



NZAM Climate Pledge

2023 Update

more **INVESTED**

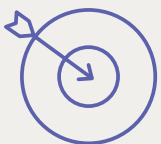
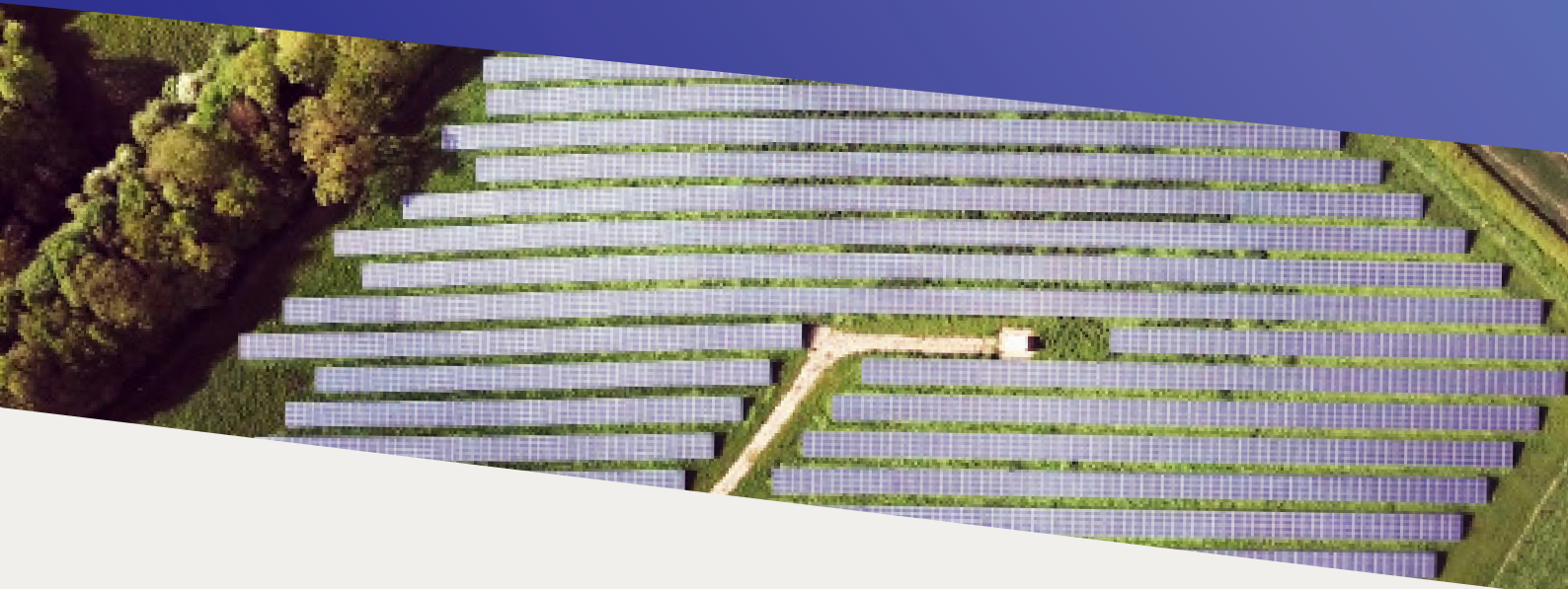
Introduction

Irish Life Investment Managers (ILIM), as a universal owner with broad exposure across global markets, is incentivised to support sustainable growth and well-functioning financial markets. ILIM is committed to managing assets responsibly and believes that investing client money in a responsible way is more likely to preserve and grow investment values in the long term. ILIM has been a member of UNPRI since 2010 and joined the Net Zero Asset Managers Initiative (NZAM) in 2022.

With a business built on putting clients first and delivering high-quality and innovative investment solutions, ILIM understands that climate change can present both material risks and opportunities. Particularly relevant, as an asset manager, is the topic of decarbonisation. ILIM is primarily a passive manager and strives to incorporate decarbonisation into the investment process through the design of indices that utilise positive weightings based on climate-related criteria and climate solution revenue metrics. ILIM also works in partnership with asset owner clients to increase climate ambition and to help clients transition to portfolios that are more aligned with decarbonisation goals.



Decarbonisation is a global macro trend and ILIM is committed to contributing to a low carbon economy as set out in the Paris Agreement. ILIM recognises that the path to achieving net zero is a long-term and challenging commitment. ILIM has set targets, for a clearly defined set of initial assets (ringfenced assets), to adopt a decarbonisation pathway and to engage with investee companies through voting and engagement with the aim of alignment with net zero.



