



# Annual Sustainability Report Indexed Emerging Markets Debt Fund

**December 2022**

Version 1.0

Helping people build  
better futures

## Introduction

At Irish Life, we believe in doing right by your money by helping build a better future for all.

Through Irish Life Investment Managers (“ILIM”) we invest your money in a responsible way that benefits you and the planet.

**Product Name:** Indexed Emerging Markets Debt Fund

**Legal Entity Identifier:** YYV6S3OE6EWZYI2FFW31

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

There are new rules which require any fund which promotes environmental and/or social characteristics to provide detailed sustainability related disclosures to prospective customers.

As this Fund has been categorised as meeting the provisions set out in Article 8 of the EU SFDR, this report provides further details on what the sustainability related ambitions of the Fund are and how the sustainability related ambitions of the Fund are met.

### Investment Objective

This Fund is passively managed and invests in emerging market local currency sovereign bonds. The Fund aims to perform in line with the JP Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged. Qualifying bonds must have a maturity of greater than six months, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. The Fund follows a benchmark index designed by JP Morgan to enhance exposure to positive Environmental, Social and Governance (ESG) factors and improved exposure to Green bonds.



## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

- |   |   |
|---|---|
| <p><input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It made <b>sustainable investments with an environmental objective</b>: __%</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It made <b>sustainable investments with a social objective</b>: __%</p> | <p><input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It promoted <b>Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments</p> <p style="margin-left: 20px;"><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> with a social objective</p> <p><input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></p> |
|---|---|

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.





## To what extent were the environmental and/or social characteristics promoted by this financial product met?

This Fund aims to provide an improvement in the environmental, social, governance ("ESG") and overall ESG scores. The Fund is passively managed and its objective is to reflect the performance of the J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged. This Index is an environmental, social and corporate governance ("ESG") version of the JP Morgan Government Bond Index-Emerging Markets Global Diversified Index ("GBI-EM"). The administrator of the Index, J.P. Morgan Securities LLC, uses ESG data provided by Sustainalytics and RepRisk to apply an ESG scoring and screening methodology to score each constituent of the GBI-EM, to tilt toward issuers ranked higher on ESG criteria and green bond issues and to underweight and remove issuers that rank lower.

The Fund seeks to improve the E/S characteristics versus the broad market benchmark by allocating more capital to issuers which exhibit more positive E/S characteristics relative to the broad market. The Fund targets issuers which will achieve the following relative to the broad market benchmark:

- Reduction in overall ESG score versus the broad market benchmark
- Increase in allocation to Green bonds, as determined by the Climate Bond Initiative, versus the broad market benchmark. Green bonds are fixed income securities where proceeds are applied to projects or activities that promote climate or other environmental sustainability purposes

The indicators that the Fund uses to measure the attainment of the environmental and/or social ("E/S") characteristics promoted are:

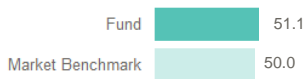
- Overall ESG Score
- Country Risk Score
- Country Carbon Intensity score

### How did the sustainability indicators perform?

#### ESG Factors Score

The ESG Factors Score is the risk management component of the Country Risk Ratings framework. The score aggregates the country's ESG Performance Score, ESG Trends and Country Events.

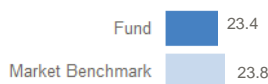
A higher score is better



#### Country Risk Score

This score takes into account Human Capital, Institutional Capital and Natural and Produced Capital to get an aggregate composite country risk score.

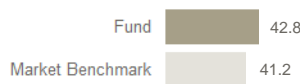
A lower score is better



#### Carbon Intensity

The score aggregates the Carbon Intensity of the underlying sovereign issuers.

The metric rates sovereign issuers on a scale from 0-100 on how efficiently they are using their carbon resources. A higher score is better.



### ...and compared to previous periods?

As 2022 is the first year of reporting, there are no comparative periods to report. A comparison between the 2022 periodic report sustainable metrics will be provided in the 2023 periodic report.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

**What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

This Fund did not commit to making sustainable investments or investments aligned with the EU Taxonomy.

**How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

N/A – This Fund did not commit to making sustainable investments or investments aligned with the EU Taxonomy.

**How were the indicators for adverse impacts on sustainability factors taken into account?**

N/A - This Fund did not commit to making sustainable investments or investments aligned with the EU Taxonomy.

**Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

N/A - This Fund did not commit to making sustainable investments or investments aligned with the EU Taxonomy.

Under Article 6 of the Taxonomy Regulation, it is a requirement to include this information regarding the "do not significant harm" principle in this document because the Fund promotes the environmental characteristics described in this disclosure document.

