



2021

Responsible Investment Annual Review

Helping people build
better futures

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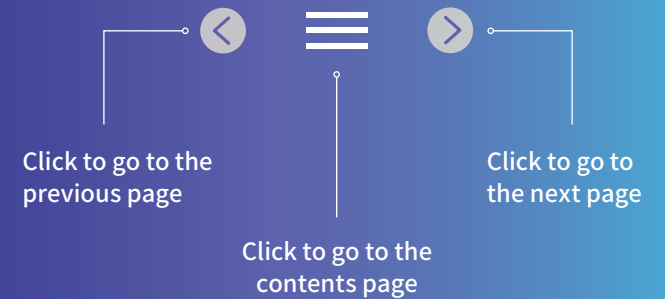
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Foreword

Kathy Ryan
Head of Responsible
Investment, ILIM



Dear Stakeholders,

I am pleased to present the annual Responsible Investment (RI) Report from Irish Life Investment Managers (ILIM). The report provides an overview of the responsible investment activities we have undertaken from 1 January 2021 to 31 December 2021.

Across the Irish Life Group, we have incorporated sustainability as a core pillar of our future business strategy at a policy, entity and strategy level. Within ILIM, we now have over €40 billion in responsibly managed assets, which has increased from €22bn at the end of 2020. This represents 40% of total assets under management, an increase from 25% at the end of 2020.

Key changes and reflections from 2021

ILIM's Responsible Investment approach is driven by two overarching sustainability megatrends, which are identified to be closely linked to our core investment activities: decarbonisation and the shift to a more stakeholder-centric business model. Within these two trends, ILIM structures its activities around four thematic priority areas: Climate Change, Natural Capital, Human Rights, and Corporate Governance.

Our role as stewards of our clients' capital is also evolving and 2021 saw a deeper commitment to active ownership, including voting and engagement strategies, which we intend to develop further in 2022 with the introduction of ILIM's bespoke Global Voting Guidelines and an expansion in our collaborative engagements.

Last year was dominated by discussions on climate in the run up to the COP 26 meeting in Glasgow, which helped galvanize climate commitments with companies, across sectors, industries and location, making statements on climate targets and how they plan to manage the potential physical and transition risks that climate change poses to their operations and supply chains. Net Zero ambitions will transform businesses and create great investment opportunities as well as risks for companies who are left behind.

The natural capital agenda has also gained relevance with the launch of the Task Force on Nature-related Financial Disclosures (TNFD) and growing recognition at COP26 about the relevance of protecting, conserving and restoring nature and ecosystems to achieve the Paris Agreement temperature goal. Social issues have also become more explicit during the COVID-19 pandemic, highlighting that the consideration of human rights in investment activities is fundamental to the advancement of ESG investing. All those factors are connected with the relevance of corporate governance to ensure that companies have the proper rules, policies and practices to create long-term shareholder value.

As asset managers, we have three influence levers in our toolbox: (i) solution design, (ii) active ownership and (iii) policy engagement. Using these **three key levers**, we have strengthened our approach to align with our core themes.



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Responsible Investment approach at ILIM



Sustainability megatrends



Megatrends influence our society and economy, and companies need to respond to them and adapt their strategies. ILIM's Responsible Investment approach is driven by two overarching sustainability megatrends, which were identified to be closely linked to our core investment activities: decarbonisation and the move to a stakeholder-centric business model.

Stakeholder-centric business model

As stated by the World Economic Forum¹:

The context in which businesses now operate has been transformed by climate change, nature loss, social unrest around inclusion and working conditions, COVID-19 and changing expectations of the role of corporations. (...) To continue to thrive, companies need to build their resilience and enhance their licence to operate, through greater commitment to long-term, sustainable value creation that embraces the wider demands of people and planet.

Stakeholder capitalism is a form of capitalism in which companies seek long-term value creation by considering the needs of all their stakeholders, and society at large². In the stakeholder model, people and planet are at the centre. It also recognises that economies, societies, and the environment are all closely linked. In this context, the trend towards a more stakeholder centric business model reflects the increasing demands on companies to act responsibly for all stakeholders, i.e. employees, communities, supply chains, the environment, as well as shareholders.

ILIM has elected the stakeholder-centric business model as one of the sustainability megatrends guiding its Responsible Investment approach as it encompasses the three pillars of ESG (Environmental, Social and Governance) integration.

