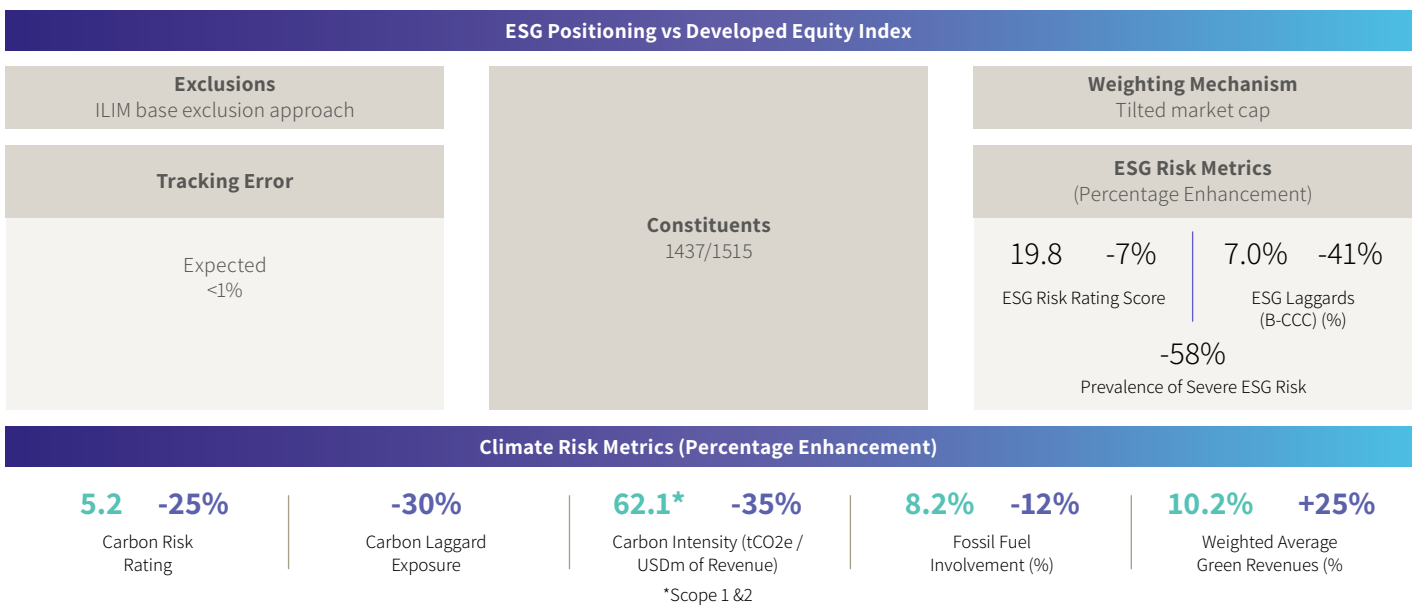
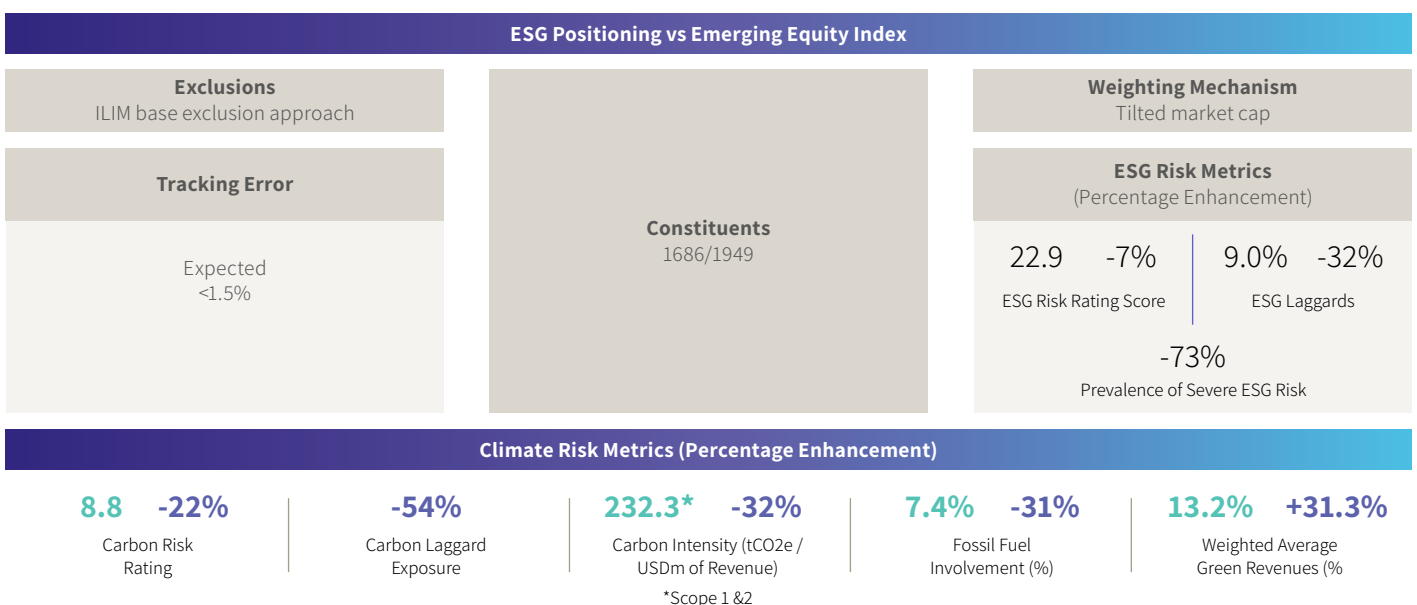


FIGURE 20: Sustainability outcomes – New World Emerging Markets Equity Solution



3: Stewardship

Stewardship and the incorporation of environmental, social and governance factors into investment decisions are complementary strategies, with the potential for each to feed into the other. This can be achieved by using insights from investment decision making to enhance engagements and vice versa.

To ensure that our clients’ holdings are aligned with their long-term net-zero ambitions, we use environmental, social and governance metrics, such as financed emissions, to prioritise climate engagements. We also use external research to assess the progress of such climate engagements. For the Climate Change and Natural Capital themes, we prioritise companies in high-impact sectors, where their dependencies and/or impacts are more material to our clients’ portfolios.

Our Responsible Investment Team also screens for Severe Controversies¹⁴, or breaches of the United Nations Global Compact (“UNGC”) principles, to maintain a list of focus companies which are monitored more closely and frequently. Engagement cases and upcoming votes for these companies are then shared and reviewed on a weekly basis at our Stewardship Team meetings.

We aim to engage with all companies in our clients’ holdings which are in breach of one of the UNGC principles, or which have a Severe Controversy¹⁴. ILIM excludes these companies from our clients’ portfolios where we have discretion to do so, but they may still be held in portfolios managed under client directed mandates.

FIGURE 21: Engagement



Our Global Proxy Voting Guidelines, described in more detail in Principle 12, are also aligned to the mega trends we use in our investment integration (the trend towards decarbonisation and the move to a more stakeholder-centric business model). ILIM’s Global Proxy Voting Guidelines incorporates our four key priority themes (climate change, natural capital, human rights, and corporate governance) and ESG matters generally. The diagram below shows how these are translated into our voting activity in order to deliver stewardship outcomes that complement our investment activities and the outcomes sought by our clients.

Where appropriate, our stewardship outcomes inform the investment decisions we make where we have discretion to do so under a client’s mandate. For example, in situations where our engagement or voting activities identify relevant matters or examples of financially material risks being poorly managed, these may be used to adjust the investment filter applied to a clients’ portfolio.

14 A severe controversy is an event which has a severe impact on the environment and society and which poses serious business risks to the company in question as determined by Morningstar Sustainalytics. Morningstar Sustainalytics assess events on a scale of 1 to 5 with 5 being categorised as “Severe”.

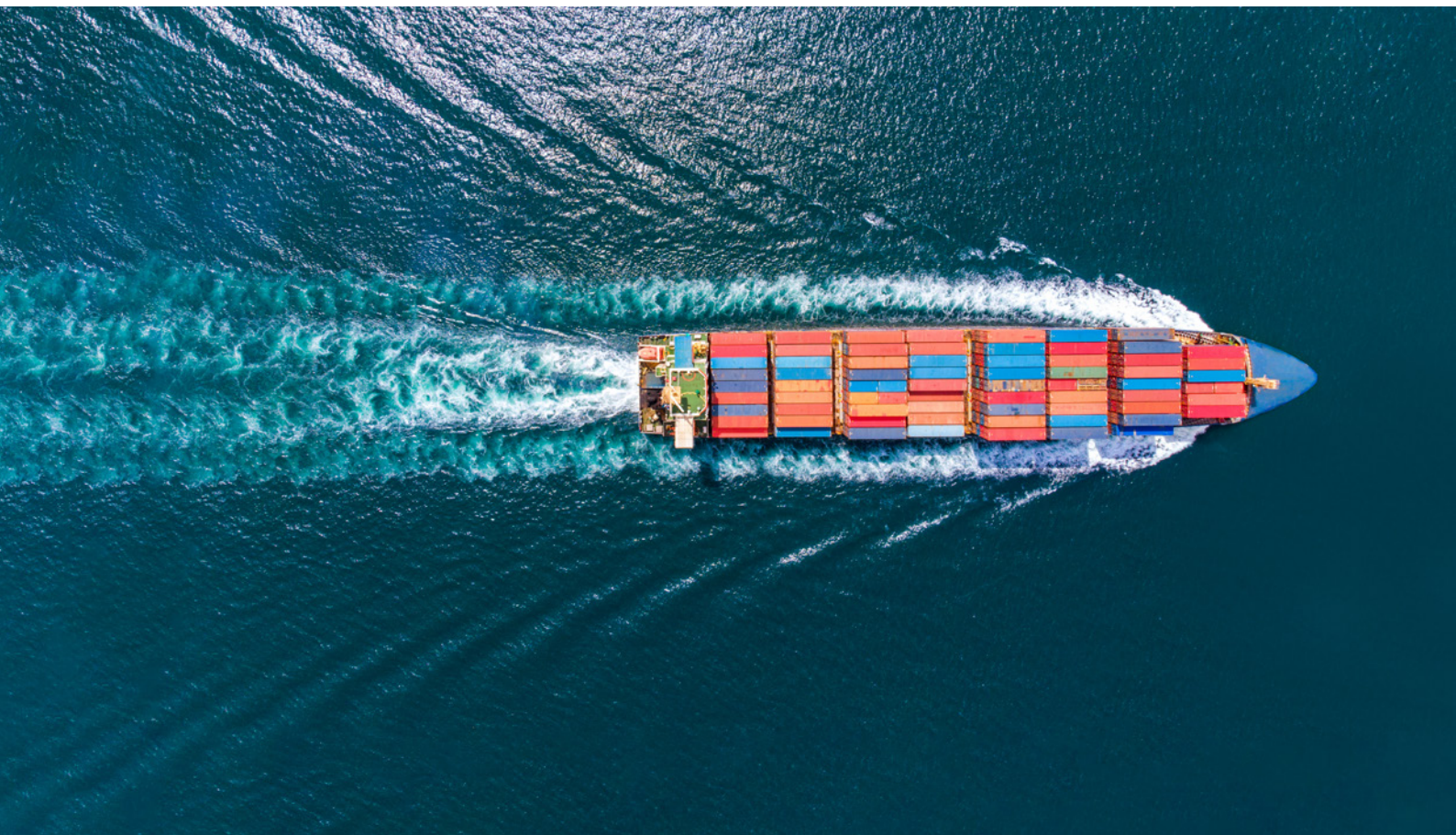
FIGURE 22: Bespoke voting policy: thematic approach

ILIM’s custom policy aligns with our Thematic Priorities to achieve higher consistency with ILIM’s Responsible Investment Strategy.



The oversight and governance of the outcomes of ILIM’s investment integration and stewardship activities is built into its management of Principle Adverse Impacts (PAIs) on sustainability factors. Full details of this oversight are provided in ILIM’s PAI Statement which is publicly available on our website [here](#).

The PAI Statement describes how metrics related to climate change, corporate governance, natural capital and human rights are monitored and used in regular reporting to committees, including the Fund Management Executive and Responsible Investment Governance Committee (“RIGC”). This regular reporting of key metrics allows ongoing oversight and governance of the outcomes delivered by the integration of sustainability factors into our investment and stewardship activities. Please see Principles 2 and 4 of this report for further details.



CASE STUDY

Defining sustainability – ILIM’s Sustainable Investment Framework

In order for a financial product to be classified as Article 9 under SFDR, a significant proportion of a financial product’s underlying investments must qualify as Sustainable Investments (as defined in SFDR). ILIM has developed a proprietary approach to identifying sustainable investments, built with the latest regulatory guidance in mind. We carried out rigorous due diligence on data obtained from Morningstar Sustainalytics, in particular data relating to PAIs and UN Sustainable Development Goals (“SDGs”) revenue data.

