



Engagement Policy October 2023

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1. INTRODUCTION

As a Responsible Investor, ILIM adopts an Active Ownership approach to promote better corporate behaviour in investee companies in terms of sustainability and management of Environmental, Social and Governance risks. ILIM exercises voting rights and constructively engages with investee companies, encouraging better standards and management processes covering material ESG risks.

This Policy outlines ILIM's approach to Engagement and is written in accordance with the Shareholder Rights Directive 2017/828 (SRD II) amending Directive 2007/36 (SRD I). The Shareholder Rights Directive 2017/828 (SRD II) ('the Directive') was transposed into Irish law by the European Union (Shareholders' Rights) Regulations 2020 (S.I. No. 81 of 2020).

2. SCOPE

This policy applies to funds managed by ILIM on behalf of its clients where ILIM has been given proxy-voting and engagement authority and describes how we integrate engagement into our investment strategy. Engagement is a key component of ILIM's Responsible Investment approach.



3. ACTIVE OWNERSHIP

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. ILIM recognises and adheres to the principles of active ownership, believing in constructive engagement and exercising voting rights to promote stronger corporate governance, in investee companies.

It is ILIM's belief that voting rights have economic value and should be treated accordingly. Voting enables ILIM to voice opinions to a company on a broad range of topics and is a way of encouraging boards to listen to and address investor concerns. As a result, ILIM considers voting to be an important part of its oversight role and integral to both the investment process and its overall active ownership and stewardship approach. ILIM's Voting Policy is available on its website.

ILIM's active ownership programme focuses on core ESG themes, which can be categorised under two mega themes: decarbonisation and a trend to a more stakeholder centric business model, and four priority thematic areas: climate change, natural capital, human rights and corporate governance.

4. ENGAGEMENT

i) Selection and Monitoring

ILIM’s approach to select engagements is based on identifying ESG laggards in the portfolio, combined with financial materiality aiming to focus on companies and issues with the potential to have the greatest long-term impact on investment outcomes. ILIM’s engagement activity is supported by a service provider that is responsible for advisory and research services, targeting companies that are considered to be ESG laggards relative to their peers in ESG categories determined by ILIM. The service provider supports ILIM’s monitoring of, and engagement with, investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance. The aim of the engagement is, as a minimum, to bring the performance of these companies in line with their peer group. In conjunction with the service provider, ILIM identifies clear engagement objectives for each targeted company, detailing potential actions to address ESG failings. The engagement process starts with ILIM writing to a company, detailing the purpose of engagement, the key issue identified and outlining the request to the company. In conjunction with the service provider, ILIM analyses responses from companies to determine the extent to which each company has addressed ESG failings or responded to issues identified. Where initial engagement is unsuccessful, ILIM will identify appropriate action to escalate the engagement.

Given the materiality of holdings in underlying companies, ILIM believes that, in some instances, acting collectively with other like-minded investors and industry bodies is the most appropriate means of having a meaningful impact. Aligned with its four thematic priority areas, ILIM is a member of initiatives including CDP (formerly the Carbon Disclosure Project) Non-Disclosure Campaign, Climate Action 100+ (CA100+), the Institutional Investors Group on Climate Change (IIGCC) and others.

ii) Escalation

ILIM has a number of options to escalate engagements when they prove unsuccessful. For all mandates, ILIM initially makes the tone of its direct engagements firmer. Voting activities can also be used for escalation activities including, but not limited to, voting against the re-election of one or more board directors, voting against the Chair of the Board of Directors and voting against the approval of the annual financial statements. This is done on a case-by-case basis. Where ILIM has discretion, positions can be held underweight, and in severe cases holding may be excluded.



5. GOVERNANCE

Responsible Investment Team

The Engagement programme is led by ILIM’s Responsible Investment Team. The team, with the input of various engagement service providers, oversees and monitors engagement activities and reports on activity to the Responsible Investment Governance Committee which is chaired by ILIM’s Chief Sustainability Officer.

Responsible Investment Governance Committee ('the Committee')

This Engagement policy is owned and reviewed annually, or more frequently if required, by the Responsible Investment team, and approved by the Committee in advance of approval by the ILIM Board of Directors. The Committee is responsible for reviewing and monitoring adherence to this policy. The membership of the Committee and its terms of reference are available on request. A report on Engagement activities is provided on a semi-annual basis to the ILIM Executive Management Team.

ILIM Board

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

6. CONFLICTS OF INTEREST

As a MiFID authorised firm, ILIM is required to take all appropriate steps to identify, manage or prevent potential or actual conflicts of interest that arise when providing its services. In ILIM’s engagement with investee companies, and in making voting decisions, any potential or actual conflicts that arise will be managed in accordance with ILIM’s Conflicts of Interest policy. ILIM will abide by the principles of treating its clients fairly and dealing honestly and professionally with all stakeholders. ILIM’s Conflicts of Interest Policy is available on request.

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