Decarbonisation

The trend towards decarbonisation captures the global trend to a lower carbon economy, as set out in the 2015 Paris Agreement. The Paris Agreement commits signatories to limit the global increase in temperature to well-below 2°C and to pursue efforts to limit warming to 1.5°C above pre-industrial levels, and it requires each country to submit their individual climate action plans. The severe additional impacts of warming at 2°C rather than 1.5°C are clear, as systematised by Carbon Brief³, and the Intergovernmental Panel on Climate Change (IPCC) has shown that the world is likely to hit 1.5°C by the early 2030s.

In this context, COP26, held in Glasgow in November 2021, marked a changing phase of the Paris Agreement from rulemaking to implementation. The Glasgow Climate Pact reiterates the IPCC special report finding that limiting warming to 1.5°C requires rapid, deep, and sustained emissions cuts, with carbon dioxide emissions falling to 45% below 2010 levels by 2030 and to net zero around mid-century⁴. Thus, decarbonisation is a key pillar of necessary action.

Decarbonisation and the related issue of climate change are topics to be addressed by stakeholder-centric business models. The impacts of climate change are systemic in nature, meaning that climate change impacts interact with other ESG spheres, such as posing a threat to human rights, intensifying biodiversity loss, and presenting strategic risks to companies. Considering the transversal nature of climate change and its urgent importance, ILIM has opted to consider it as a standalone sustainability megatrend.

1. World Economic Forum, 2020. Available at: https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

2. Schwab, K.; Vanham, P., 2021. Available at: <https://www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance/>

3. Carbon Brief, 2018. Available at: <https://interactive.carbonbrief.org/impacts-climate-change-one-point-five-degrees-two-degrees/>

4. Carbon Brief, 2021. Available at: <https://www.carbonbrief.org/cop26-key-outcomes-agreed-at-the-un-climate-talks-in-glasgow>

Thematic priority areas

Within the core sustainability megatrends, ILIM structures its activities around four thematic priority areas: Climate Change, Natural Capital, Human Rights, and Corporate Governance. The selection of the four themes was driven by internal research and considerations on (i) the exercise of shareholder rights, (ii) the importance of corporate governance in terms of principal agency theory and (iii) the long-term systemic risks ILIM considers most impactful on the long-term performance of investee companies and economies as a whole.

The Climate Change priority theme sits under the decarbonisation megatrend, while Natural Capital, Human Rights, and Corporate Governance priority themes sit under the stakeholder-centric business model megatrend. Each priority theme covers multiple topics, including but not limited to:

Climate Change

Management of greenhouse gas emissions, transition alignment, renewable/alternative energy strategy, fossil fuel involvement and physical climate risks.

Natural Capital

Biodiversity, water (consumption and pollution) and waste.

Human Rights

Worker's rights, equality in the workplace, supply chain labour standards and the prevention of modern slavery.

Corporate Governance

Bribery and corruption, board composition and diversity, remuneration, ESG risk oversight, audit and internal controls.

The thematic priority areas are also related to the Sustainable Development Goals (SDGs). There are three levers that ILIM uses to deliver sustainable outcomes: (i) Solution Design, (ii) Active Ownership, and (iii) Policy Engagement.

ILIM Responsible Investment approach



3 levers target sustainable outcomes:

1. Solution Design

2. Active Ownership

3. Policy Engagement

Voting activities



Overall voting stats – 2021

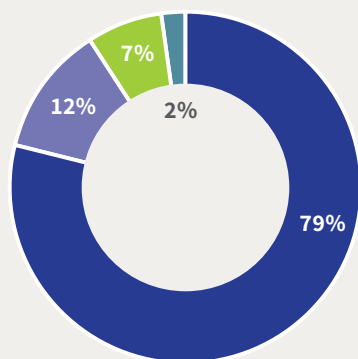


ILIM’s voting in 2021 was aligned to its four thematic priorities, generally voting in favour of most well-constructed shareholder proposals on Climate Change, Natural Capital, Human Rights and Corporate Governance related topics.