In order to qualify as a sustainable investment, three distinct steps all must be passed. This is known as our Sustainable Investment Framework (“SIF”). The three steps are shown below:

Steps	Environmental/Social	+	Investee Good Governance (“GG”)	+	Economic activities that contribute to E/S objectives
Key Components / Criteria	PAI Indicators		Sound Management Structure, Employee Relations, Staff Remuneration, Tax Compliance		Taxonomy aligned revenues or CAPEX, SDG aligned revenues, SBTi approved targets, Best-in class E&S performance

Our Stewardship Team plays a key role in the final determination of the securities which are designated as sustainable investments under the SIF. Where we are engaging with a company on governance related matters and the progress is ranked as ‘excellent’, such company can qualify as a sustainable investment under our SIF. Conversely, companies that pass through our SIF and which are classified as failed governance engagements, or which have an engagement on governance ranked as ‘poor’, will fail our sustainability test and cannot be classified as sustainable investment under our SIF.

During 2023, ILIM identified companies through our stewardship activities with ‘poor’ outcomes regarding governance-related issues.

We excluded a Japanese company operating in the transportation industry due to the fact the company scored poorly in the corporate governance category. More specifically, the company is lagging behind its peers in relation to board structure and remuneration practices. We have attempted to engage with the company, but the company has remained unresponsive. As a result of this, coupled with our engagement escalation policy detailed in principle 11, the decision was made to disqualify the company from being classified as a sustainable investment under the SIF.



Property

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

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

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

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

ILIM participates in the Global Real Estate Sustainability Benchmark ("GRESB"). ILIM has set specific ambitions relating to energy, water, and waste and wellbeing, 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 implemented for acquisitions, refurbishments and new developments. LEED platinum is explicitly focused on new developments. ILIM's procedures provide guidelines to reduce the exposure of its clients and their assets to risks associated with or arising from environmental problems or issues.

In 2023, ILIM was awarded green stars in all the property funds that we manage that participated in GRESB, and is the largest participant in Ireland in GRESB, managing an extensive portfolio of diversified property funds. A green star is reserved for the top 20% of over 2000 participants globally in GRESB. In addition, ILIM has achieved 5 stars in Pension, Development and Residential funds and 4 stars in property Modules fund. ILIM came first in Europe in management out of over 1,000 participants, demonstrating its leadership in sustainable property management and development.

Alternative assets

For alternative assets, sustainability factors – including climate impact related considerations – are a fundamental part of the due diligence process for investments in funds managed by external fund managers ("External Funds"). These managers, and the External Funds, are assessed against sustainability factors as part of the initial due diligence process we carry out when considering 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 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.

Outcomes: Evaluation of effectiveness of integration of stewardship and investment

ILIM's purpose is to manage the assets entrusted to us by our clients responsibly, with the objective of delivering long-term sustainable returns in line with our clients' mandates (see Principle 1). We pursue the integration of sustainability factors in our investment processes in order to help meet that purpose, where applicable.

ILIM takes action to incorporate environmental, social and governance factors within our investment and stewardship practices. Our aim is to invest our clients' assets in a way which meets our responsibility to our clients. We consciously do this across the variety of asset classes in which we invest our clients' capital and we do so in a way that evolves to developing client needs.

Recent years have seen the expansion of our 'New World' investment solutions range and, in 2023, this was augmented by the creation of our Sustainable Investment Framework, which is planned to support our Article 9 investment solutions.

Principle 8

Monitoring service providers

Signatories monitor and hold accountable managers and/or service providers.



Monitoring data providers

These providers supply data and services to our investment/fund management, risk, performance and client reporting teams.

ILIM has a robust Supplier Risk Management system outlined in the Supplier Risk Management document available on the intranet to all employees. ILIM uses Risk & Control Assessments (RCA)/due diligence throughout the lifecycle of the supplier contracts, with a contract ownership system in place for each supplier. The contract owner is responsible for overseeing the performance of the supplier, performing Risk & Control Assessments as well as service provider reviews according to a well-structured plan.

Increasing levels of regulation and demand from clients in the area of sustainability are leading to a rapid expansion of services offered by different data and research providers. ILIM operates with a philosophy of continuous improvement in what we look to offer our clients by way of investment solutions and associated reporting. In the area of sustainability, it falls to the Responsible Investment Team to maintain an awareness of products, services and data that become available through new and existing sources and to assess how best to serve our clients' interests.

Proxy Voting Advisors

Institutional Shareholder Services UK Limited ("ISS")

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. These decisions are derived from the assessment of internal and external research, data providers and our proxy voting agent.

ILIM uses ISS as its current proxy voting provider to provide advisory and proxy voting services. We use ISS's platform to vote electronically, issue meeting notifications, execute our voting decisions in line with our Global Proxy Voting Guidelines, and generate reports.

The ILIM Stewardship Team is responsible for monitoring the voting activities and reviewing the voting decisions to ensure alignment with ILIM's Global Proxy Voting Guidelines. The Stewardship Team also incorporates internal and/or external research coupled with relevant engagement outcomes to inform our voting decisions. The Stewardship Team analysts have developed a framework for reviewing the application of ILIM's Global Proxy Voting Guidelines in a subset of companies which have been internally identified as significant. In addition, the analysts also perform ad-hoc revisions of the implementation of the Global Proxy Voting Guidelines with respect to meetings whose votes are not classified as significant.

Furthermore, the Stewardship Team periodically revisits proxy advisor services, such as research reports and their timeliness, custom voting policy automation, client services and operations to ensure these meet industry best standards. Our services agreement with ISS is reviewed annually by ILIM's Responsible Investment Governance Committee (RIGC), which is responsible for the governance and oversight of ILIM's Responsible Investment Policy. This review includes adherence to ILIM's Global Proxy Voting Guidelines. Through ILIM's monitoring of the voting recommendations and votes during the year, it was discovered there were some instances of inconsistent application of ILIM's voting policy identified during 2023. The Stewardship Team identified the inconsistencies and worked with ISS to mitigate future occurrences of this nature.

In addition to proxy advisory services, ILIM uses ISS as our data provider for specific climate-related data categories. ILIM incorporates ISS's climate-related data for the purpose of driving specific vote recommendations. The use of this data assists the Stewardship Team in identifying companies with specific climate-related issues in order to make more informed voting decisions.

Engagement service providers

Morningstar Sustainalytics

ILIM's engagement programme is comprised of direct and collaborative engagements. For collaborative engagements, ILIM uses Morningstar Sustainalytics as an external engagement service provider with a focus on corporate engagements aligned to our priority themes and targeting companies that are part of the listed equity and corporate fixed income holdings of our clients. ILIM has joined two of Morningstar Sustainalytics collaborative engagement workstreams, namely, the Thematic Engagement and the Global Standards Engagement (for more details on the themes please refer to Principle 10).

ILIM's participation in the engagement initiatives led by Morningstar Sustainalytics includes input into engagement structuring, joining preparatory and engagement calls held with investee companies, participating in roundtables and signing investor letters to support the engagements.

For each collaborative engagement theme, the selection of objectives, KPIs and target companies includes consultation and feedback from investor participants. ILIM actively participates in the engagement programme development stage when new engagement themes are launched, providing suggestions on the prioritisation of issuers to be engaged and giving feedback on engagement objectives and KPIs, as well as how to align the engagements with relevant industry frameworks.

All new potential collaborative engagements are assessed internally by ILIM through the assessment of a set of criteria described in Principle 10.

ILIM uses the Morningstar Sustainalytics Global Access platform to obtain information for each engagement with investee companies. This platform also helps us to monitor the progress of the objectives and KPIs, to review notes uploaded by the Morningstar Sustainalytics analysts and to get notifications for any changes or upcoming calls. ILIM also uses the platform to access information regarding a company's rating on different sustainability issues, peer analysis information, or to access information regarding potential controversies.

Glass Lewis Europe Limited ("Glass Lewis")

ILIM currently uses Glass Lewis as an engagement service provider as part of our direct engagement programme. This is a bespoke solution in which the engagement universe and the engagement themes are defined by ILIM in line with the priority themes that guide ILIM's responsible investment framework.

ILIM oversees the engagement selection process and identifies the companies to be added to the direct engagement programme. The identification process is based on ILIM's priorities and its voting outcomes. Glass Lewis also supports the Stewardship Team by providing additional research, in order to facilitate ILIM in the identification of companies for the initiation of an engagement.

ILIM uses Glass Lewis' services to assist initially with operational issues, such as initial communication with the engaged company and organising the engagement call. In further stages, Glass Lewis provides additional research on the engagement topic and the construction of the agenda. During the engagement calls, ILIM uses internal research as well as research provided from Glass Lewis to discuss the relevant topics with the engaged companies.

The services provided by Glass Lewis are coordinated by ILIM's Stewardship Team and directed towards more active engagement dialogues with investee companies. This partnership provides additional research support to ILIM's Stewardship Team, enabling ILIM to conduct engagement meetings with a broader number of investee companies and have more in-depth engagement dialogues.

ESGAIA

In 2023, ILIM onboarded ESGAIA, an online platform for investment stewardship data management provided by Esgaia AB. The ESGAIA platform allows us to monitor and track engagements through the full life cycle of the engagement and provide an aggregate view of our engagement activities. ILIM has customised the platform which now integrates all our voting and engagement activities in a centralised online platform that improves tracking, reporting and alignment across our voting and engagement activities. The Stewardship Team is responsible for updating the platform and monitoring that all the data is accurate and up to date. The Stewardship Team has regular communication with ESGAIA in order to provide feedback regarding the functionality of the platform and the accuracy of the information displayed.



Sustainability Data

Morningstar Sustainalytics

Morningstar Sustainalytics is our primary sustainability data provider. Morningstar Sustainalytics' data is used in the integration of sustainability considerations in our Article 8 product range as explained in Principle 7. The sustainability data from Morningstar Sustainalytics is also used for our screening of stocks for their appropriateness to particular investment strategies, mentioned in Principles 4 and 7.

ILIM's Responsible Investment Team has established a monthly dialogue with Morningstar Sustainalytics, which provides us with the opportunity to communicate any developments or issues with respect to the data we receive from them, while our Investment Risk and Quantitative Investment Teams regularly correspond with Morningstar Sustainalytics on the topic of data quality.

Real estate service provider analysis

The ILIM Property Management Team has developed an Environmental Management System ("EMS") to manage sustainability impacts, risk and opportunities of our clients' property portfolios. The EMS also aims to improve resilience and performance in our clients' portfolios and assets. The EMS covers all aspects of the direct real estate investment management life cycle for all real estate assets.

ILIM is committed to delivering strong financial returns for our clients while, where instructed by the client, simultaneously striving to deliver sustainable performance at both the asset and portfolio level. The role of our property managers to support implementation of our plans is therefore essential. As such, we have established a series of sustainability requirements. An assessment of real estate managers and service providers is made using KPIs. The KPIs are reviewed on an annual basis by the ILIM Property Management Team, with input from independent third parties if necessary.

Some of the KPIs which are assessed are as follows:

Monitoring, measurement & reporting

- > Sustainability data reported in line with quarterly timescales

Controls

- > Property, Building Management and Facilities Management teams are informed about sustainability plans for assets and receive appropriate in-house sustainability training and support.

Environmental impact performance (energy, GHG emissions, water, waste)

- > Energy reduction goal (like-for-like portfolio). Normalisation will be completed to consider occupancy changes and external weather

Supply chain

- > Renewable electricity purchased or generated

Stakeholder engagement

- > Sustainability incorporated as standard agenda item at tenant meetings /tenant engagement opportunities.

Improvement programmes

- > Implementation of asset-level improvement initiatives – improvements relating to health and wellbeing, biodiversity, climate resilience, alternative transportation incl. EV chargers (as agreed by asset manager).

Outcomes: Evaluation of effectiveness of monitoring service providers

ILIM has developed and harnessed an ecosystem of external service providers. We have worked with these service providers to customise their products and services to better suit our requirements, allowing us to implement our bespoke voting and engagement practices. ILIM works closely with our chosen service providers to assist us in the integration of data into our investment processes and to help monitor, control and execute our stewardship activities. It is worth noting that the external services added to support our stewardship activities are not off-the-shelf products nor passive solutions. Where appropriate, ILIM goes beyond the off-the-shelf solutions offered by services providers, instead opting for more customised solutions tailored to ILIM's specific requirements.

We believe we have delivered proportionate and effective oversight of our service providers during 2023. We continue to monitor these services and implement improvements, if necessary, with a view to enhancing customer outcomes and the transparency of our reporting.

Principle 9

Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Context

Engagement is a key component of ILIM's approach to the responsible investment and stewardship of our clients' assets. The outcomes of these engagements are important as they are used to inform investment decisions on our proprietary solutions. In pursuit of responsible investment, ILIM 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 megatrends that we use to drive our responsible investment activities; decarbonisation and a trend to a more stakeholder-centric business model. Within these megatrends, we have identified four priority themes: climate change, natural capital, human rights and corporate governance which guides our engagement prioritisation and actions.

Engagement approach

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

When it comes to direct engagement, ILIM conducts its own direct outreach, based on analysis conducted by ILIM's Stewardship Team. In addition, ILIM also conducts direct engagements with the support of our direct engagement partner Glass Lewis¹⁶.

Voting-driven engagements and engagements with Irish companies are prioritised via ILIM's own direct outreach. This is because these engagements are intrinsically linked to ILIM's Global Proxy Voting Guidelines and because of ILIM's influence in the local market. 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 and collaborative engagements.