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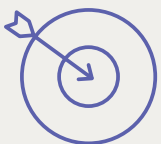
ILIM’s approach

As set out in our Climate Pledge in September 2022, ILIM has initially committed circa 20% of total assets under management (AUM) to NZAM across Discretionary Equity, Corporate Fixed Income and Property assets. As an institutional asset manager, ILIM has a significant proportion of assets in client directed mandates, where the investment strategy is subject to the agreed mandate determined by our institutional clients. As part of our NZAM commitment, we will work proactively with clients and partners to gradually increase the proportion of in-scope assets to 100% by 2050 and look to review this target in the future. Additionally, as more defined methodologies emerge around assets currently excluded from our commitment (EU Government Bonds mandates in particular are a large percent of our AUM), we will also seek to include these assets in our NZAM commitment.

ILIM has set 2019 as a baseline measurement year, with intermediate targets for 2025 and 2030. ILIM utilised the Net Zero Investment Framework as a methodology for setting targets, covering Scope 1 & 2 greenhouse gas emissions for the initial objective and target setting. Scope 3 will be phased-in gradually as data quality and coverage improves. The decarbonisation targets are based on requirements from the IPCC special report on 1.5-degrees with a 2025 interim target of 25%* decarbonisation followed by 50%* decarbonisation by 2030.



In making this commitment, ILIM adheres to the Paris Aligned Investment Initiative’s Net Zero Investment Framework (NZIF), which is one of the methodologies endorsed by the NZAM network partners. The framework is designed to provide a foundation based on climate science.



By proactively working with clients and partners on their net zero pathways, ILIM will look to review this target in the future.

* Scope 1 and 2 emissions

ILIM’s NZAM targets are the following:



Portfolio decarbonisation reference target:

2025 TARGET



25%
REDUCTION

Weighted Average Carbon Intensity (WACI)* relative to 2019 baseline

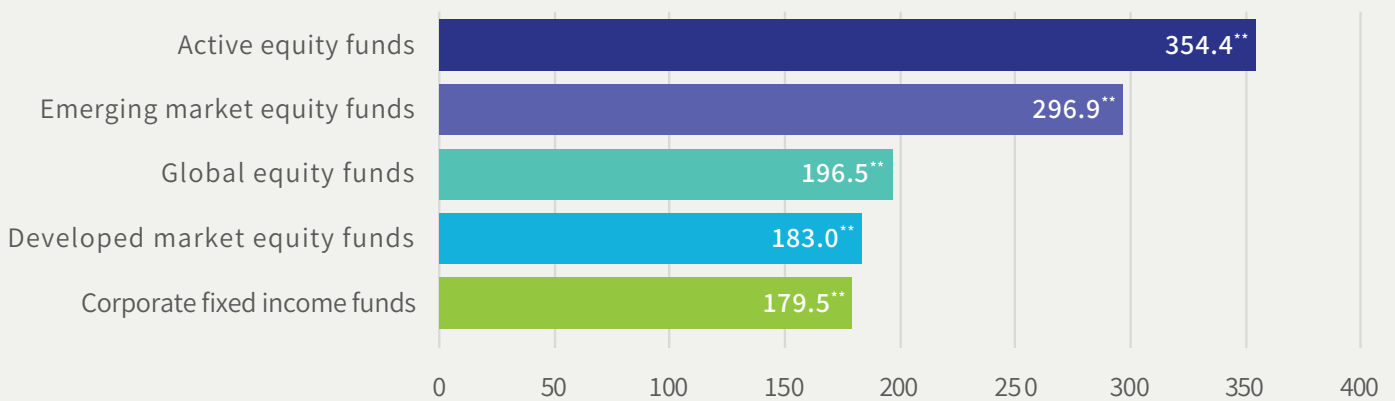
2030 TARGET



50%
REDUCTION

Weighted Average Carbon Intensity (WACI)* relative to 2019 baseline

2019 baseline WACI* emission intensity of in-scope portfolios (tCO2e/\$mn):



* Scope 1 and 2 emissions

** tonnes of CO2 equivalent per USD million of revenue.

In addition to the portfolio decarbonisation target, ILIM has a number of strategic developments aligned with net zero commitments:



Fossil Fuel Policy:

Currently, ILIM has a coal exclusion policy, targeting any companies in the investable universe which derive revenue from thermal coal above permissible thresholds for all proprietary strategies, >10% for coal extraction activities and >25% for thermal coal power generation.