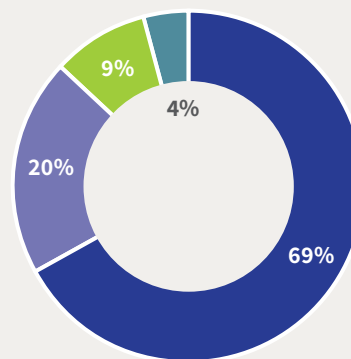
The 2021 AGM season was noted by many commentators as a record-breaking one, as support for environmental and social proposals reached historic highs. According to ILIM’s analysis, 38 environmental and social resolutions received majority support in 2021 (versus 21 similar resolutions in 2022) with 14 of them receiving 80% support. Morningstar noted that support across shareholder resolutions in 2021 averaged 34%, 5 percentage points above the previous high set in 2019. The 2021 proxy season saw an extraordinary growth in climate-related shareholder resolutions, especially in the US, where over 147 climate resolutions were filed, with 47 going to vote and results averaging 40% support.

In 2021, ILIM voted at 6,055 meetings out of 6,637—91.2% of all available meetings⁵ — with 13.3% of overall resolutions voted against management. ILIM exercised its voting rights across all priority themes, voting in favour of shareholder proposals across its thematic priorities, with 26.9% of all ESG-related shareholder resolutions being voted against management recommendation, showing the strength of ILIM’s voting approach and alignment to the wider Active Ownership strategy. Furthermore, 48.6% of all the meetings where ILIM voted in 2021 had at least one vote against management recommendation.

Meetings with shareholder proposals voted by ILIM priority theme – 2021



Votes against management by ILIM priority theme – 2021



- Climate Change
- Natural Capital
- Human Rights
- Corporate Governance

5. Unvoted meetings were for companies with a specific Do Not Vote instruction including small-cap companies and companies in certain jurisdictions where it is excessively onerous and logistically complex to exercise voting rights.

Voting trends 2021



In this section, we will be highlighting some of the most important trends in voting during the 2021 proxy voting season.

Climate change-related resolutions

Over the course of 2021, shareholder proposals requesting companies to produce reports related to climate change were particularly prevalent. ILIM voted in favour of 38 of these resolutions, going against management recommendations on 32 of them.

Shareholder proposals related to climate change have increased in popularity in recent years—2021 was a historical high for climate proposals—with 28 climate-related proposals going to the vote in the US alone, receiving average shareholder support of 44% and 11 of them passing. This is a significant increase from 2020 where 14 climate proposals appeared on ballots with average support of 33% and only three passed⁶.

During 2021, there were a high number of votes for high profile companies that received majority shareholder support across a variety of climate-related topics. Below are notable shareholder resolutions that received majority support from investors and where ILIM voted in favour of the resolutions:

- > **Reports requesting companies to align lobbying activities with the goals of the Paris Agreement:** Norfolk Southern Corporation (76% shareholder support), United Airlines Holdings (65%), Exxon Mobil Corporation (64%), Delta Air Lines, Inc. (63%), Phillips 66 (63%).
- > **Resolutions requesting companies to produce reports on setting GHG emission reduction targets (e.g. Scope 3 targets, net zero targets, etc.):** General Electric Company (98% shareholder support), Sysco Corporation (92%), Phillips 66 (79%), Chevron Corporation (61%), ConocoPhillips (59%).

Climate

ILIM voted in favour of 38 of these resolutions, going against management recommendations on 32 of them

Political lobbying & contributions disclosure

According to UN PRI, resolutions requesting reporting on lobbying payments and political contributions continued to be popular in 2021, with no less than 42 proposals filed by shareholders (41 of them being aimed at US companies). Average support on political contribution proposals escalated to 48% from 39% in 2020 and included six resolutions receiving majority votes, while average support on lobbying proposals rose to 39% from 33% in 2020 and included three majority votes⁷. In the US market, rising support for these governance resolutions is being driven by the events of January 2021 in relation to the US Capitol attack and concerns over large lobbying expenditures by companies such as Amazon and Exxon Mobil.

A large number of lobbying-related shareholder resolutions were filed during the 2021 AGM season. These proposals typically requested companies to produce additional disclosure on companies' direct and indirect political contributions, as well as information on lobbying expenditures (including trade association membership and payments) and companies' oversight mechanisms regarding those contributions. As improved disclosure in lobbying and political contributions helps shareholders assess related risks and benefits, transparency in this regard is a key element of good corporate governance. ILIM voted in favour of 46 of these resolutions, 44 of them going against management recommendations. Listed below are notable lobbying-related shareholder resolutions that passed with majority support and where ILIM voted in favour of the resolutions:

- > Netflix, Inc (80%), United Airlines Holdings, Inc. (68%), FedEx Corporation (62%), Exxon Mobil Corporation (56%), AECOM (54%) Duke Energy Corporation (51%).