In certain instances, we believe that acting collectively with other investors and industry bodies is the most effective approach to having a meaningful impact¹⁷. For instance, on the topic of decarbonisation, ILIM conducts direct engagement with investee companies across a number of sectors, including oil and gas and power generation utilities, with a good response rate given the rising relevance of the topic in the industry. For engagements on the topic of forced labour, ILIM engages on a collaborative basis with investee companies in the manufacturing and construction sectors, as these companies are better disposed to respond to this sensitive topic when approached by a group of investors collectively.

Engagement process

Prioritisation

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, climate for oil and gas and power generation utilities companies.

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

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

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

Climate Change:

- > Companies with the largest share of carbon emissions across our clients' portfolios.
- > Companies where ILIM voted against management advisory resolutions on energy transition plans and where the management advisory resolutions received the lowest levels of support from shareholders.
- > Companies with operations or financing in areas of the world that are highly exposed to extreme weather events or where the company does not have a strategy in place to manage physical climate risks.

Natural Capital:

- > Companies with operations in a sector that has a substantial impact on the natural environment.
- > Companies that have faced allegations of contributing to biodiversity loss.
- > Companies with operations in a water-intensive sector or water-stressed region.
- > Companies with operations in a sector which generates a large volume of products and packaging.

Human Rights:

- > Companies that have faced allegations of using forced labour in their supply chain.
- > Companies that source products and materials from countries where labour standards infringements have been reported.
- > Companies where ILIM supported resolutions on the topics of racial equity or civil rights audits and lobbying disclosure, and where the resolutions received majority or near-majority support from shareholders.

Corporate Governance:

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

¹⁶ ILIM's relationship and monitoring of service providers is further described in Principle 8.

¹⁷ ILIM's participation in collaborative engagements is described in Principle 10.

Set objectives

ILIM uses constructive dialogue to explain its expectations and encourage companies to improve their practices and behaviours in the relevant area. In setting the engagement objectives, ILIM will carefully consider how the engagement can positively impact the long-term sustainable outcomes for its clients, by seeking to address specific matters in the businesses of our investee companies. The engagement objective for each company will vary depending on the ESG topic that we have identified and are seeking to address. ILIM utilises a variety of key performance indicators (KPIs) depending on the type of engagement and topic. These KPIs can be binary, qualitative or quantitative in nature. Some examples of KPIs that we look for in our investee companies across ILIM's four priority themes are:

Climate Change:

- > Governance with clear board oversight of climate change and executive remuneration incorporating climate elements.
- > A published ambition for net-zero greenhouse gas emissions ("GHG") by 2050 or sooner.
- > Long-term, medium-term, and short-term GHG reduction goals aligned with 1.5°C.
- > A climate policy aligned with the Paris Agreement and fully disclosed.
- > Identification and disclosure of physical climate risks.
- > Implementation of measures to reduce exposure to physical impacts of climate change.

Human Rights:

- > Implementation of systems such as internal and external auditing to protect human rights.
- > Implementation of social requirements for suppliers addressing the main relevant issues in a particular sector.
- > A public report on third-party independent civil rights or a racial equity audit outlining actions to remediate identified issues.
- > The alignment of lobbying and political contribution disclosures with the CPA-Wharton Zicklin Index.
- > An appropriate response by the board with regard to resolutions on lobbying and political contributions that have received substantial shareholder support but have not been adopted.

Natural Capital:

- > Implementation of measures to integrate biodiversity in the management of operations.
- > Disclosure of quantitative results in relation to biodiversity indicators.
- > A formalised goal with regard to biodiversity, water and waste management.
- > Quantified goals with regard to water emissions and/or water consumption.
- > Quantified goals with regard to limiting impacts from the use and disposal of the company's products.

Corporate Governance:

- > A commitment to specific policies and goals regarding increasing diversity within the company.
- > Enhanced disclosures regarding diversity data for the company's workforce.
- > An anti-corruption policy.
- > Implementing anti-corruption systems including actions such as formal training programmes on corruption prevention for relevant employees.

Assessment and monitoring

Engagement is a long-term process of constructive dialogue. To monitor progress over time, all ILIM's engagements are recorded in ESGAIA¹⁸. For qualitative objectives, ILIM has set up a standardised milestone system in ESGAIA to track the progress of each engagement. The milestones monitor the timeframe to establish an engagement dialogue, the commitment shown by the investee to address the issue raised with them, the development of a strategy, and the stages of strategy implementation. With this approach, the Stewardship Team has strong oversight on each engagement from the moment of the initial communication up to the final stages of the engagement.

As part of the stewardship review process, ILIM's Stewardship Team conducts twice-weekly meetings to review upcoming voting actions and engagement meetings. Each analyst within the Stewardship Team is assigned a focus list of companies for which they oversee stewardship-related activities. The criteria considered by each analyst when prioritising their focus list includes top holdings, percentage of financed emissions, thematic priorities, geographical priorities, ongoing direct engagements and active collaborations.

18 ILIM's relationship and monitoring of service providers is further described in Principle 8.

Engagements in 2023

ILIM conducted 144 direct engagement activities with investee companies during 2023 (as well as 198 collaborative engagements which are detailed in Principle 10) on the following topics:

Category	Priority Theme	Topic
Environmental	Climate Change	Net Zero, Say-on-Climate, Transition Risks, Physical Risks, Environmental Disclosures (Climate)
	Natural Capital	Biodiversity, Water, Waste Management, Environmental Disclosures (Water/Forests)
Social	Human Rights	Human Rights, Supply Chain/ Modern Slavery, Racial Equity/Civil Rights Audits, Lobbying Disclosure/ Political Spending
Governance	Corporate Governance	Diversity, Anti-discrimination, Anti-corruption, ESG Risk, Executive Remuneration

These engagement activities are tracked and reported across the four broad priority themes: Climate Change, Natural Capital, Human Rights, and Corporate Governance.

50% of the direct engagements conducted in 2023 were in the environmental pillar, which comprises both priority themes of Climate Change (38%) and Natural Capital (12%), with the remaining 50% split between the social (28%) and governance (22%) pillars.

The largest share of engagement activities in 2023 were with companies based in North America (c.41%) followed by UK & Ireland (c.20%), Asia (c.17%), Europe (c.15%), Oceania (c.4%), Middle East & Africa (c.2%) and South America (c.1%).

Our engagement approach involves different forms of communication with investee companies, including calls, in-person meetings and written communications.

Our engagement activities in 2023 comprised 48 meetings with companies and 95 written communications. Regarding the engagement meetings in 2023, 10 were with CEOs, CFOs and other executive directors, one was with the chairperson and other non-executive directors, and the remaining meetings were with representatives from departments within the relevant company such as Investor Relations, Human Resources and Operations.

Of these engagement meetings, 65% discussed climate change, 8% natural capital, 21% human rights, and 6% corporate governance. In some cases, engagements with a particular company may cover more than one of the four priority themes and the written communications include requests for meetings.

FIGURE 23: 2023 Engagements by topic

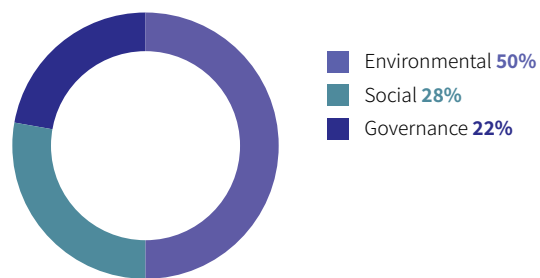


FIGURE 24: 2023 Engagements by priority theme

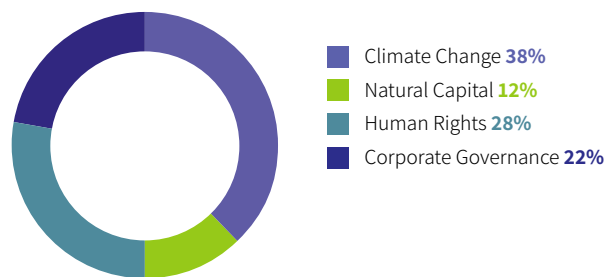


FIGURE 25: 2023 Engagement communications

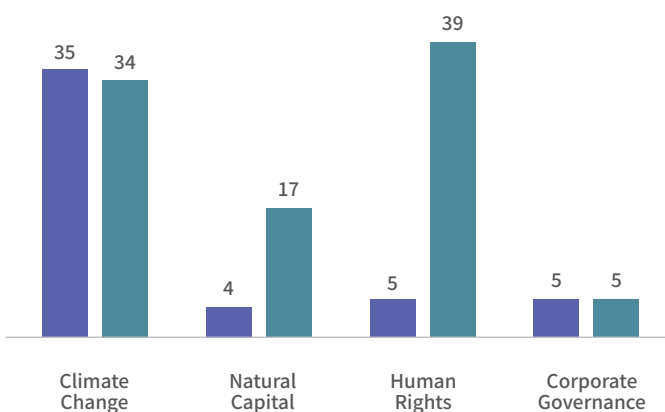
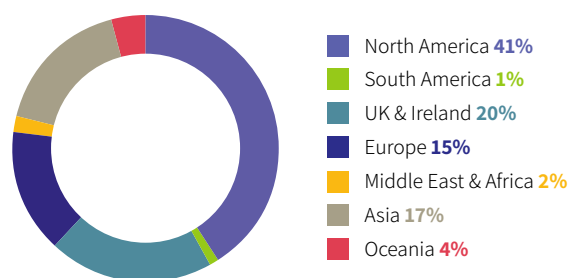


FIGURE 26: 2023 Engagements by geography



Outcomes: Evaluation of effectiveness of engagement activity

ILIM strongly believes in the value of engagement with investee companies in a way that helps to generate long-term value for our clients. The Stewardship Team is responsible for overseeing the engagement process with investee companies and identifying new opportunities and engagement themes, in line with our thematic priorities.

As outlined earlier, engagement is a long-term process of ongoing constructive dialogues in order to encourage investee companies to improve their practices on specific issues. We assess the progress of the engagements depending on the stage that each company has reached on their sustainability journey. For instance, for companies in the early stages of their journey, we focus on explaining our expectations and raising our concerns. For companies in more developed stages in the engagement process, where they have acknowledged the matter, we assess whether they have developed a credible strategy that meets the engagement objective, and/or if they have implemented a strategy sufficient to address our concerns. Once a company has successfully amended their practices and/or has implemented new strategies, the Stewardship Team will review the overall progress and, if all the milestones and objectives are met, they will close the engagement.

Recognising that some engagements will not result in optimal outcomes despite the engagement efforts, ILIM has developed a procedure for escalating these engagements which is further described in Principle 11.

Below are selected examples of engagements that ILIM has conducted during 2023.

These case studies, together with the engagement examples provided under Principles 3 (Conflicts of Interest), 10 (Collaborative Engagement), 11 (Escalation) and 12 (Exercising Rights), are a representative sample of the engagements conducted by ILIM during 2023.

CLIMATE CHANGE

CASE STUDY Mincon Group Plc

This case is an example of an engagement in the local market, and how the influence of a local investor can drive positive change. It is also an example of how direct and collaborative engagements were consistently combined to produce the desired outcomes.

Country: Ireland

Industry: Machinery

Engagement Topic: Climate Change

Engagement objective: For the company to disclose to the CDP Climate questionnaire

Rationale for the engagement

Mincon Group Plc ("Mincon") is an Irish company specialising in the design, development, manufacture and service of hard-rock drilling solutions for applications. The company was selected for engagement as part of ILIM's direct outreach with Irish companies on the topic of environmental disclosures. The engagement objective was for the company to disclose to the CDP Climate questionnaire since we believed this would de-risk the business's future operations.

Details of engagement

As part of the engagement with Mincon in 2023, ILIM conducted one virtual meeting with the company's Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), attended the company's AGM, and participated in a site visit in the company's factory in Shannon, Ireland. Later in the year, ILIM led a collaborative engagement with Mincon as part of the 2023 cycle of the CDP Non-Disclosure campaign, representing the investor group.

Outcomes and next steps

As a result of the engagement, Mincon disclosed to the CDP Climate questionnaire for the first time in 2023. This is the first time that Mincon has disclosed to any of the CDP questionnaires or considered the global disclosure system for both investors and companies to manage their environmental impacts. We consider the CPD questionnaire to be one of the main standards for corporate environmental reporting. As a first-year submission, the company has disclosed to the non-scored version of the questionnaire. ILIM intends to continue the engagement with Mincon and encourage it to fully meet the engagement objective by seeking further progress on this topic and by disclosing to the scored version of the questionnaire in the next reporting cycle.

NATURAL CAPITAL

CASE STUDY

ITO EN

This case is an example of an ongoing engagement in which it is possible to see clear progress in terms of the actions the company is taking to fulfil the engagement objective.

Country: Japan

Industry: Food Products

Engagement Topic: Biodiversity

Engagement objective: For the company to enhance its implementation of measures to integrate biodiversity into the management of its operations.

Rationale for engagement

ITO EN is a Japanese multinational company that manufactures and sells green tea beverages in Japan and internationally. Given the nature of ITO EN's business as a producer of green tea and other beverages and its potential impacts on nature and more specifically on the issue of biodiversity through topics such as water management, we feel it is important that ITO EN takes the necessary measures to prevent biodiversity loss, which we have identified as a financially material risk to ITO EN, and discloses the relevant information.