ILIM's exclusion policy also covers unconventional fossil fuels, targeting companies with over 10% of revenue derived from tar sands and Arctic oil and gas.

Additionally, ILIM considers a reduction of fossil fuel exposure as one of the primary metrics within the 'brown revenue' step of the tilting process, during the portfolio construction phase of ILIM's proprietary offerings.

As part of our NZAM commitment, ILIM also aims to phase out unabated coal by 2030 in developed markets and by 2040 in emerging markets.

Stewardship Strategy:

ILIM has been constantly expanding its range of climate-related engagements to align with the expectations of the Net Zero Stewardship Toolkit. In line with this, ILIM is targeting heavy emitters through direct and collaborative¹ engagements as part of initiatives such as Climate Action 100+ (CA100+), IIGCC's Net Zero Engagement Initiative (NZEI), CDP Non-Disclosure Campaign and in partnership with third-party providers Sustainalytics and Glass Lewis.

ILIM's overall engagement efforts (active + passive)² currently cover over 60% of combined Scope 1 + 2 financed emissions.

Active engagements: ILIM is currently in active direct engagement with companies making up ~20% of combined Scope 1 and 2 financed emissions and a total of ~30% of combined Scope 1 and 2 financed emissions when active collaborative engagement efforts are included.

Passive engagements: Additionally, through ILIM's participation in initiatives such as CA100+, IIGCC's NZEI, CDP NDC, and Glass Lewis's climate change engagement initiatives, ILIM targets an additional ~30% of combined Scope 1 and 2 financed emissions.

Finally, ILIM's Global Proxy Voting Guidelines³, which include climate and net zero considerations, cover the totality of ILIM's discretionary-managed financed emissions except for companies and markets where voting costs are disproportionate to investments and/or logistically excessively complex. The combined voting and engagement activities should help put ILIM on track to meet our 2025 interim target.

ILIM seeks to target companies which represent 70% of financed emissions by 2025 and 90% by 2030 with respect to alignment with a net zero pathway or subject to direct/collaborative engagement.

ILIM will be focussing on a list of companies that represent the largest share of financed emissions and on companies that have not received any level of engagement in the past through other initiatives that ILIM is a part of. ILIM will also focus on companies where there is increased potential to make an impact, particularly those companies in the Irish market where ILIM is the largest domestic asset manager.

ILIM will target the wider list of financed emissions through a baseline engagement strategy, where ILIM will communicate net zero expectations for companies annually and target all votable holdings through ILIM's Global Proxy Voting Guidelines, which will align with the expectations of the Net Zero Stewardship Toolkit for routine votes.

Climate Solutions Range:

For its proprietary investment solutions, ILIM aims for greater exposure to companies with lower carbon intensity levels. Robust climate-related data is critical for effective investment decisions. 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, including input from ILIM research and engagements.

ILIM has developed a proprietary model to incorporate ESG and climate metrics into its investment process across its sustainable corporate bond and equity funds. This approach incorporates a 'Decarbonisation Tilt' that combines a range of forward- and backward-looking metrics to minimise exposure to higher emitting entities while increasing exposure to green solutions. The final tilt score considers carbon intensity, carbon risk, green revenues and brown revenues.

In addition, ILIM has developed a Climate Solutions range, the 'Climate Focused Strategy' and 'Low Carbon Equity Income Strategy', designed with a more stringent set of sustainable criteria. These strategies include an expanded set of exclusions, aimed at minimising exposure to the fossil fuel value chain and an improved tilting mechanism to enhance exposure to sustainable activities, such as renewable energy, green buildings, and green transportation.

¹ Direct engagements are those in which ILIM engages individually with investee companies. Collaborative engagements are those in which ILIM engages in collaboration with other investors, generally through an initiative such as CA100+.

² Active engagement refers to engagements in which ILIM actively participates in, including through activities such as research, sending communications to companies, taking part in engagement meetings, etc. Passive engagements are those engagements in which their objectives and goals are supported by ILIM as supporters of the initiative (e.g. CA100+, NZEI, CDP) but ILIM can only engage with a limited number of companies in these engagements. The goals of these passive engagements are supported primarily through our voting activity.

³ <https://www.ilim.com/media/2011/ilim-global-proxy-voting-guidelines.pdf>

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