Resolutions seeking to improve shareholder rights

ILIM generally votes in favour of resolutions that seek to enhance shareholder rights. ILIM believes in the fundamental principle of one share one vote as this presents the most equitable capital structure. ILIM will vote to create or maintain this principle as a cornerstone of good corporate governance. In 2021, ILIM voted in favour of 65 resolutions that requested companies to provide the right to act by written consent, with all 65 resolutions voted against management recommendations. ILIM also voted in favour of 13 resolutions that requested companies to eliminate supermajority vote requirements or adopt simple majority votes. Harvard Law School Forum on Corporate Governance has noted that overall support for these types of resolutions declined in 2021, despite vigorous activity around these topics and despite them being among the most common proposal filings in the year. However, there were still a number of these resolutions requesting companies to eliminate supermajority vote requirements or adopt simple majority voting that passed successfully. Examples are provided below and ILIM voted in favour of all of these resolutions:

- > Citrix Systems, Inc. (98%), Intercontinental Exchange, Inc. (92.4%), Bunge Limited (90%), OGE Energy Corp (85%), American Airlines Group Inc. (74%), PACCAR Inc (64%), Cintas Corporation (64%).

Diversity, Equality and Inclusion reports

With Corporate Governance and Human Rights being two of ILIM's four priority themes, shareholder resolutions that seek to promote further transparency on diversity, equality and inclusion (DEI) are frequently supported by ILIM. In 2021, ILIM voted in favour of 12 out of 12 EEO⁸ /DEI-related shareholder proposals. These resolutions requested companies to annually publish a report assessing diversity, equity and inclusion efforts and reporting quantitative, comparable diversity data that would allow shareholders to better assess the effectiveness of the company's DEI efforts and management of related risks. According to UN PRI, the percentage of shareholder votes in favour on EEO/DEI resolutions has increased from 40.6% in 2020 to a majority 55% in 2021. Listed below are EEO/DEI resolutions at major companies that received majority support in 2021 and ILIM voted in favour of the resolutions:

- > International Business Machines (94%) DuPont de Nemours, Inc. (84%), Union Pacific Corporation (81%), American Express Company (60%), Tesla, Inc. (55%).

8. "Equal Employment Opportunity" (EEO-1) is a mandatory reporting requirement for many U.S. employers that requires them to submit demographic information on their workforce, including data by race/ethnicity, sex and job categories, in order to provide a demographic breakdown of the employer's workforce by race and gender. This data is submitted annually to the U.S. Equal Employment Opportunity and kept confidential unless companies choose to voluntarily disclose it. The EEO-related shareholder proposals in 2021 requested companies to disclose this data publicly.

Significant votes

Listed below is a selection of 10 significant shareholder proposals for major companies that received majority support across ILIM's thematic priorities.

Hover to view 

Going forward – 2022 Strategy

Development of bespoke voting policy

ILIM seeks to influence investee companies through a systemic approach to Active Ownership. Over the course of 2021, ILIM developed a bespoke voting policy in partnership with ISS. The enhanced voting policy adopts ILIM's Global Proxy Voting Guidelines, which build on ISS's SRI and Climate proxy voting guidelines as well as adopting additional bespoke considerations encompassing:



Climate Change

Strengthening ILIM's position on climate through the adoption of ISS's Climate module, with voting sanctions focused on highest risk, high carbon-emitting companies, including targeted voting against director elections.



Board Diversity

Setting minimum expectations for gender and ethnic board diversity for investee companies in line with global best practice.



Independent Board Leadership

Strengthening corporate governance expectations by voting against combined Chair/CEOs.

ILIM's Global Proxy Voting Guidelines are framed in terms of ILIM's four thematic priority areas that ILIM considers as financially material from an ESG perspective. This is enhanced through constructive engagements with investee companies based on the exercise of the rights available to shareholders and debtholders and includes investor collaborations. Voting decisions from 2022 onwards will be in line with ILIM's Global Proxy Voting Guidelines.