Details of engagement

ILIM conducted engagement with ITO EN in 2022¹⁹ and continued this dialogue in 2023. A virtual engagement meeting was held with ITO EN's Director/Head of Administration Headquarters, Deputy Head of Administration Headquarters, and Director of ESG Promotion Department. In early 2023, the company reviewed its Group Policy on Biodiversity Conservation, committing to prioritise procurement, production, and transportation methods that consider biodiversity. ITO EN has now conducted an analysis of its nature-related risks and dependencies, with the result that it has prioritised four areas which it will consider for a more in-depth assessment. ITO EN also finalised its water stress survey, which was ongoing when engagement with ITO EN was conducted in 2022. Furthermore, in 2023 ITO EN started to disclose to the biodiversity-related questions from CDP.

Outcomes and next steps

From 2022 to 2023, it was possible to see progress in ITO EN activities which related to the engagement objective, with many actions that were at initial stage now concluded, such as the preliminary nature-related risk assessment and water stress survey, as well as a revised biodiversity policy. Going forward, for the engagement objective to be concluded, the ask is for ITO EN to disclose an action plan based on the recently conducted assessments of its nature-related risks and dependencies including how it aims to address the identified impacts, including the use of quantified targets.



19 Reported as part of ILIM's 2022 Responsible Investment Review.

HUMAN RIGHTS

CASE STUDY

American Water Works (AWK)

This case is an example of an engagement linked to our voting activities on the topic of racial equity that has involved multiple interactions with the company.

Country: United States of America

Industry: Water Utilities

Engagement Topic: Report on Independent Third-Party Racial Equity Impacts Audit

Engagement objective: For the company to carry out and publish an independent third-party racial equity audit on the adverse impacts of its business on non-white stakeholders and communities of colour and to manage related risks or to have an appropriate response to the shareholder proposal on this topic.

Rationale for engagement

AWK is a US public water utility company, the largest regulated water and wastewater company in the American market. Racial inequality is a significant systemic risk, and AWK has racial justice controversies relating to its plans to build a desalination plant in Marina, California. The town, where there are many low-income residents, was not to receive water from the plant as the town pumps its own water. This led to protracted negotiations between AWK and the town of Marina with complicated and significant environmental justice implications. ILIM supported a shareholder resolution in 2022 requesting AWK to oversee and publish a report on a third-party audit of the racial impacts of its policies, practices, products and services. The resolution received near-majority support, with 47.1% of shareholders voting in favour. For this reason, ILIM decided to engage with the company to encourage the implementation of the resolution.

Details of engagement

ILIM has exchanged a number of written communications and has held three direct engagement calls with AWK to discuss the publication of a racial equity audit and other topics related to environmental disclosure. ILIM also supported the re-filing of the racial equity resolution in 2023, which received 39.1% support from shareholders. AWK has been responsive to the engagement efforts and cooperative but has stated it has no intentions of carrying out a third-party racial equity audit due to the company's strict government oversight regarding its practices and its impact on communities. In addition, it has argued that, because it is subject to consumer complaint mechanisms whereby consumers are able to raise complaints about service, provisions and other issues to authorities, it has greater accountability when compared to other publicly traded companies.

Outcomes and next steps

Despite AWK's opposition to a racial equity audit, ILIM has continued to engage with it to ensure that it is taking all the necessary steps to address racial equity-related matters. Positive developments from AWK include implementing comprehensive, best-practice DEI disclosures and programmes, as well as considering environmental justice matters when making new facility siting decisions. This is a positive action to address negative racial equity impacts.

ILIM will continue seeking a dialogue with AWK to encourage actions to improve overall female and ethnic diversity, and its continued progress in ESG risk reduction.



HUMAN RIGHTS

CASE STUDY

AT&T

This case is an example of an engagement linked to our voting activities on the topic of lobbying transparency where the objectives have been achieved successfully.

Country: United States of America

Industry: Telecommunication Services

Engagement Topic: Report on Congruence of Political Spending with Company Values and Priorities

Engagement objective: For AT&T to publish the aforementioned report given the near-majority support of the shareholder resolution in 2022.

Rationale for engagement

AT&T is an American multinational telecommunications company, the fourth largest in the world by revenue, and the largest wireless carrier in the US. In 2022, ILIM supported a shareholder resolution requesting AT&T to publish a report analysing the congruence of the company's political and electioneering expenditures during the preceding year against publicly stated company values and policies ("Report on Congruence of Political Spending with Company Values and Priorities" or "Political Values Congruence Report"). The Political Values Congruence Report should list and explain any instances of incongruent expenditures, and state whether AT&T has made, or plans to make, any changes in contributions or communications to political candidates as a result of identified incongruities. The proponent of the resolution argued that AT&T has made political expenditures that appear to be misaligned with company values on societal issues such as environmental sustainability, particularly through membership of trade associations that have lobbied against climate regulations. The resolution received substantial support, with 44.1% of shareholders voting in favour. ILIM launched an engagement with the company to encourage the publication of the Political Values Congruence Report.

Details of the engagement

ILIM has had a number of communications with AT&T, including an engagement call to discuss the potential publication of the Political Values Congruence Report. Initially, AT&T expressed no plans to release such a report on the basis that it deemed political values as subjective and preferred not to comment on issues that did not relate directly to its business. However, AT&T mentioned that it had gained considerable learnings since the resolution was filed and accepted that its participation in the political process should be more transparent. Political priorities are now a new part of the company's disclosures. AT&T also commented on its process for working with trade associations where the company spotted misalignments in their positions. AT&T specifically mentioned a case where it had been working with the US Chamber of Commerce to improve its positions on climate change.

Outcomes and next steps

AT&T has made considerable progress in its disclosure of political expenditures and is now ranked among the *Trendsetters* category in the Center for Political Accountability (CPA)-Zicklin Index of Corporate Political Disclosure and Accountability, with a perfect score of 100 as of 2023. Another resolution requesting a Political Values Congruence Report was re-submitted ahead of the 2023 AGM. The filer, As You Sow, an American NGO, withdrew the resolution as AT&T committed to publish a report in line with the resolution's requests. Finally, in December 2023, AT&T published its Political Values Congruence Report, one of the first of its kind and a success for stewardship-focussed investors and active-owner shareholders. The publication of the Political Values Congruence Report is a positive first step towards increased transparency of political contributions from AT&T. However, there are still some areas that could be improved, particularly AT&T's narrow focus with regards to supporting sustainability legislation. This only applies to connectivity-related climate solutions and climate modelling and does not apply to the decarbonisation of the wider economy. ILIM will continue a productive engagement with AT&T to encourage full alignment of its climate positions and its political expenditures.



CORPORATE GOVERNANCE

CASE STUDY

FBD Holdings Plc

This case is an example of a direct engagement outreach targeting companies that have not met the gender board diversity thresholds, according to local market practices. It is also an example of engagement outcomes informing voting decisions.

Country: Ireland

Industry: Diversified Insurance Services

Engagement Topic: Board Gender Diversity

Engagement objective: Enhance gender diversity at board level

Rationale for the engagement

ILIM initiated a direct engagement with FBD Holdings (“FBD”) because the gender diversity at board level was below the 33% threshold in Ireland. ILIM contacted FBD and highlighted the under-representation of women on its board of directors and in executive positions.

Details of engagement

After participating in engagement meetings, FBD explained its plans to increase the representation of women on its board of directors by the end of 2023. ILIM met again with FBD before the 2023 AGM, and they shared further information regarding the recruitment process, and the consideration of different candidates. In addition, we discussed diversity in the wider workforce, the different diversity, equity and inclusion initiatives that FBD is participating in and the policies that it has in place.

Outcomes and next steps

FBD increased gender board diversity by the end of 2023 bringing the percentage of women on FBD’s board of directors is now 36%, which is above the Irish market best practice and above the minimum requirement of ILIM’s voting guidelines. Our Global Proxy Voting Guidelines stipulate that we will vote against the Chair of the Nomination Committee if the board gender diversity is insufficient (depending on market practices and local regulations). In Ireland, this threshold is 33%. Since the gender diversity increased after the AGM, and since FBD had immediate plans to address the issue, we decided to override our Global Proxy Voting Guidelines and support the election of the Nomination Committee Chair.

ILIM will continue to seek an active dialogue with FBD regarding the topic of DEI, and its progress towards its goals and commitments.



CORPORATE GOVERNANCE

CASE STUDY

Irish Residential Properties REIT

This case is an example of an engagement conducted with an investee company and different stakeholders as part of a series of proxy contests. It is also an example of engagement outcomes informing voting decisions.

Country: Ireland

Industry: Real Estate

Engagement Topic: Director Elections

Engagement objective: Maintain an appropriate structure of the board of directors and its independence, so as to enable it to serve in the shareholders' best interest.

Rationale for the engagement

ILIM participated in a series of engagements with Irish Residential Properties REIT ("IRES") and different stakeholders as part of a series of proxy contests that IRES faced during 2023 and the beginning of 2024. These resolutions were put forward by Vision Capital which owned around 5% of the issued share capital of IRES. ILIM's engagements covered topics such as the structure of the board of directors and IRES' performance versus the broader macroeconomic and real estate sector.

Details of engagement

During May 2023, Vision Capital issued an open letter, asking IRES' shareholders to vote against the re-election of four directors (two non-independent directors, the Board Chair and the CFO). They also asked for shareholders to oppose the remuneration report and the request for non-pre-emptive share issuances. ILIM had engagement calls with different board members, raising the matter of the independence of the Chair of the Board, the remuneration structure and company performance. ILIM also participated in consultation on IRES' executive remuneration plan and provided feedback to IRES on changes to its structure.

Outcomes and next steps

This engagement, with the different parties involved in the open letter in 2023, helped inform our voting decisions by enabling us to take into consideration different factors, most importantly the IRES' performance and the protection of our clients' rights as shareholders. Early in 2024, Vision Capital called for an EGM where they proposed five alternative directors to replace five of the nine incumbent directors. ILIM engaged with IRES again on a number of occasions and also engaged with Vision Capital in order to gain a full understanding of their approach, all of which resulted in ILIM voting in favour of the incumbent directors in order to protect value for our clients.

Engagement for different asset classes

Our engagement activities apply to equity and corporate bond assets. They are not specific to individual portfolios.

Engagement with government bond issuers is further described in Principle 10 – Collaborative Engagement.

ILIM's investments in alternative assets are largely achieved by investing in External Funds. These External Funds and the investment managers that manage them ("External Fund Managers"), are assessed against sustainability factors as part of the initial due diligence process we carry out when considering them as potential investments for our clients and are also reviewed annually. We take these annual assessments into account when rating the External Funds and the External Fund Managers. The Alternatives Team engages with the External Fund Managers where areas of improvement have been identified, where the External Fund Manager has scored as low rating, and/or where there are no sustainability metrics at a fund level.

We aim to achieve our sustainability goals for our clients' real estate assets through engagement with tenants, prospective tenants and other stakeholders.



CASE STUDY

Real Estate – Adelaide Road office development

ILIM plans to develop a new multi-storey headquarter office development at 1 Adelaide Road, Dublin which will include an area for retail/café use and a community facility. The building has been designed to be highly energy efficient. In March 2023, a financial services practice chose this new development as its preferred location for its new headquarters in Dublin. Since then, there has been a significant level of engagement between both parties in terms of how the office space can be best configured and utilised from an energy efficiency point of view.

Situation

ILIM is an experienced developer of new buildings, including significant multi-storey offices. ILIM has established strategic goals in relation to the sustainability of the real estate assets it manages. Energy efficiency is an important element of those goals as it reduces a building's operating carbon-intensity while at the same time increasing its attractiveness to potential tenants. All new developments currently managed by ILIM pursue Near Zero Energy Building standards and Building Energy Ratings of no lower than A3. Embodied carbon is a key consideration when making decisions on refurbishment, repurposing or redevelopment.

Activity

At the outset, ILIM's Property Team reviewed and acknowledged the proposed tenants' strategic vision for its new office location. They identified a clear requirement for a highly energy efficient building which will also meet the needs of the workplace of the future. Through a clear partnership approach, a sustainability brief has been prepared on the building to meet both owner and occupier objectives. The respective design teams will adhere to this brief. This has enabled reconfiguration of the original layout and careful consideration of energy performance to optimise efficiency.

Outcome

By setting out a sustainability strategy with clear goals in terms of design and construction for all members of the respective design teams and supply chains, ILIM has been able to demonstrate a high level of transparency on design and construction methodology. It is intended that the new building will hold less embodied carbon and emit less operational carbon than the old building due not only to the building's fundamental design and layout combined, but also due to the functional engineering strategies that are being applied.



Principle 10

Collaborative engagement

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Context

We previously outlined in Principle 9 our engagement approach and our belief that investors, whether working individually or collectively, have the ability to influence the behaviour of investee companies in our clients’ interests. ILIM believes that acting collectively with other investors and industry bodies can be an effective way to have a meaningful impact.

Regarding the selection and prioritisation of collaborative engagements, ILIM selects collaborative engagements that meet the following criteria:

- > **Alignment:** focus on topics that are aligned with the four themes of ILIM’s responsible investment framework.
- > **Relevance and impact:** engagements must have broad coverage in terms of objectives, regions and sectors to be representative of ILIM’s investment universe.

We aim to join initiatives aligned with our priority themes and seek to influence the matters that we consider most material. We look for initiatives that facilitate collaboration and shared learning while providing opportunities to amplify the impact of our engagement efforts. The chosen initiatives are reviewed on an annual basis to ensure they continue to align with our criteria and our thematic priorities.

