

Website Disclosures For IL High Yield Corporate Bond Fund

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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: YV6S3OE6EWZYI2FFW31

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.



Summary

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

This Fund specifically aims to:

1. Reduce the impact of the Fund on Climate Change (relative to the appropriate broad market benchmark)
2. Increase the Fund's exposure to companies with improved sustainability and lower ESG risk scores (relative to the appropriate broad market benchmark)

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The estimated proportion of assets which promote environment and social (E/S) characteristics is circa 95%.

The Fund follow a passive strategy and invests in high yield cap corporate bonds and may carry a small cash balance for liquidity purposes.

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess companies' ESG credentials. ILIM utilises the ESG data from Sustainalytics to monitor the E/S characteristics of the Fund. The E/S characteristics of the Fund are reported periodically to internal executive committees.

ESG data is provided for the underlying holdings with each security having a series of ESG indicators. The indicators used to measure the promotion of the E/S characteristics of the Fund are carbon intensity, fossil fuel involvement and ESG risk score.

There are limitations regarding ESG data and some available ESG data is based off estimated data due to the lack of publicly disclosed information.

ILIM utilises ESG data to take into account sustainability factors including a number of principle adverse impact ("PAI") indicators. The E/S characteristics promoted by the Fund are monitored to assess if these E/S characteristics have been attained.

ILIM currently do not engage with credit investments, such as Corporate Bonds. This is something ILIM is currently investigating.

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. 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.

No sustainable investment objective

This Fund promotes environmental and/or social characteristics but does not have a sustainable investment objective.

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 Regulation.

Environmental or social characteristics of the financial product

This Fund specifically aims to:

Reduce the impact of the Fund on Climate Change (relative to the appropriate broad market index)

Increase the Fund’s exposure to companies with improved sustainability and lower ESG risk scores (relative to the appropriate broad market benchmark)

The indicators used to measure the outcomes of this approach are:

Reduce the impact of the Fund on Climate Change

- > 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 market benchmark.

Investment Strategy

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.

To deliver on the Fund's objective and to reduce the negative impacts to the environment (E) and society (S) and promote strong corporate governance (G) practices, ILIM implements its Responsible Investment Framework across the Fund's Corporate Bond assets. For these exposures, we apply the following approach which is detailed in our Responsible Investment Framework as follows:

1. ILIM 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, subject to revenue thresholds.
2. ILIM integrates security level ESG risk ratings and PAI indicators to ensure a material improvement in these aggregate characteristics compared to the 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 Index means that laggards are not eliminated entirely which enables ILIM to use its shareholding to engage with companies to encourage them to embrace sustainable practices.

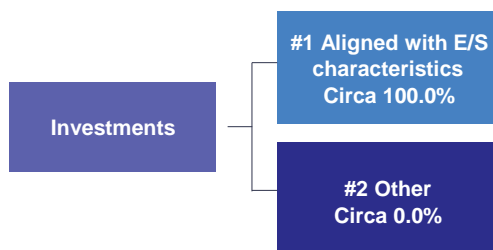
ILIM utilises independent third party data providers to make assessments on governance practices in the companies which we invest. ILIM assess good governance practices in investee companies through a number of measures which include:

- > ESG Risk scores
- > alignment with the UN Global Compact
- > involvement in severe controversies

Sound management structures, employee relations, remuneration of staff and tax compliance are all considered and are component parts which contribute to the ESG risk score of an investee company.

Proportion of Investments

The estimated proportion of assets within the Fund which promote E/S characteristics is represented below as per #1.



#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 Fund invests in high yield corporate bonds and may carry a small cash balance for liquidity purposes.

The Fund has direct exposures to investee companies through investments in corporate bonds. The Fund may also have indirect exposures to investee companies through derivative investments.

Monitoring of environmental or social characteristics

ILIM relies on third party ESG data from Sustainalytics. Sustainalytics have developed methodologies to assess companies' ESG credentials. Companies are assigned sustainability related scores based on their activities and ESG credentials.