Engagement activities



Direct engagements

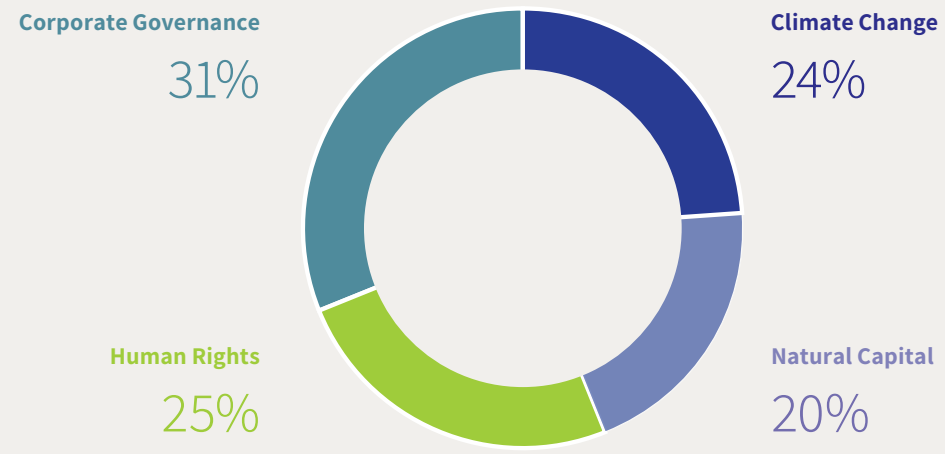
Engagement is a key component of ILIM's Responsible Investment approach. ILIM has continued to enhance and expand its engagement programme during 2021, building on the progress made during 2020. In 2021, ILIM launched 52 new engagements across 10 topics. ILIM has been engaging for many years with portfolio companies regarding human rights, climate change, water stewardship, supply chain labour standards and anti-corruption, and it continues to launch new dialogues on these vitally important topics. In 2021, ILIM has also been widening the range of themes on which it engages in alignment with its four priority topics of Climate Change, Natural Capital, Human Rights and Corporate Governance. In this context, during 2021, ILIM started dialogues on four additional issues: physical climate risks, biodiversity, waste and modern slavery.



Engagement themes and topics

	Environment		Social	Governance
Priority Themes	Climate Change	Natural Capital	Human Rights	Corporate Governance
Topics	Transition climate risks Physical climate risks	Biodiversity Water Waste	Human Rights Supply chain labour standards/modern slavery	Anti-discrimination Anti-corruption ESG risk

Engagement breakdown by Priority Themes



Case studies

Below is a selection of engagement case studies on four different themes: Climate Change, Natural Capital, Human Rights and Corporate Governance.

Hover to view 

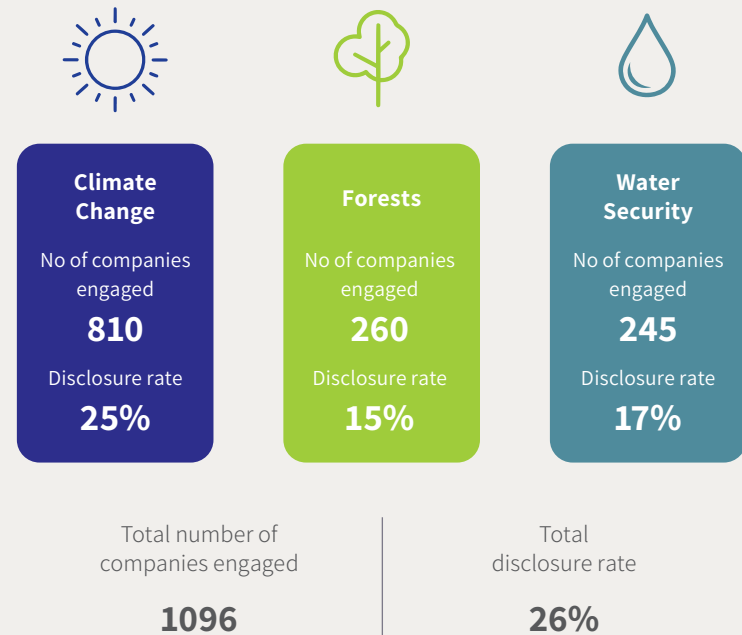
Collaborative engagements

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.