In 2023, ILIM actively participated in 12 collaborative engagement initiatives with investee companies. In addition to this, ILIM participated in policy-related engagements with governments and collaborative initiatives at industry level (please refer to Principle 4 for more information regarding ILIM’s policy-related engagements). While some engagements are focused on a specific theme, others approach more than one theme in the dialogues with companies.

The themes and topics of the collaborative engagement initiatives that ILIM participated in 2023 are outlined below.

FIGURE 27: 2023 collaborative engagements

Environment		Social	Governance
Climate Change	Natural Capital	Human Rights	Corporate Governance
Climate Action 100+	Localised Water Management*	Modern Slavery*	Tomorrow’s Board*
Net Zero Engagement Initiative (NZEI)	Biodiversity and Natural Capital*	Human Capital and the Future of Work*	30% Club Ireland
Net Zero Transition*	Nature Action 100		
Climate Change – Sustainable Forests and Finance*	Investor Policy Dialogue on Deforestation (IPDD)		
CDP Non-Disclosure Campaign		Global Standards*	

*Morningstar Sustainalytics engagement solution

Key enhancements

ILIM has been expanding its participation in collaborative engagements over recent years. The Stewardship Team has open discussions with peers and works closely with policy makers, different industry participants and non-governmental organisations to improve behaviours around sustainability (our policy and industry-related collaborations are detailed in Principle 4).

In 2023, ILIM joined two new collaborations on the topic of net zero. ILIM also played an active role in the CDP Non-Disclosure Campaign (“CDP NDC”) in 2023, leading on engagements with 44 companies in the topics of climate, water and forests, on behalf of the CDP investor signatories.

With respect to our participation in natural capital focussed engagements, in 2023 ILIM joined Nature Action 100 and, through this initiative, is a lead participant in engagements with seven companies.

As outlined in Principle 4, ILIM also joined a fixed income collaboration on the deforestation topic, focused on government bonds, engaging with the government of Brazil as part of the Investor Policy Dialogue on Deforestation (“IPDD”). Additionally, regarding the theme of corporate governance, at the beginning of 2023, ILIM acted as a founding investor of the 30% Club Ireland Investor Group as an additional action to improve gender representation at board and management levels in the Irish market. Participating in this group, with other Irish asset managers and asset owners, will generate further collaborative engagement opportunities with Irish companies on the topic of diversity, equity and inclusion (DEI).

Engagements in 2023

During 2023, ILIM participated in 198 collaborative engagement activities, including written communications and meetings, with 129 companies. These activities are tracked and reported across four broad priority themes: Climate Change, Natural Capital, Human Rights and Corporate Governance.

Approximately 54% of the collaborative engagements in which we participated in 2023 were in the environmental theme, which comprises both the priority themes of Climate Change (28%) and Natural Capital (26%), with the remaining half split between the social (36%) and governance (10%) pillars.

The largest shares of our collaborative engagement activities were with companies based in North America (c. 30%), Asia (c.26%) and Europe (c.21%), followed by South America (c.8%), UK & Ireland (c.8%), Middle East & Africa (c.4%) and Oceania (c.3%).

The activities conducted included 154 collaborative engagement meetings with 88 companies: 20% discussed Climate Change, 35% Natural Capital, 29% Human Rights, and 16% Corporate Governance. Some of the engagement activities may cover more than one of the four priority themes.

Outcomes: Evaluation of effectiveness of collaborative engagement activity

ILIM incorporates key learnings from the collaborative engagements in which it participates into its overall engagement programme. The participation in collaborative engagements also feeds back into ILIM’s direct engagements and in some instances can be considered as an escalation mechanism, as reaching out to companies together with other investors can be an effective way to contact companies that may have previously been unresponsive when contacted directly (refer to Principle 11 for more details on our escalation policy). Many companies welcome the dialogue with investors as it provides them with guidance on the areas that they can seek to improve. The engagements also give more information on the companies’ culture and the maturity of different sustainability topics in each company, as well as providing an opportunity to understand the challenges associated with advancing the different themes covered in the engagements. Finally, we have noted improved governance practices and disclosures at many of the investee companies that have been the subject of collaborative engagements in 2023. ILIM will continue to seek constructive dialogues with companies through collaborative engagements and will keep exploring collaboration opportunities aligned with our thematic priorities, objectives, regions or sectors representative of ILIM’s investment universe.

FIGURE 28: 2023 engagements by topic

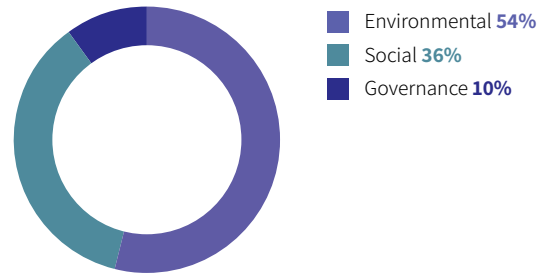


FIGURE 29: 2023 engagements by priority theme

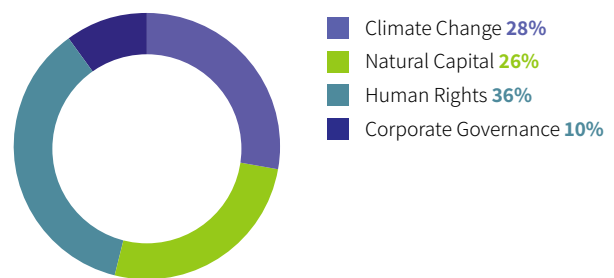


FIGURE 30: 2023 engagements by geography

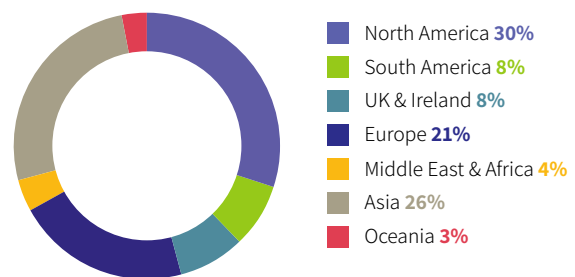
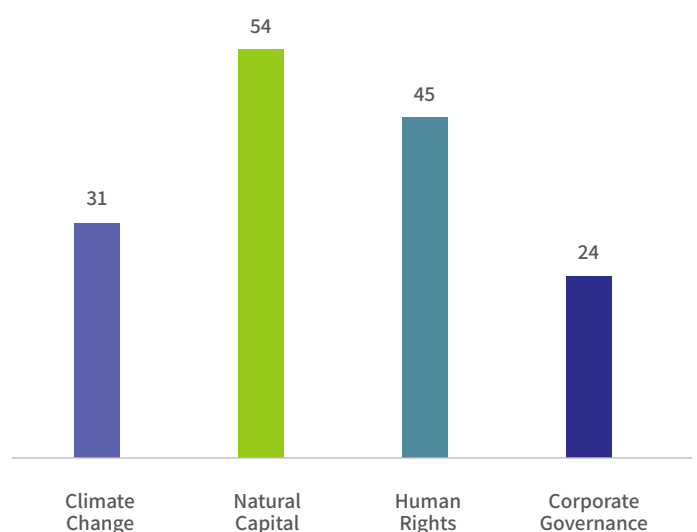


FIGURE 31: 2023 collaborative engagement meetings



Below are selected examples²⁰ of collaborative engagements that ILIM has participated in during 2023. These case studies, together with the examples provided under Principles 4, 9, 11 and 12, are a representative sample of ILIM's stewardship activities in 2023 on our thematic priorities.

CASE STUDY

Environmental disclosures: CDP Non-Disclosure Campaign

Context

In 2023, ILIM participated for the first time as a lead investor in the CDP NDC collaborative engagement. The objective of this collaboration is to drive greater corporate transparency around climate change, deforestation, and water security by encouraging companies to respond to CDP's disclosure request. This is often a critical first step in companies managing these matters and going on to set appropriate targets.

Activity

As part of the 2023 cycle of the CDP NDC, ILIM led on engagements with 44 companies across a number of markets, including Ireland, Brazil, Greece, Mexico, Spain and the United States. These markets were selected because of ILIM's knowledge of the local market, diverse regional backgrounds and knowledge of local languages of the analysts in ILIM's stewardship team, and the fact that ILIM had previously engaged with some of the companies in focus.

Outcomes

Of the 44 companies on which ILIM led the engagement, 10 have submitted at least one of the three CDP questionnaires (Climate, Water Security, and/or Forests). As an overall result of the 2023 CDP NDC, 317 companies responded for the first time after being engaged through the CDP NDC.

CASE STUDY

Water management: engagement with companies with operations in water-stressed basins

Context

In 2022 and 2023, ILIM participated in the Localised Water Management thematic engagement led by Morningstar Sustainalytics. The collaboration involved engagements with 18 companies from the beverage, chemicals, and mining sectors. It focused on reducing company risks and enhancing water security, and concluded in 2023. Given that collaboration and basin-level efforts are the most cost-effective and efficient way to tackle water risks and impacts, this thematic engagement focused on companies with operations in the Tiete and/or Vaal basins in Brazil and South Africa, which are both exposed to water crisis. This engagement was geographically focused because, unlike carbon, water is localised and must be managed at a basin level.

Activity

During 2023, ILIM joined nine engagement calls with investee companies. The engagements were focused on six KPIs: water governance, water risk and opportunity management, water quantity, water quality, integrated water resources management, and public water management. ILIM also participated in a collaborative basin-level forum that was organised to bring companies together to share their current and future basin-level projects. On that occasion, ILIM participated as a speaker, sharing its expectations around water management and water-related disclosures with the engaged companies.

Outcomes

The engagement discussed gaps under the six KPIs and encouraged the engaged companies to adopt appropriate strategies and solutions. This resulted in incremental improvements across the KPIs which were linked to changes at all 18 engaged companies. Tangible outcomes over the course of the engagement include one or more of the engaged companies linking executive compensation to water metrics, publishing a corporate water policy, reusing treated municipal wastewater, evaluating a majority of its critical suppliers for water risk, using sustainability-linked financing instruments to fund water efficiency projects, completing site-level assessments for water stress and implementing mitigations, and committing to their first water replenishment project, among others. At the conclusion of the engagement, it was possible to see more than just the leading companies committing to larger scale basin-level projects that consider all stakeholders.



²⁰ This section includes information and data provided by Sustainalytics, a Morningstar company. Use of such data is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers/>

CASE STUDY

Climate change: Climate Action 100+ and the Net Zero Engagement Initiative (NZEI)

Context

Climate Action 100+ (CA100+) has established a common high-level agenda for company engagement to achieve clear commitments to cut emissions, improve governance and strengthen both climate-related financial disclosures and transition plans, in order to create long-term shareholder value. The CA100+ facilitates engagements with focus companies by investors acting collaboratively. As an expansion of the CA100+, the Institutional Investor Group on Climate Change ("IIGCC") launched the Net Zero Engagement Initiative ("NZEI"), focusing on companies that are not included in the CA 100+ focus list. The NZEI was created to help investors who align with the Net Zero Asset Manager initiative to increase the proportion of companies in their portfolios that have net-zero targets and transition plans.

Activity

As part of CA100+, in 2023, ILIM participated in the engagements with Valero, Kinder Morgan and Southern Company, joining calls with the investor groups and with directors of these focus companies. CA100+ assesses the performance of focus companies against its three goals: reducing greenhouse gas emissions, improving climate governance, and strengthening climate-related financial disclosures. And as part of the NZEI, ILIM has signed the initial letter sent to the 107 focus companies and joined three engagements with Irish companies as one of the lead investors: Ryanair Holdings PLC, Johnson Controls International PLC and Kerry Group Plc. During 2023, ILIM participated in an engagement meeting with Kerry Group as well as in engagement strategy calls with other investors as part of the NZEI.

Outcomes

CA100+ assesses the performance of focus companies against its three aforementioned goals. During 2023, there was continued progress against them. 77% of the focus companies have made a net-zero commitment, 93% have implemented board committee oversight of climate change risks and opportunities, and 90% have committed to align their disclosures with the recommendations of the Task Force on Climate-Related Financial Disclosures²¹.

With respect to the NZEI, as the initiative is recently formed, the focus in 2023 was on defining the investor groups and launching the engagement dialogue with focus companies. Further outcomes in terms of responses from focus companies and actions are expected as the engagements progress over the coming years. Going forward, ILIM plans to continue to participate in a constructive dialogue with companies through these groups, with the intention of providing guidance to companies preparing transition plans. Our participation in the collaboration will also aim to extend to assisting with assessment of companies' disclosures and the assessment of the credibility of their transition plans.

CASE STUDY

Global Standards: engagement with Vale S.A.

Context

As part of the Global Standards Engagement ("GSE") led by Morningstar Sustainalytics, ILIM engaged with Vale S.A., a multinational corporation engaged in metals and mining, and one of the largest logistics operators in Brazil. The GSE is an incident-driven collaboration focused on companies that are alleged to have severely or systematically violated the UN Global Compact principles. Companies are encouraged to resolve the incident in question in a way that would enhance its future sustainability performance and risk management. In 2019, the tailings dam of a mine operated by Vale S.A. in Brumadinho, Brazil collapsed and a subsequent mudslide engulfed the busy cafeteria of the mine's headquarters, leading to over 250 deaths and significant environmental erosion.