However, notwithstanding the above, this Fund does not seek to make any sustainable investments and does not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the EU Taxonomy and its portfolio alignment with the EU Taxonomy is not calculated. Consequently, (i) the "do no significant harm" principle does not apply to any of the investments of the Fund and (ii) the Fund will not commit to invest more than 0% of the Fund's investments in economic activities that qualify as environmentally sustainable under the EU Taxonomy.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



**How did this financial product consider principal adverse impacts on sustainability factors?**

The Fund does not explicitly target Principal Adverse Impacts ("PAIs") in the investment process because the PAIs definitions and methodology have limited scope for investment in sovereign debt.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## What were the top investments of this financial product?

As at 31 December 2022

Largest Investments	% Assets	Country
BRAZIL-LTN BLTN 0 01/01/24	2.3%	Brazil
REP SOUTH AFRICA SAGB 10 1/2 12/21/26	1.6%	South Africa
BRAZIL-LTN BLTN 0 07/01/23	1.6%	Brazil
REP SOUTH AFRICA SAGB 8 01/31/30	1.3%	South Africa
REP SOUTH AFRICA SAGB 8 3/4 02/28/48	1.2%	South Africa
MEXICAN BONOS MBONO 5 3/4 03/05/26	1.1%	Mexico
BRAZIL NTN-F BNTNF 10 01/01/27	1.1%	Brazil
MEXICAN BONOS MBONO 7 3/4 05/29/31	1.1%	Mexico
REP SOUTH AFRICA SAGB 8 1/4 03/31/32	1.0%	South Africa
POLAND GOVT BOND POLGB 2 1/2 07/25/26	1.0%	Poland
MEXICAN BONOS MBONO 7 1/2 06/27	1.0%	Mexico
BRAZIL NTN-F BNTNF 10 01/01/25	1.0%	Brazil
BRAZIL-LTN BLTN 0 07/01/25	0.9%	Brazil
REP SOUTH AFRICA SAGB 8 7/8 02/28/35	0.9%	South Africa
INDONESIA GOV'T INDOGB 6 1/2 02/15/31	0.9%	Indonesia

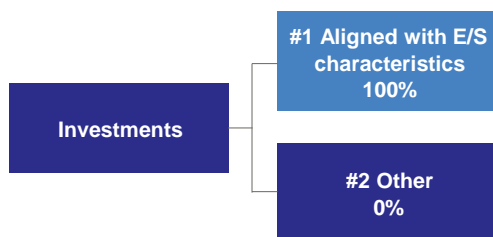
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period.



## What was the proportion of sustainability-related investments?

The Fund invests in emerging market local currency sovereign bonds and may carry a small cash balance for liquidity purposes. The Fund promotes environmental and social characteristics alongside other factors (Article 8 of the SFDR).

### What was the asset allocation?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The allocation to **#2 Other** investment above, is immaterial as the Fund keeps only small levels of cash and derivatives for liquidity purposes.

**Asset allocation** describes the share of investments in specific assets.

**In which economic sectors were the investments made?**

The Fund invests in emerging market local currency sovereign bonds and may carry a small cash balance for liquidity purposes. Given the nature of the sovereign assets, there is no sectoral breakdown available.

Given the Fund sovereign only exposure, there is no direct exposure to fossil fuel revenue.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Although the Fund promoted environmental and social characteristics (Article 8 under the Sustainable Finance Disclosure Regulation) the Fund does not align with the EU Taxonomy criteria.

Taxonomy alignment for sovereign exposures can currently not be measured due to the lack of a clear methodology

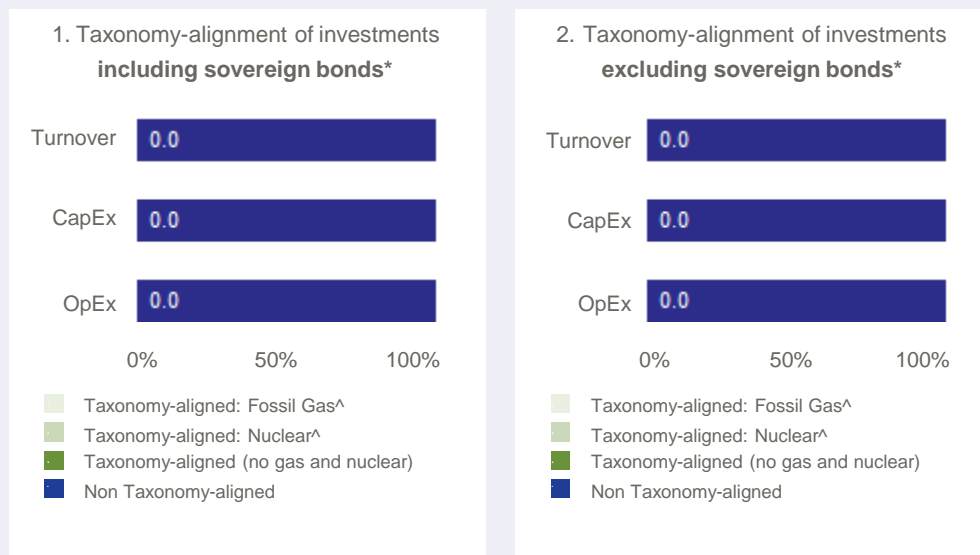
**Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?**