Carbon Disclosure Project (CDP) Non-Disclosure Campaign

ILIM takes part in the CDP Non-Disclosure Campaign, which aims to drive further corporate transparency around climate change, deforestation and water security by encouraging over 1320 companies to respond to CDP's disclosure request.

In the 2021 reporting cycle, ILIM is one of the 168 investors representing US \$17 trillion AUM engaging companies to improve transparency on materially important environmental data. ILIM has co-signed 810 letters on climate change, 260 letters on forestry risks, and 345 letters on water security, engaging with a total of 1096 distinct companies through CDP's campaign and achieving a disclosure rate of 26%.





Climate Action 100+

ILIM is also a participant investor in the Climate Action 100+ initiative, which aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, targeting 167 focus companies across 15 sectors, responsible for 80% of global industrial emissions. According to the latest progress update⁹ from CA100+, "investor engagement through the initiative resulted in faster and more ambitious climate commitments from a significant number of focus companies".

Of the companies engaged by the initiative, 52% have set 2050 net zero targets in some form, 87% have board-level oversight of climate change, and 72% have committed to align their disclosures with TCFD recommendations. However, the Net Zero Company Benchmark¹⁰ has identified that, overall, no company performed at a high level across all indicators and there were clear gaps around short- and medium-term targets, Scope 3 emissions and aligning capex with a 1.5°C global warming scenario.

These results played a crucial role in shaping investor engagement priorities in 2021 and, throughout the year, investors across the initiative engaged companies on critical actions around short-, medium- and long-term emissions targets, corporate lobbying disclosure and board climate competence.

In 2020, ILIM launched a direct engagement with Southern Company, one of the largest utilities in the US that distributes electricity and natural gas, requesting the company to respond to questioning on coal-fired generation. In 2021, ILIM has expanded this engagement by joining the group of investors that is currently engaging with Southern Company as part of the Climate Action

100+ initiative. The engagement objectives and milestones are based on the **Benchmark Scorecard** developed by CA100+. So far, the company has progressed around a commitment to net-zero greenhouse gas emissions by 2050; the development and disclosure of an enterprise-wide decarbonization strategy; and first steps to link the CEO's pay to progress made achieving greenhouse gas emission targets. Additional steps in the dialogue involve topics such as accelerating the Company's medium-term greenhouse gas reduction target for 2030; strengthening the Company's executive compensation plan to ensure management is effectively incentivized to achieve the company's climate transition goals; and establishing an enterprise-wide lobbying position that aligns with the Paris Agreement.

Other collaborative forums

ILIM also participates in industry forums such as the United Nations Principles for Responsible Investment (UNPRI), The Institutional Investors Group on Climate Change (IIGCC) and the Sustainable & Responsible Investment Forum (SIF) Ireland. As part of IIGCC, ILIM has joined the Net Zero Stewardship Working Group, which aims to support members implementing net zero commitments and builds on the current recommendations of the Net Zero Investment Framework.



9. <https://www.climateaction100.org/progress/progress-update/>
10. <https://www.climateaction100.org/progress/net-zero-company-benchmark/>

Going forward – 2022 Strategy



Expansion of the thematic approach via collaborative engagements

Aligned with its four thematic priority areas, and aiming to expand the impact of its engagement programme, in Q4 2021 ILIM joined four thematic collaborative engagements, led by Sustainalytics¹¹, around the topics of Sustainable Forests & Finance, Localised Water Management, Modern Slavery, and Tomorrow's Board. The thematic engagements aim to influence companies to proactively address ESG risks and opportunities and improve ESG performance, addressing specific issues through the engagement activities.

ILIM has also joined the Global Standards engagement, an incident-driven engagement with companies that severely or systematically violate the UN Global Compact, focused on improving company behaviour on ESG issues in relation to international guidelines and conventions. The EU Action Plan and similar initiatives are placing a renewed emphasis on the importance of ensuring portfolio companies comply with internationally recognized norms and standards, such as the United Nations' Global Compact Principles, ILO Conventions and the OECD Guidelines for Multinationals and the engagement seeks to encourage portfolio companies to meet such standards.