ILIM utilises the ESG data from Sustainalytics to monitor the E/S characteristics of the Fund. The agreed environmental and social indicators used to measure the attainment of the characteristics promoted by the product are independently monitored by ILIM's Investment Risk team at a Fund level. The E/S characteristics of the Fund are reported periodically by ILIM's Investment Risk team to ILIM's Responsible Investing Governance Committee and the ILIM board. Exceptions are highlighted and addressed where appropriate.

Methodologies for environmental or social characteristics

The extent to which environmental and social characteristics promoted by the Fund are met, these are measured using a series of aggregated metrics using data from our third party data provider Sustainalytics.

The Fund is a passive product which promotes E/S characteristics. ESG data for the underlying holdings is available through our third-party ESG data provider Sustainalytics with each security having a series of ESG indicators.

A weighted average score of the underlying holdings is calculated for each of the E/S characteristics promoted by the Fund. The weighted average scores are used to demonstrate how environmental and social characteristics promoted by the Fund are met.

Data sources and processing

ILIM, as fund manager, obtains the data and evaluates each of the E/S characteristic promoted from our chosen ESG data provider, Sustainalytics (<https://www.sustainalytics.com>). Sustainalytics is a market leader in the provision of ESG data.

Sustainalytics provide ESG data on the environmental and social characteristics promoted by the Fund. ESG data is sourced from Sustainalytics for the individual company holdings of the Fund for each of the indicators which monitor the environmental and social characteristics. ILIM as Fund manager of the Fund, monitor the quality of data received and companies which have environmental/social scores that are judged to be outliers within the Fund are reviewed against other third party data providers and if necessary, queried with Sustainalytics.

For the Fund's investments, each indicator to assess the impact of the environmental and social characteristic promoted by the Fund is calculated for each individual security using a weighted average of the Sustainalytics data score for the individual metrics, and these are then aggregated to determine the overall product score.

A formulaic expression of the calculation is below:

Individual company score = Weight of security in portfolio * Sustainalytics score for the individual sustainable metric

Fund score for sustainable metric = Sum of individual company scores held in the Fund

ESG data and metrics attributed to the environmental and social characteristics promoted by the Fund will contain estimated data due to a lack of public disclosure by individual companies. As the requirements to report ESG data differ between jurisdictions, and as many companies are only starting to produce ESG measurements themselves, a significant portion of the data is estimated by our ESG data provider Sustainalytics. Gaps in corporate disclosure are partially filled with the help of Sustainalytics' estimation models (e.g. targeting GHG emissions) to provide a fuller picture of the portfolio's impacts. Disclosure of ESG data is improving over time with more companies publicly disclosing ESG related data.

Limitations to methodologies and data

As mentioned, there are limitations regarding both methodologies and data. For some securities ESG data is unavailable due to the lack of publicly disclosed information. In these instances estimated ESG data is used.

Gaps in corporate disclosure are partly filled with the help of Sustainalytics' estimation models (e.g. targeting GHG emissions) to provide a more complete picture of the portfolio's impacts. For securities where ESG data is not directly available, these are not included in the calculation.

Disclosure of ESG data is improving year on year with more companies publicly disclosing data to support the environmental and social characteristics promoted by the Fund.

Due Diligence

ILIM utilises independent third-party ESG data to take into account sustainability factors including a number of PAI indicators. ILIM integrates the ESG data into the investment decision making process to reduce 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.

Using ESG data from our third-party provider, ILIM excludes investee companies in breach of international principles such as:

- > The OECD Guidelines for Multinational Enterprises
- > The UN Guiding Principles on Business and Human Rights
- > The Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- > The International Bill of Human Rights

When assessing the environmental and social characteristics of the underlying assets of the financial products, ILIM incorporates ESG data into the investment decision making process. For Article 8 designated funds, this includes assessing the underlying securities from an environmental and social characteristics viewpoint to ensure E/S characteristics are promoted by the product. The E/S characteristics promoted by Article 8 funds are monitored to assess if these E/S characteristics have been attained.

Engagement Policies

Bondholders do not get the opportunity to vote at company AGMs but ILIM adopts an entity level approach to stewardship and votes at the AGMs of many corporate entities on a range of matters including climate, human resources, natural capital and corporate governance. We also engage with many corporate entities primarily on the same matters.

Designated reference benchmark

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.

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. 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.

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.

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/>

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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