Activity

Since joining the collaborative engagement in 2022, ILIM has actively participated in calls with Vale S.A., posing questions to the company and sharing methodological materials that could support enhancements on the topic of community relations and cultural services. In 2023, as part of the engagement process, ILIM conducted internal research on the case, including research in the local language, in order to capture the perspectives of the affected communities as published in local news. This allowed a comparison of the information disclosed by the company on its website with the different views of stakeholders. This topic was raised as part of the engagement.

Outcomes

Vale S.A. has been very responsive to the engagement efforts, and it has advanced the implementation of relevant strategy in a meaningful way. ILIM, as well as investors participating in the collaboration, expect that Vale S.A. will close out the remaining reparation works, continue to measure progress against the Global Industry Standard on Tailings Management, and build trust with local communities. ILIM intends to continue participating in active dialogues until the company has implemented all aspects of its strategy.

21 Data source: Climate Action 100+, Progress Update 2023
<https://www.climateaction100.org/wp-content/uploads/2024/01/Climate-Action-100-Progress-Update-2023.pdf>

CASE STUDY

Sustainable Corporate Governance Strategy: engagement with the extractive, financial, and pharmaceutical sectors

Context

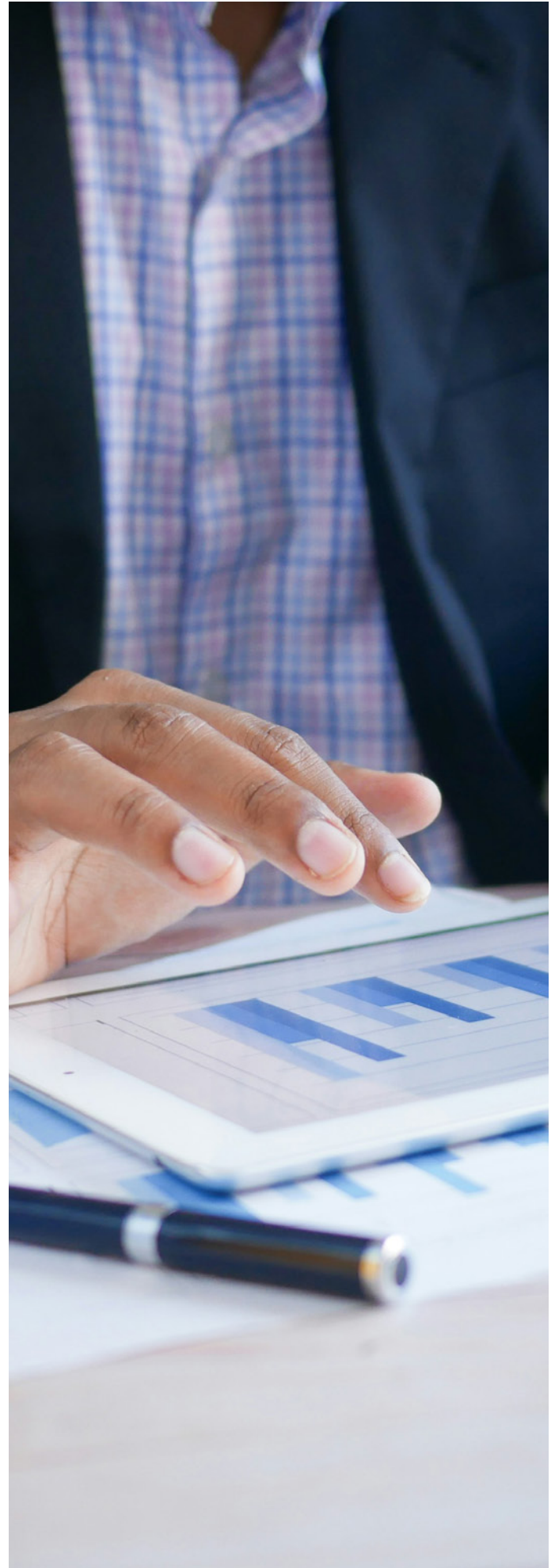
In 2022 and 2023, ILIM participated in a thematic engagement led by Morningstar Sustainalytics in relation to corporate governance and more specifically the company boards' effectiveness and readiness of sustainability changes. The collaboration, which concluded in 2023, focused on promoting change at board level to assist companies to be prepared to face emerging challenges and new opportunities in sustainability and corporate governance. The engagement involved 21 companies from the extractives, financials, and pharmaceuticals sectors.

Activity

During 2023, ILIM joined engagement calls with investee companies. The engagement was focused on four KPIs: implementation of a board structure, definition of a sustainability strategy, measurement of progress, and communication of progress. ILIM also participated as a speaker in an investor roundtable on sustainability and good governance, sharing its thoughts on board renewal, and board training and diversity, among other topics.

Outcomes

Throughout the engagement, it was possible to see improvements from the engaged companies. In terms of board governance and composition, the boards of directors of the engaged companies have grown more diverse since the start of the engagements. There has been an increase in the number of women across these boards, and there is more geographical and racial diversity. The boards of these companies have also implemented clearer diversity policies, and their succession plans have become more inclusive. The boards have also become more fluent in discussing sustainability issues, and more of these boards are now linking executive compensation to sustainability metrics. Finally, sustainability standards and regulations have increased throughout the engagements, which led to a consistent increase in reporting transparency. These companies welcomed greater standardisation across reporting frameworks, where this has historically been a challenge.



CASE STUDY

Fixed income engagement: Investor Policy Dialogue on Deforestation (“IPDD”)

Context

In 2023, ILIM joined the Investor Policy Dialogue on Deforestation (“IPDD”), a collaborative investor initiative that engages with public agencies and industry associations in selected countries, including Brazil and Indonesia, on the issue of deforestation. The decision to join the initiative was aligned with ILIM’s priority themes and the related weightings in ILIM’s Indexed Emerging Market Debt strategy.

Activity

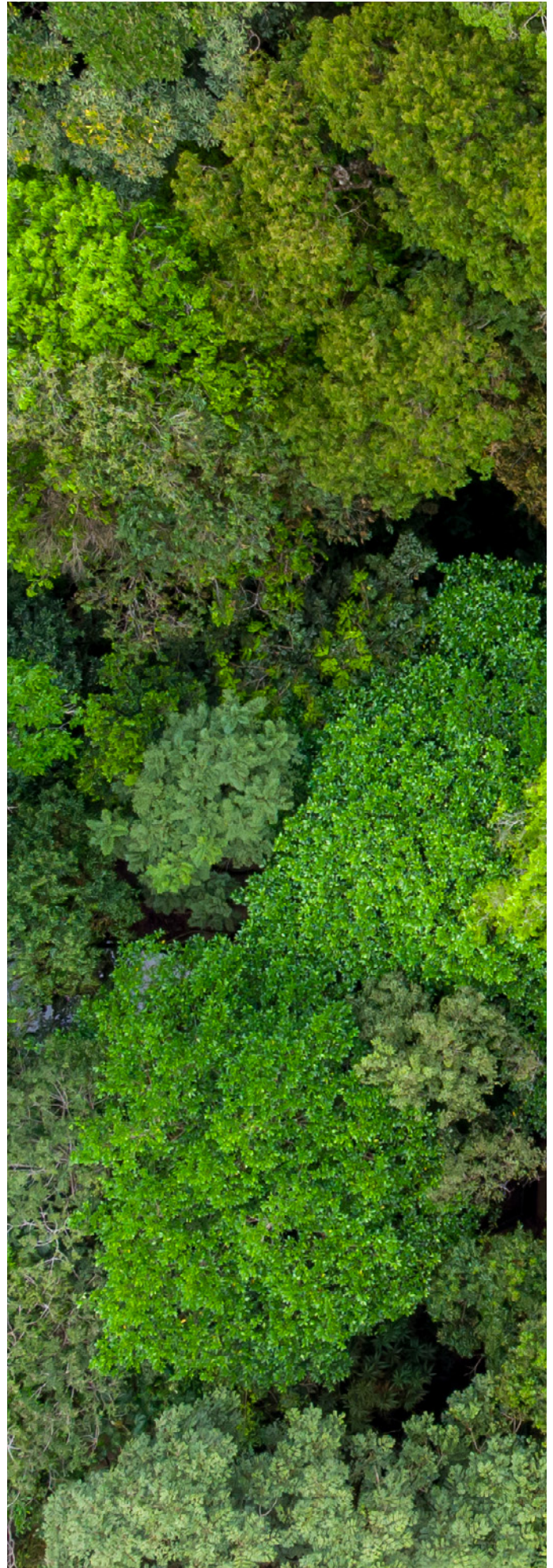
ILIM is a member of the Brazil workstream. Deforestation of Brazil’s Amazon rainforest is a significant contributor to the country’s aggregate GHG emissions and is therefore directly linked to ILIM’s priority theme of decarbonisation which we believe is financially material to our clients’ long-term investment outcomes. Investors are urging the government of Brazil to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples. As part of the 2023 activities of IPDD, ILIM participated in nine meetings with the investor group, which included discussions on regulatory updates related to deforestation as well as educational sessions, and joined two presentations organised by the IPDD as part of Climate Week NYC. In 2023, the IPDD group also sent a letter to the Brazilian government concerning a law about the demarcation of indigenous lands, highlighting investor concerns around the potential risks of undermining protection for indigenous territory and thereby facilitating deforestation.

Outcomes

Investors are working towards a number of outcomes from the Brazilian government, including significant reduction in deforestation rates, avoidance of legislative developments that may negatively impact forest protection, access to data on deforestation, and traceability of commodity supply chains.

Engagement with sovereigns often have longer timelines than engaging with corporates and corporate bond issuers. In this context, outcomes produced by the IPDD in 2023 include promoting awareness among policymakers about the position of investors on the risk of deforestation (as demonstrated by the letter that was sent to the government on the demarcation of indigenous lands), as well as shared learnings and building capacity for the investor group (as demonstrated by the presentations organised and working group meetings).

ILIM intends to continue to participate in the IPDD in 2024 and plans to participate in the working groups and meetings with stakeholders representing different governmental functions, as well as support investor letters from IPDD to governments. The IPDD working groups seek to help streamline the coordination of different government agencies through dialogue and transform commitments into actions that yield results.



Principle 11

Escalation – using our influence to make a difference

Signatories, where necessary, escalate stewardship activities to influence issuers.

Context and activity

In deciding when, how and why to engage with investee companies, we use our priority themes to identify situations where we believe we can make a difference to the long-term return profile of our clients' investments by influencing outcomes at an investment level or through policy engagement at the market structure level.

The most common way for us to escalate our stewardship activities is to exercise the voting rights attached to the assets we manage for our clients. This is resource-efficient and makes an immediate impact (discussed further in Principle 12).

During 2023, we worked on our prioritisation and engagement framework. As part of this, we developed our escalation approaches while retaining a high degree of discretion around escalation strategies to reflect the individual circumstances of each case, as well as the options available to us for each asset class. For example, we may take voting action against unresponsive companies after two years, and we document potential escalation outcomes. The broad distinction here is the difference between public-market asset classes, equities and bonds, and private-market assets in the form of real estate. Escalation, in whatever form, is designed to achieve the best outcomes for our clients while also increasing the visibility of any concerns we have, both to the industry and the relevant issuer.

Stewardship is a subjective activity, and it is therefore difficult to prescribe exactly what might happen in a range of circumstances. Rather, we expect individual analysts to use their own experience and judgement, in consultation with colleagues, to decide on the appropriate escalation pathway. Exceptions to this lie within our voting activities where, for example, we may vote against the re-election of a company's chair of the board of directors if a company has failed to respond to our engagement approach for a period of two years or more. Voting escalations are generally easier to prescribe than engagement escalations, but the two are not mutually exclusive and often overlap.

Depending on the severity of our concern, the materiality of the holding to our clients' portfolios, and the asset class, there are different escalation strategies available to us. Our approach may include more regular contact and monitoring, raising the issue with personnel of greater seniority, considering a collaborative engagement or exercising our clients' voting rights. In all cases, we shall consider the existing relationship that we have with the investee company or asset and try to find the balance between co-operation and getting the outcome we seek. Figure 32 sets out potential escalation routes, noting that this is a non-linear pathway and therefore any one (or more) of the escalation options set out in Figure 32 may be appropriate at a given time.

The ultimate extension of this approach is to exclude a company or asset from clients' portfolios where the client has granted us the discretion to do so, but it is much more likely that an alternative course of action is adopted before reaching such a conclusion.

