

Pre-Contractual Sustainability Disclosures for IL High Yield Corporate Bond Fund

December 2023

Version 23/1

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: IL High Yield Corporate Bond 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 Sustainable Finance Disclosure Regulation (SFDR), this report provides further detail 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 USD, CAD, GBP and EUR denominated and BB-B rated corporate bonds. The Fund aims to perform in line with the ICE ILIM Sustainable BB-B Developed Markets High Yield Index. The Fund follows a proprietary benchmark index designed by ILIM to enhance exposure to positive Environmental, Social and Governance (ESG) factors and reduce investment exposure to carbon risk as set out by the Paris Climate Agreement. Qualifying bonds must have a maturity of greater than one year, a fixed coupon schedule and a minimum amount outstanding of USD 250 million, EUR 250 million, GBP 100 million, or CAD 100 million. Only bonds which are BB or B rated on a composite rating are included in the index.



Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

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



What environmental and/or social characteristics are promoted by this financial product?

This Fund specifically aims to:



Reduce the impact of the Fund on Climate Change
(relative to 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)

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

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.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

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

While this Fund is designed to consider and contribute to the sustainability of our environment and society within the provisions of Article 8 of the SFDR, it is not specifically designed to make “sustainable investments” as defined under SFDR or to make investments which qualify as “environmentally sustainable” under the EU Taxonomy.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

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

How have the indicators for adverse impacts on sustainability factors been taken into account?

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

How are the 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 does not commit to making sustainable investments or investments aligned with 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.

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



Does this financial product consider principal adverse impacts on sustainability factors? Yes No

The Fund aims to reduce negative impacts to the environment and society. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts (PAI).

Where possible and feasible and in line with the nature of the investments, a number of adverse impacts are structurally and systematically considered as part of this Fund's investment decision making. This consideration occurs before making investment decisions and thereafter as part of our ongoing monitoring and management of that investment, where an investment is made.

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)

Investment decisions result in more capital allocation to companies with improved PAI indicators as a result of the ESG data integration.

Further details on the principle adverse impacts can be found at <https://www.ilim.com/media/2265/ilim-pai-regulatory-document.pdf>



What investment strategy does this financial product follow?

The Fund is a passive product that tracks a high yield corporate bonds index and is a medium risk fund. The Fund promotes environmental and social characteristics alongside other factors (Article 8 of the SFDR).

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

ILIM's Responsible Investment Framework is incorporated where possible into the index which the Fund tracks. For the bond exposures, the following approach is applied within the index which is detailed in our Responsible Investment Framework as follows:

1. The Index excludes the securities of companies which exhibit poor behaviour (UN Global Compact Violators) and those involved in activities such as the manufacturing of Controversial Weapons and Tobacco.
2. The Index integrates security level ESG risk ratings and principal adverse impact (PAI) indicators within our corporate bond investments to ensure a material improvement in these aggregate characteristics compared to broad market benchmark. These enhancements are 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 are not eliminated entirely.

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.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

N/A - There is no committed minimum rate to reduce the scope of investments.

What is the policy to assess good governance practices of the investee companies?

ILIM utilise independent third party data providers to make assessments on governance practices in the companies which we invest. ILIM assess good governance practices in investee companies through a number of measures which include:

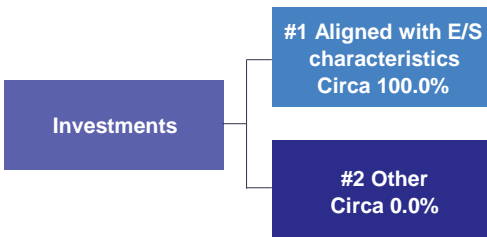
- > ESG risk scores
- > Alignment with the UN Global Compact
- > Involvement in severe controversies

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

The Fund invests in high yield corporate bonds and may carry a small cash balance for liquidity purposes. The Fund may make an allocation to "Other" investments which may comprise of a small cash balance for liquidity purposes or derivatives such as futures. However, in normal market conditions, the Investment Manager expects the investments used to meet the environmental and/or social characteristics is equal to circa 100%.