11. 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/>

Collaborative Engagement	Priority Theme Alignment	Scope
Sustainable Forests and Finance	Climate Change, Natural Capital	Aims to address climate risk and advocate for reductions in direct and indirect emissions in global forest systems. Focus list: 20 companies across three categories (producers and traders; banks; end-users).
Localised Water Management	Natural Capital	Aims to engage on localised water management with companies to improve understanding of shared water challenges and encourage development of site-based targets, with the view of reducing company risks and enhancing water security for all. Focus list: 20 companies from three sectors (beverage, chemicals and mining).
Modern Slavery	Human Rights	Aims to ensure that modern slavery risks are robustly addressed within high-risk companies. Focus list: 20 companies from both the Textile and Apparel sector and the Construction and Engineering sector.
Tomorrow's Board	Corporate Governance	Aims to encourage the move to an improved board and push companies to improve disclosure on the board composition, skills and metrics for measuring the company's sustainability progress. Focus list: 21 companies from three sectors: extractives, financial, pharmaceutical.
Global Standards	Natural Capital, Human Rights, Corporate Governance	Engagement triggered by violations of internationally recognised standards of Human Rights, Labour, Society, Business ethics. Focus list: 172 ongoing engagements with 164 companies.

Linking voting and engagement

As defined in its Engagement Policy, ILIM has a number of options to escalate engagements when they prove unsuccessful. For all mandates, 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.

Voting and One-to-One Company Engagement

One example is the engagement with Autozone, which was launched by ILIM in Q2 2016. AutoZone is a seller of aftermarket automotive parts, tools, and accessories to do-it-yourself customers in the United States. The company derives an increasing proportion of its sales from domestic commercial customers and has a growing presence in Mexico and Brazil.

At the time the engagement was launched, it had been identified that the company had no energy targets reported. Thus, the company was asked to make a commitment to reduce energy consumption with quantified targets against a baseline year and to begin reporting and publish absolute or normalized data on the company's energy consumption globally.

With the company being unresponsive since the engagement was launched, it was appropriate to vote in favour of a shareholder proposal filed by As You Sow that requested AutoZone to report on its greenhouse gas emissions reduction targets, issuing a report within a year and annually thereafter, disclosing short, medium and long term GHG gas reduction targets aligned with the Paris Agreement. ILIM considered that a fuller set of GHG emissions disclosures and reduction targets would help shareholders assess risks and company actions taken to reduce its contribution to climate change. This shareholder resolution passed with 70% of support.

Voting and Collaborative Engagement

ILIM has also been linking its voting behaviour with its collaborative engagements. As a participant in Climate Action 100+, ILIM has been supportive of exercising voting rights to influence the largest corporate greenhouse gas emitters to act on climate change.

In 2021, CA100+ flagged 14 critical resolutions that could have a significant impact on climate action across major companies such as Chevron Corporation, Exxon Mobil, Phillips 66 and more. ILIM voted in favour of these 14 critical resolutions, with 6 of them receiving majority support from shareholders.

One of these resolutions was filed at Berkshire Hathaway Inc., where the resolution requested the company to produce a report on risks and opportunities for subsidiaries potentially impacted by Climate Change, report on board oversight and management of climate risks and opportunities, and report on the feasibility of establishing science-based targets and aligning disclosures with TCFD. As Berkshire Hathaway has 63 subsidiaries and only 5 of them report on GHG emissions and has no comprehensive overall plan for managing GHG emissions, no climate change strategy or board oversight and has not responded to the CDP climate change questionnaire, supporting this resolution was considered appropriate by ILIM.



Engagement with policymakers

In 2021, ILIM signed the Investor Statement to Governments, led by The Investor Agenda. Signed by 457 investors, representing over USD \$41 trillion in assets, the statement is a strong investor call for governments to raise their climate ambition and implement robust policies to:

- > Strengthen Nationally Determined Contributions for 2030 in line with limiting warming to 1.5°C.
- > Commit to a mid-century net-zero emissions target with clear sectoral decarbonisation roadmaps.
- > Ensure ambitious pre-2030 policy action, including strengthened carbon pricing, phasing out fossil fuel subsidies and thermal coal-based power, avoiding new carbon-intensive infrastructure (no new coal power plants) and developing only transition plans.
- > Ensure COVID-19 economic recovery plans support the transition to net-zero emissions.
- > Commit to implementing mandatory climate risk disclosure requirements.