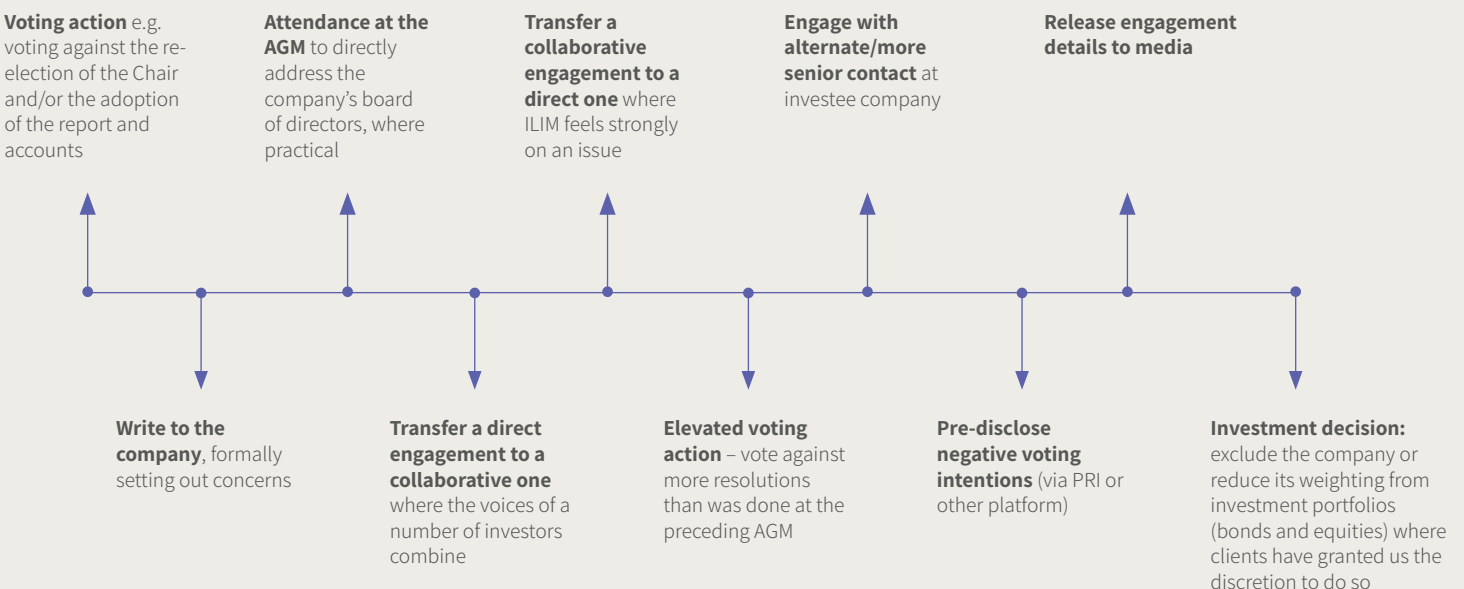
Factors resulting in escalation

- > Failed engagement – where an investee company repeatedly fails to respond to an engagement approach, or where an investee company responds to engagement approach but declines to improve processes or disclosures.
- > Engagement discovery – where an engagement reveals a concerning issue requiring additional attention.
- > Failed voting action – where voting against a resolution/ resolutions result(s) in little or no response or action from the company.
- > An engagement contact with one representative of the investee company yields minimal response.

Factors to consider in an escalation decision

- > Financial materiality, e.g. to portfolios or orderly markets.
- > Egregious nature of the issue, e.g. remuneration level, loss of life, environmental catastrophe.
- > Significance of the issue in relation to the industrial sector, e.g. inability to reduce emissions with resources, cement, aviation sectors.

FIGURE 32: Escalation outcomes



Outcomes: Evaluation of effectiveness of escalation activity

ILIM's escalation policy has evolved, and is expected to continue to evolve, to meet high standards of stewardship and the particular circumstances that emerge from our voting and engagement activities. For example, we recently reduced our 'escalation timescale' for non-response from an investee company from three to two years as a prompt to instigate further action. Our voting and engagement activities derive directly from our stewardship strategy, and we are clear that this should also drive our escalation. Our Stewardship Team meets at least once each week to discuss the progress we are making on our programme of engagements, and the experience and judgement of those individuals are key to the application of our strategic priorities and the choice of escalation routes. As we increase the scale and depth of our engagement activities over the long term, and maintain our focus on priority themes, we expect to see an increase in our escalation activities over the coming years.

EQUITY AND BONDS CASE STUDY

McDonalds – sexual harassment, diversity, escalation

Situation

ILIM has invested its clients' assets in debt and equity securities in McDonalds for a number of years, and in 2020 selected the company for engagement because of a sexual harassment action that had been raised.

Activity

The company failed to respond to our email approaches and so we decided to widen the remit of the engagement to cover diversity, equity and inclusion (DEI) more broadly. Despite numerous emails, we still received no response to our direct approaches by email, although we were able, during this period, to join a collaborative engagement with the company on another sustainability topic. Late in 2023, we sent the company a notice stating that we intended to escalate our concerns by taking voting action. This would have resulted in us either voting against the re-election of the Chair or against the adoption of the report and accounts.

Outcome

We were pleased to receive a response from the company which was substantive in seeking to answer the questions we had raised in our email approaches. However, we are now actively seeking more detailed answers as to how DEI issues are incorporated and measured for the purposes of executive remuneration. At the date of publication, those questions remain outstanding, and we are hopeful for continued dialogue with the company on this issue.



Principle 12

Exercising rights

Signatories actively exercise their rights and responsibilities.

How we exercise our voting rights

Equity

ILIM's Responsible Investment Team works closely in collaboration with the wider Fund Management team and is responsible for the implementation of our stewardship approach, ESG integration, voting at general meetings and engagement with investee companies. The Responsible Investment Team includes the Stewardship Team which is focused on ILIM's engagement and proxy voting activities. The Stewardship Team uses internal and external research, data providers and our proxy voting agent, all of which informs our voting and engagement actions. ILIM exercises voting rights in line with the ILIM Global Proxy Voting Guidelines.

The Stewardship Team includes subject matter experts in sustainability matters as well as proxy voting and corporate governance experts, who oversee the voting and engagement activities. The Stewardship Team ensures that votes are cast by our proxy voting service provider in line with the ILIM Global Proxy Voting Guidelines. While the vast majority of voting is in line with the ILIM Global Proxy Voting Guidelines, there are certain circumstances where the Stewardship Team may decide to deviate from the ILIM Global Proxy Voting Guidelines. Such deviations often result from the knowledge we have gained through our engagement activities with investee companies. Any proposed deviations from the ILIM Global Proxy Voting Guidelines are escalated to the Chief Sustainability Officer, and in more significant circumstances to the RIGC, for discussion and ratification.

ILIM will exercise its clients' vote rights unless it is instructed otherwise by its clients.

Fixed income

Our active ownership philosophy extends to the fixed income market. Although voting rights do not generally extend to bondholders, ILIM fulfils its stewardship responsibilities by conducting engagements with the issuer in a similar way to equity issuers, where it has discretion to do so under the client's mandate.

Multi-asset

Multi-asset investments include equity and fixed income. These are incorporated in ILIM's stewardship activities. Please refer to Principle 7 for more information.

Voting Guidelines

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

Our Global Proxy Voting Guidelines are customised to incorporate progressive voting guidelines on key corporate governance and sustainability issues. These are structured around its responsible investment framework, which is composed of two sustainability mega trends (decarbonisation and stakeholder centric business model) and four priority themes (climate change, natural capital, human rights and corporate governance).

ILIM's approach is informed by the SDGs and the four thematic priority areas are mapped to specific SDGs (please refer to principle 7 for more information). Supporting the achievement of the SDGs of these priority themes is generally considered as part of ILIM's over-arching approach to voting. When making voting decisions, ILIM considers the interrelation of risks and opportunities within one thematic priority to the management of other thematic priorities.

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

Use of proxy advisors

ILIM uses ISS as its proxy voting agent, and ISS's platform to vote electronically, instruct our voting decisions and generate reports. For more details regarding our monitoring of our proxy voting agent please refer to Principle 8 in this document.

Stock lending

ILIM manages the securities lending programme across our fund platforms. ILIM oversees the placing of loans via our custodian and applies clear risk-management criteria to the programme. When it is in the client's best interest, we will recall stocks so that we can vote at the relevant investee company's shareholder meetings. Currently our process is to recall stock in companies that we are engaging with so that ILIM can vote at their shareholder meetings. The Responsible Investment Team can request that securities are excluded from the stock lending programme. Such requests will be reviewed and authorised, where appropriate, by the Chief Investment Officer.

Voting metrics

2023 voting activity

In 2023, ILIM voted on 5,564 meetings. In 60% of these meetings, we cast at least one vote against, withheld or abstained on our clients' vote. Regarding shareholder related resolutions, ILIM supported 76% of environmental, 92% of natural capital, 89% of human rights and 76% of governance related resolutions. Overall, ILIM voted on 55,425 resolutions, 16% of which were against management.

ILIM's voting records are publicly disclosed on the ILIM website. The published voting records include the voting instructions and rationales for votes which ILIM cast against management recommendations.

The global nature of our clients' holdings is reflected in our voting activity, with Asia, Europe and North America the most prominent markets.

The graphs below summarise all the votes cast in 2023.

FIGURE 33: Voting statistics 1 January 2023 to 31 December 2023

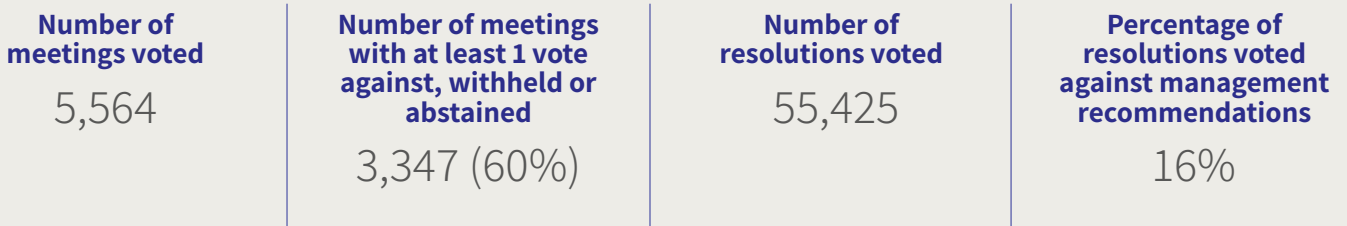


FIGURE 34: Geographical breakdown of votes per region

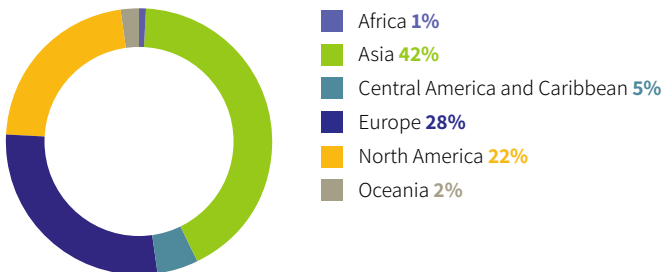
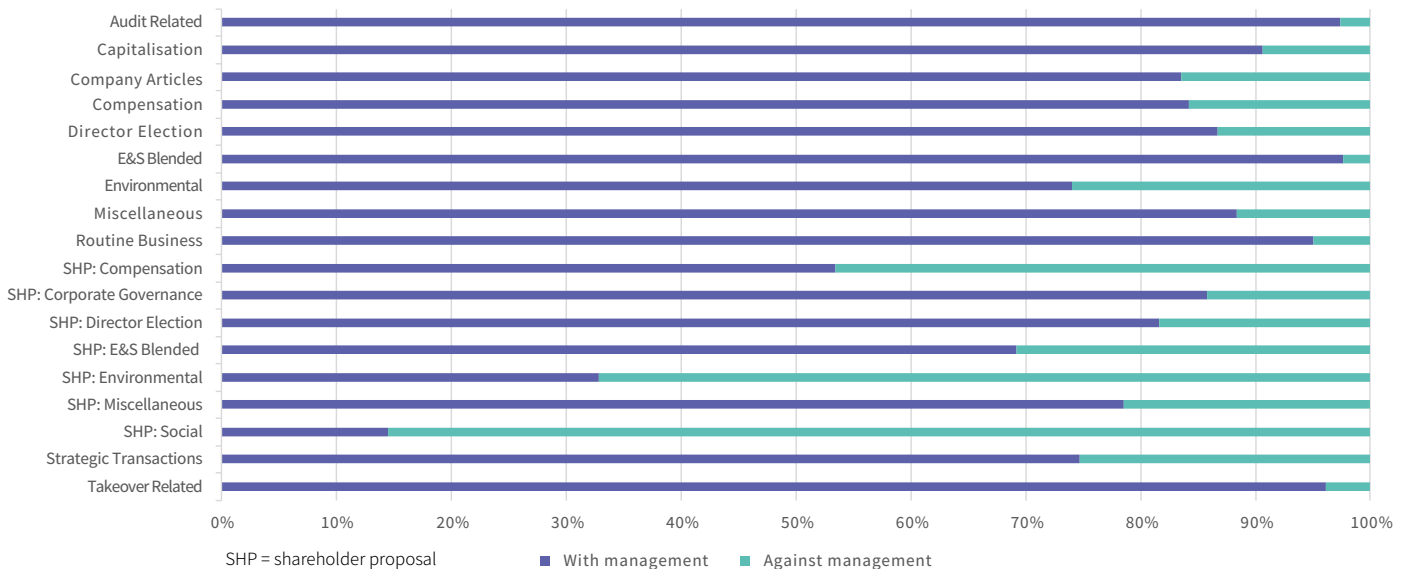


FIGURE 35: Voting activity per topic



Outcomes: Evaluation of effectiveness of exercising our rights

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 2023, we exercised our rights judiciously, following thoughtfully produced guidelines to promote the matters that are in our clients' best interests. Our case studies illustrate these points across a multitude of long-term investment matters, showing how we have protected our clients' interests effectively.