#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.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Although derivatives can be used in the investment strategy, derivatives are not used to attain the environmental or social characteristics promoted by the financial product.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- > **turnover** reflecting the share of revenue from green activities of investee companies.
- > **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- > **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

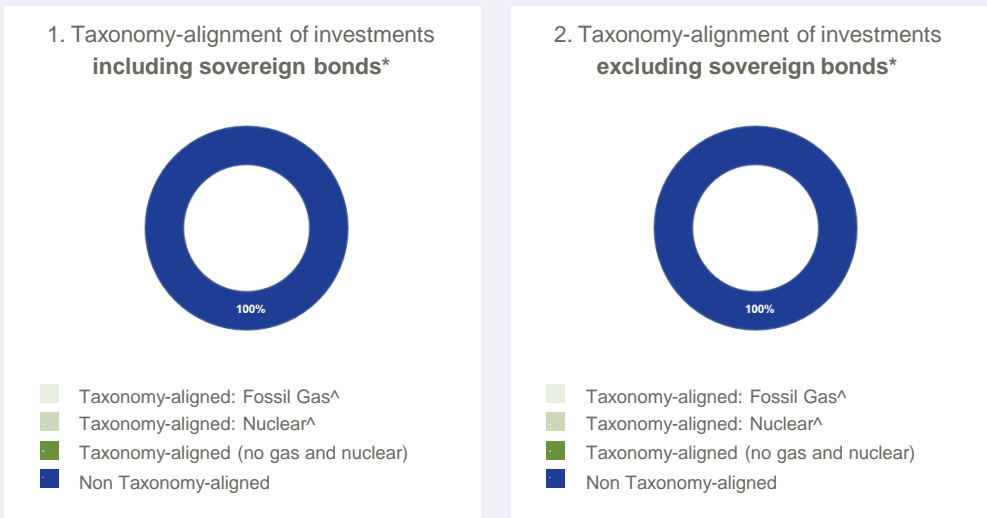
Although the Fund promotes environmental and social characteristics (Article 8 under the Sustainable Finance Disclosure Regulation) the Fund does not align with the EU Taxonomy criteria.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy? (1)

Yes
 In fossil gas[^]
 In nuclear energy[^]

 No

The two graphs below show in green the minimum percentage of investments that are 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.



*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.

What is the minimum share of investments in transitional and enabling activities?

0.0%



What is the minimum share of investments with an environmental objective that are not aligned with the EU Taxonomy?

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



What is the minimum share of socially sustainable investments?

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

(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.

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.

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.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may invest in high yield corporate bonds. The Fund may also invest in cash, derivatives such as future contracts and also FX derivatives such as FX forwards. 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. For cash holdings, no cash is held with banks which are on ILIM's exclusion list.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

The Fund follows a passive indexation strategy and aims to replicate the reference benchmark. The reference benchmark is created by ILIM in co-ordination with the benchmark provider, ICE, and is designed to promote the E/S characteristics of the Fund. The reference benchmark is the ICE ILIM Sustainable BB-B Developed Markets High Yield Index.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

The reference benchmark is created by ILIM in co-ordination with the benchmark provider, ICE, and is designed to promote the E/S characteristics of the Fund. It is a rules based benchmark which integrates ESG data to ensure the reference benchmark is continuously aligned with the E/S characteristics promoted by the Fund. Through the passive indexation strategy of the Fund, the Fund mimics the constituent weights of the reference benchmark.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

The Fund follows a passive indexation strategy and aims to replicate the reference benchmark. As a result the investment strategy of the Fund is aligned with the methodology of the Index on a continuous basis.

How does the designated index differ from a relevant broad market index?

The designated index promotes E/S characteristics due to the integration of ESG data. The broad market index, ICE BofA BB-B Rated Developed Markets High Yield Constrained Index, does not consider the promotion of E/S characteristics and is weighted based on market capitalisation. The designated index is based on the constituents of the broad market index. Through a rules based methodology designed by ILIM and applied by the benchmark provider to the broad market index, the designated index is formed.

Where can the methodology used for the calculation of the designated index be found?

The methodology pertaining to the reference benchmark is available at the below website link under the index code "H4IS"

Website address: <https://indices.theice.com/>

Where can I find more product specific information online?

More product-specific information can be found on the website

<https://www.ilim.com/responsible-investing/sustainability-related-disclosures/>

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.

Irish Life Assurance plc, trading as Irish Life, is regulated by the Central Bank of Ireland.
Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.