This statement is aligned with ILIM's current advocacy and actions around climate change in the following ways:

1.

Aligns with ILIM's involvement with SIF Ireland and their position on the sustainability roadmap proposed to the Irish government.

2.

Aligns with ILIM's position on Climate Change and actions across proprietary assets and new product development agenda.

3.

Aligns with ILIM becoming a signatory to the TCFD and making its first public disclosure.



Exclusions approach



Irish Life Investment Managers' 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:

UN Global Compact violators

These are companies that violate the UN Global Compact, which commits signatories to universally accepted principles on human rights, labour, environmental protection, and anti-corruption.

Companies undergoing severe controversies

These are incidents that have a severely negative impact on the environment, society, and the company itself. Severe controversies pose serious ongoing risks to the company, which is sometimes unable or unwilling to correct the issue, or has been found trying to conceal its wrongdoing or involvement.

Companies with involvement in controversial weapons

In line with international treaties and norms, certain weapon categories are deemed controversial due to their disproportionate or indiscriminate impact on civilians. These include anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions.

Tobacco

Companies directly involved in the production of various tobacco products, or with a significant secondary involvement through retail and distribution.

Thermal coal

Coal combustion is responsible for the largest share of global CO2 emissions based on IEA's studies, and it fundamentally contravenes climate goals. As part of ILIM's coal phase-out strategy, 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.

Unconventional fossil fuels

Certain methods of oil and gas extraction pose additional social and environmental risks compared with conventional processes. Companies in this category are those that derive more than 10% of their revenue from oil sands and Arctic drilling activities.

Impact of Exclusions Policy

During 2021, applying ILIM's standard exclusions policy to an investable universe with global broad market exposure resulted in the following improvements in ESG performance:

The prevalence of companies with a severe level of ESG risk was 11% lower

▼ 11% 

The prevalence of companies with high exposure to individual ESG issues was 17% lower

▼ 17% 

The investable universe became 5% less carbon intensive and had 4% less exposure to Stranded Asset risk

▼ 5% 

▼ 4% 

Climate Focused Fund and bespoke climate exclusions

In 2021, ILIM expanded its sustainable solution set to include the 'Climate Focused Fund'. This fund's existing exclusion policy will be used for a series of new bespoke ESG offerings, in line with ILIM's commitment to the green transition.

- 1) Oil and gas production:** Companies with any involvement in oil and gas production, by means of either exploration, production, refining, transportation, or storage, are excluded.
- 2) Oil and gas supporting products and services:** Companies that provide supporting products or services to any of the above activities are also excluded if they derive more than 2.5% of their revenue from said supporting activities.
- 3) Thermal coal:** Thresholds for the exclusion of companies involved in thermal coal extraction and power generation are reduced to capture any level of involvement (above 0% of revenue).
- 4) Unconventional fossil fuels:** Thresholds for the exclusion of companies involved in oil sands and Arctic drilling are reduced to capture any level of involvement (above 0% of revenue).

The resulting exclusions helped create portfolios with a global broad market exposure that is better aligned with a 1.5 °C pathway, without sacrificing performance and diversification beyond acceptable levels.



Conclusion

2022 looking forward

At Irish Life Investment Managers (ILIM), we are committed to managing the assets responsibly, with the objective of delivering longer-term sustainable returns.

Through the expansion of our Responsible Investment practices, we intend to ensure that we use all influence levers that we have to favour investments that have a stronger alignment with the core sustainability megatrends of **Decarbonisation** and the shift to a **'Stakeholder Centric Business Model'**, focusing on our four thematic priority areas: **Climate Change, Natural Capital, Human Rights, and Corporate Governance.**

As covered in this report, voting from 2022 onwards will be voted in line with ILIM's Global Proxy Voting Guidelines, framed around ILIM's four priority themes, with bespoke considerations around climate change, board diversity, and independent board leadership. Our engagement programme is also in expansion to produce increased impact around our four priority themes, with the participation in new collaborative engagements started in 2021 to be strengthened over 2022. We are also committed to continuing to enhance and evolve our solution set to ensure we can continue to meet and enable our clients on their own sustainable investment journeys, including to enable them to meet their own climate ambitions and wider sustainability goals.

We look forward to working with all our stakeholders on this agenda in 2022.



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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.

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