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

Voting case studies

ILIM voted on 55,425 resolutions in 2023. We have identified specific meetings deemed as significant with proposals that attracted more scrutiny than is normal. We have included below some examples of key votes from the 2023 proxy voting season, with some insight into ILIM's assessment and voting approach.

Climate Change

Toyota Motor Corporation	
Date of AGM	14 June 2023
Country	Japan
Resolution Category	Climate
Resolution Summary	Shareholder Resolution – Report on Climate Lobbying
Vote Decision	For
Vote Rationale	<p>The filers of this shareholder resolution were encouraging the company to conduct an annual review and issue a report describing if and how the company's climate-related lobbying activities align with the Paris Agreement goals.</p> <p>ILIM voted in favour of the proposal. As Toyota is one of the world's largest automotive manufacturers, additional disclosures on the company's climate-related lobbying activities would allow the company and shareholders to better evaluate the risks related to these activities.</p> <p>In accordance with our Global Proxy Voting Guidelines, ILIM held the Chair of the board of directors accountable for the company's misalignment to the Paris Agreement and the lack of a plan to achieve net zero by 2050, and therefore voted against his reappointment to the board.</p> <p>In addition to our voting activities, ILIM started engaging with the company as part of two collaborative engagements: on the topics of net zero transition and business ethics. The topic of net zero transition covers aspects such as board of directors' training on climate-related issues, technical and operational challenges in developing new technologies, operational risk regarding low-carbon transition plans and financial planning and forecasting for a low-carbon transition.</p> <p>Regarding the topic of business ethics, ILIM participated in a collaborative engagement, as the company has been involved in legal and regulatory actions through its subsidiaries, such as allegedly falsifying emissions and fuel performance data for some of its vehicles. The objectives are for the company to develop a risk management framework and have robust oversight of its global subsidiaries.</p>
Vote Outcome	The shareholder resolution seeking greater transparency of the company's lobbying on climate matters won support from 16% of shareholders. In addition, 15% of votes were against the reappointment of the chair Akio Toyoda, who is also a member of the founding family.

Glencore	
Date of AGM	26 May 2023
Country	Jersey
Resolution Category	Climate
Resolution Summary	Shareholder Resolution – Resolution in Respect of the Next Climate Action Transition Plan
Vote Decision	For
Vote Rationale	<p>Glencore has significant exposure to thermal coal production, which results in some of our clients excluding it from their portfolios. However, many of our clients follow market-capitalisation indices which include Glencore and that brings with it our normal stewardship responsibilities of voting at general meetings and engaging with companies on issues of financial materiality. As a result, we voted at the company's general meeting and supported the shareholder resolution seeking enhanced disclosure and clarity regarding the alignment of the company's projected thermal coal production and capital expenditures towards the Paris Agreement. The engagement was seeking to obtain clarity on: i) how the company's goals are Paris-aligned; ii) how its capex is Paris-aligned and iii) on the destination of Glencore's thermal coal exports.</p> <p>ILIM believes that the company's response to climate-related risks is insufficient and consequently we voted against approval of the company's financial statements. We also voted against the election of the Board Chair as he is deemed primarily responsible for the effective supervision of the management of the company's risks.</p> <p>Currently ILIM is participating in collaborative engagements with other shareholders regarding the topics of labour rights and business ethics at Glencore.</p>
Vote Outcome	29% of shareholders supported the resolution asking the company to increase information disclosures and provide clarification in the 2024 climate report. This reflects deficiencies identified in the analysis of the previous transition plan framework which needs to be addressed in the 2024 report.

Natural Capital

Yum! Brands, Inc.	
Date of AGM	18 May 2023
Country	USA
Resolution Category	Pollution
Resolution Summary	Shareholder Resolution – Efforts to Reduce Plastic Use
Vote Decision	For
Vote Rationale	<p>Shareholders request the company to produce a report describing how it will reduce its plastics use by transitioning from single-use packaging.</p> <p>ILIM supported the resolution as the current plastic pollution crisis exposes the company to risks deriving from higher costs and regulations for using virgin plastics. This is the third time the company has received a proposal requesting a report on sustainable packaging or recycling. However, the company remains reluctant to discuss potential risks related to new plastics regulations or changes in consumer and investor preferences, such as research conducted by the company on how it can transition to a business model that is less dependent on single-use plastic production.</p> <p>ILIM is participating in collaborative engagement with the company regarding the topics of deforestation and biodiversity. Through our engagement dialogues we discuss Yum's biodiversity impacts through its supply chain as well as its downstream impacts, such as plastic pollution and food waste.</p>
Vote Outcome	The proposal received 36% of shareholders support, signalling an increased focus of shareholders regarding the risks associated with plastic pollution. We intend to keep monitoring the company's progress towards its goals through our stewardship activities and will seek opportunities to participate in more dialogue with the company on the topic of Natural Capital.

Charles River Laboratories International, Inc.	
Date of AGM	18 July 2023
Country	USA
Resolution Category	Animal Welfare
Resolution Summary	Shareholder Resolution – Report on non-human primates
Vote Decision	For
Vote Rationale	<p>The proponent submitted a shareholder proposal requesting the company to report on its practices regarding non-human primates. More specifically, the shareholder proposal asked for increased disclosure on species, country of origin (including wild-caught or captive-bred), and numbers of non-human primates imported by the company into the US. In addition, the company has been involved in a potential controversy regarding the importation of non-human primates from Cambodia, which is currently under investigation (subpoenaed by US Department of Justice, 19 February, 2023).</p> <p>ILIM supported the shareholder proposal. According to our Global Proxy Voting Guidelines, the additional disclosure on the company's practices, and in this case importation practices relating to non-human primates, would be beneficial in order to understand the management of related risks as well as the company's measures on the impact on dwindling populations in nature.</p>
Vote Outcome	The proposal received 36% support from shareholders. The high level of support indicates the demand for increased disclosures from the company regarding its importation practices and the impact they have on different species and nature in general. Shareholders should have improved access to information in order to be able to assess the risks that the company is exposed to, and its overall management.

Human Rights

Starbucks	
Date of AGM	23 March 2023
Country	USA
Resolution Category	Human Rights
Resolution Summary	Shareholder Resolution – Improve Human Rights Standards or Policies
Vote Decision	For
Vote Rationale	<p>The filers asked the board of directors to commission a third-party assessment of the company's freedom of association and collective bargaining policies and practices.</p> <p>ILIM supported the shareholder proposal seeking improved human rights policies and standards. The company faces several violation lawsuits as well as significant fines. More specifically, the company has been the subject of investigation by US federal authorities regarding allegations of discrimination and wage violations lawsuits filed by employees. In addition, the company is under investigation regarding allegations for violations of federal law by illegally suppressing workers' rights. Some of these issues have been settled. However, the company is still facing allegations of wrongdoing which might lead to potential policy changes.</p> <p>Therefore, a third-party assessment would help shareholders better evaluate various allegations related to freedom of association and collective bargaining, and the company's management of any associated risks.</p>
Vote Outcome	A significant 52% of shareholders voted in favour of the proposal, which demonstrates the importance of the issues that the company is facing. A third-party assessment would be beneficial for shareholders to be able to assess the company's management of human rights and workers' rights. ILIM will continue overseeing the development of the different challenges the company is facing regarding the management of workers' rights as well as assessing its actions and disclosures.

The TJX Companies, Inc.	
Date of AGM	6 June 2023
Country	USA
Resolution Category	Human Rights
Resolution Summary	Shareholder Resolution – Report on Third-Party Assessment of Human Rights Due Diligence in Supply Chain
Vote Decision	For
Vote Rationale	<p>The proposing shareholder group put forward a resolution to the board of directors of TJX asking the company “to oversee a third-party assessment and report to shareholders, at reasonable cost and omitting proprietary information, assessing the effectiveness of current company due diligence in preventing forced, child and prison labour in TJX’s supply chain”.</p> <p>We supported the shareholder resolution, in line with ILIM’s Global Proxy Voting Guidelines, which generally seek additional information on human rights practices in the operation and supply chain of investee companies. In addition to the Global Proxy Voting Guidelines, during 2023, ILIM participated in collaborative engagements on human rights risks in supply chains and specifically regarding the materiality of risks for companies in the apparel sector.</p> <p>Therefore, we believe that increased assessment and disclosures in this area will help reduce any potential material risks to shareholder value. ILIM believes that the requested report will also help shareholders assess the risks of potential human rights violations in TJX’s supply chain, and to assess the company’s management of human rights-related risks.</p> <p>TJX argued that the requested report on forced, child, and prison labour is unnecessary given TJX’s approach to its social compliance policies and practices. It says its Vendor Code of Conduct expressly prohibits merchandise vendors from using forced, child and prison labour and that it monitors for forced, child and prison labour through its targeted factory audit programme. However, TJX does not conduct or require audits of factories of the companies within its supply chain except for the producers of private label products. The company also stated that this report is unnecessary due to its approach to its social compliance policies and practices.</p> <p>ILIM believes that TJX should improve reporting especially regarding (i) its Tier 1 and Tier 2 suppliers for its private label products; (ii) its auditing metrics, and (iii) responsible sourcing standards or sustainable product attributes.</p>
Vote Outcome	Approximately 31% of shareholders supported the shareholder resolution, which is a favourable outcome when compared to other shareholder resolutions on similar topics, indicating the increased recognition that material risks arise from limited oversight of human rights violations in supply chains.

Corporate Governance

Unilever Plc	
Date of AGM	3 May 2023
Country	United Kingdom
Resolution Category	Remuneration
Resolution Summary	Approval of Executive Remuneration
Vote Decision	Against
Vote Rationale	<p>The company asked for shareholders’ approval of the executive remuneration plan for the incoming CEO, Hein Schumacher. ILIM voted against the proposal, as the base salary of the incoming CEO has been set higher (18.5%) than the fixed pay of his predecessor and also significantly higher relative to other FTSE 30 companies. This is not the first time that proposals from Unilever’s remuneration committee has seemed at odds with its, otherwise positive, sustainability credentials. It also became a high-profile issue among European asset managers.</p> <p>The company stated that the Nomination Committee had assessed the new CEO’s salary against their benchmarking peer group consisting of UK and EU companies of similar financial size and complexity to Unilever.</p> <p>However, as the fixed remuneration is not directly linked to performance and, more specifically, to the performance of an incoming CEO, we could not identify a compelling justification for the salary of the new CEO to be significantly higher than that of his predecessor and UK market peers. Furthermore, the new CEO’s salary at Unilever was almost two times the salary he received from his previous CEO role.</p>
Vote Outcome	The proposal concentrated a significantly high level of dissent. 58% of shareholders voted against the approval of the remuneration report, recognising the issues associated with the base salary of the incoming CEO.

Canon Inc.	
Date of AGM	30 March 2023
Country	Japan
Resolution Category	Election of Directors
Resolution Summary	Election of CEO
Vote Decision	Against
Vote Rationale	<p>ILIM voted against the re-election of the CEO due to lack of gender diversity on the board of directors. In line with local market standards, ILIM expects that boards in Japan consist of at least one director who is a woman. In this case, Canon had a board composed entirely of men.</p> <p>We acknowledge that in Japan representation of women on corporate boards is lower than that of other developed markets. However, we believe that larger corporations, especially those the size of Canon, should strengthen their efforts to increase the representation of women on the board of directors as well as in the wider workforce.</p>
Vote Outcome	49% of shareholders voted against the re-election of the CEO, demonstrating the increased recognition that the lack of women on the board of directors is a matter that needs to be addressed by the company. ILIM intends to continue to assess the company's progress on appointing women to the board of directors.



Appendix

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

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

We cannot guarantee the accuracy, completeness or reliability of such Third Party Data and we accept no responsibility or liability whatsoever for any inaccuracies, errors, inconsistencies or omissions in the information contained in this document as a result of our reliance on Third Party Data.

Any reference to third party service providers in this document is solely to explain our relationships with such service providers or for appropriate acknowledgement, and does not constitute any sponsorship or endorsement by ILIM of such third-party service providers.

This is intended as a general review of investment market conditions. It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person.

The author cannot make a personal recommendation for any person and you should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Any comments on specific stocks are intended as an objective, independent view in relation to that stock generally, and not in relation to its suitability to any specific person.

ILIM may manage investment funds which may have holdings in stocks commented on in this document. Past performance may not be a reliable guide to future performance. Investments may go down as well as up. Funds may be affected by changes in currency exchange rates. Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.

Figures referenced herein have been sourced from ILIM and Bloomberg. Forecast figures have been prepared by ILIM based on reasonable assumptions, internal data and data sourced from Bloomberg.

Contact us

Phone +35317041200

Fax +35317041918

Website www.ilim.com

Write to Irish Life Investment Managers, Beresford Court, Beresford Place, Dublin 1

Irish Life Investment Managers is regulated by the Central Bank of Ireland. Irish Life Investment Managers Limited is registered as an Investment Adviser with the Securities and Exchange Commission (the "SEC"). Irish Life Investment Managers Limited holds an International Adviser Exemption in Manitoba and Ontario pursuant to NI 31-103. This material is for information only and does not constitute an offer or recommendation to buy or sell any investment and has not been prepared based on the financial needs or objectives of any particular person. It is intended for the use of institutional and other professional investors.