Yes
  In fossil gas^
  In nuclear energy^
   
 No

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transactional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



Taxonomy-aligned activities are expressed as a share

**turnover** reflects the "greenness" of investee companies today

> **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy

> **operational expenditure** (OpEx) reflects the green operational activities of investee companies

\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

^Data relating to Taxonomy aligned Fossil Gas and Nuclear is not currently available. Data relating to these activities will be populated once the data becomes available.

(1) Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**What was the share of investments made in transitional and enabling activities?**

N/A - the Fund does not align with the EU Taxonomy. Taxonomy alignment for sovereign exposures can currently not be measured due to the lack of a clear methodology.

**How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

N/A - the Fund does not align with the EU Taxonomy. Taxonomy alignment for sovereign exposures can currently not be measured due to the lack of a clear methodology.

**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

N/A - the Fund does not align with the EU Taxonomy. Taxonomy alignment for sovereign exposures can currently not be measured due to the lack of a clear methodology.

**What was the share of socially sustainable investments?**

N/A - The Fund does not intend to make any investments in sustainable investments with a social objective.

**What investments were included under “Other”, what was their purpose and were there any minimum environmental or social safeguards?**

The Fund invests in emerging market local currency sovereign bonds and may carry a small cash balance for liquidity purposes. The Fund may also invest in cash, fixed income derivatives such as future contracts and also FX derivatives such as FX forwards. Fixed income derivatives may be used to maintain or manage exposure to the market while managing the cash flows from subscriptions and redemptions into and out of the Fund more efficiently than by buying and selling transferable securities. The Fund will not generate synthetic short positions for investment purposes using financial derivatives. Given the nature of derivative investments, no minimum environmental or social safeguards can be applied.

**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Fund is passively managed and its objective is to reflect the performance of the J.P. Morgan ESG Government Bond Index-Emerging Markets Global Diversified EUR Unhedged (the "Benchmark") on an ongoing basis. The Benchmark integrates issuer level ESG scores into the emerging market local currency sovereign bond universe to deliver an improvement in these aggregate characteristics compared to the broad market benchmark. This is achieved by overweighting securities that rank favourably across these metrics and underweighting laggards. The desire to maintain high levels of diversification within the Fund means that laggards may not be eliminated entirely. The methodology explicitly excludes United Nations Global Compact violators and any issuer ranked in the bottom quintile of ESG scores.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.





## How did this financial product perform compared to the reference benchmark?

### How did the reference benchmark differ from a broad market index?

The designated index is based on the constituents of the broad market index. Through a rules-based methodology applied by the benchmark provider to the broad market index, the designated index incorporates E/S characteristics by integrating ESG data. This is achieved by overweighting countries that rank favourably across these metrics and underweighting laggards. The broad market index, JP Morgan Government Bond Index-Emerging Markets Global Diversified Index ("GBI-EM"), does not consider the promotion of E/S characteristics and is weighted based on market capitalisation.

### How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

The Fund follows a passive management strategy and aims to track the performance of the Benchmark. As a result, the investment strategy of the Fund is aligned with the methodology of the Benchmark on a continuous basis.

### How did this financial product perform compared with the reference benchmark?

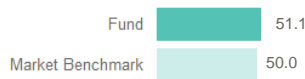
As the Fund follows a passive indexed strategy whereby the Fund aims to replicate the performance of the Benchmark, the performance of the E/S characteristics of the Fund and the Benchmark are expected to be in line.

### How did this financial product perform compared with the broad market index?

#### ESG Factors Score

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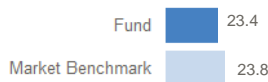
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#### Country Risk Score

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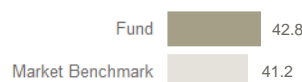
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#### Carbon Intensity

The score aggregates the Carbon Intensity of the underlying sovereign issuers.

The metric rates sovereign issuers on a scale from 0-100 on how efficiently they are using their carbon resources. A higher score is better.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

This disclosure is being made in accordance with the Sustainable Finance Disclosure Regulation (SFDR). 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. You should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. 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.

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