

# How M&G Investments Assess the ESG Profile of Issuers

## Article 8 Funds



The following Bank of Ireland Life funds: **PruFund Cautious** and **PruFund Growth** (collectively known as **PruFunds**) are classified as Light Green or Article 8 Funds.

Article 8 funds or Light Green Funds are defined as funds which promote environmental or social characteristics (although not exclusively) and which invest in companies that follow good governance practices.

Pursuant to the EU Sustainable Finance Disclosure Regulation ("**SFDR**"), we set out below information relating to these funds.

The term "**Sustainability Risk**", as used herein, is defined in SFDR as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of investments.

## PruFunds

The Feeder Funds\* (the "**Portfolios**") that **Bank of Ireland Life's PruFunds** invest in seek to promote environmental and social characteristics within the meaning of Article 8 of the SFDR.

## Impact of Sustainability Risks on the Portfolio

The investment manager (M&G Investments Limited (M&G Investments)) takes into account Sustainability Risks by investing in collective investment schemes that incorporate Sustainability Risks as part of their investment process. This is both in the context of any sustainability based exclusions contained within the applicable Investment Guidelines and Restrictions under the Investment Management Agreement (IMA) and within the way they integrate sustainability considerations into their analysis on the underlying companies.

The universe of Sustainability Risks is very broad, and their relevance, materiality and impact on investments will depend on a number of factors such as the investment strategy pursued by the Portfolio, asset class, asset location and asset sector. Depending on the circumstances, examples of Sustainability Risks can include physical environmental risks, climate change transition risks, supply chain disruptions, improper labour practices, lack of board diversity and corruption. Any deterioration in the financial profile of an underlying investment affected by a Sustainability Risk may have a corresponding negative impact on the net asset value and/or performance of the Portfolio as well as its liquidity profile and therefore the integration of sustainability risks into the investment analysis is crucial to the preservation of value.

\* Each Feeder Fund mentioned is a sub-fund of a Luxembourg umbrella fund which is managed by M&G Investment Management Limited and invests 100% into a Capital Redemption Policy (CRP) issued by Prudential International Assurance plc (PIA). This is the mechanism by which PIA can provide the Feeder Funds with a smoothed return which is, in turn, ultimately provided by The Prudential Assurance Company (PAC). PAC provides this return through investment in its With-Profits Fund. In order to gain exposure to well diversified pool of underlying investments, PAC invests into underlying investment funds which are managed by M&G Investment Management Limited.

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## Article 8, SFDR Disclosure

The Portfolios promote environmental or social characteristics, or a combination of those characteristics and so is categorised as an “Article 8” product for the purposes of SFDR.

These Portfolios, multi-asset portfolios, are managed through a co-ordinated approach from the Asset Owner (the M&G Investments’ Treasury & Investment Office (T&IO)) and the Asset Manager (internal or external fund manager).

The approach taken to ensure that the Portfolios are classified as Article 8 under SFDR is to have at least 70% of the fund invested in building blocks/funds which are Article 8 or equivalent. Any fund which falls into the up to 30% ancillary universe has been checked to make sure that it does not have >20% of holdings by market value in the Asset Owner excluded investments (the “T&IO” exclusions which presently includes United Nations Global Compact (UNGC), coal, tobacco and controversial weapons).

Should at any time an existing building block/fund breach these guidelines while the funds hold it, M&G Investments will look to the following outcomes:

- If this is >20%, they will consider selling the underlying fund subject to liquidity; and
- If this is >30%, they must sell the underlying fund as soon as reasonably practicable. They may not invest in a fund unless it commits to supply this holdings data in accordance with their specifications

At a high level, the following outlines the practicalities and processes of how this will work.

- 1. Surveillance Monitoring:** T&IO will provide a predefined list to Surveillance Monitoring . This will be provided and maintained by M&G’s Multi-Asset Portfolio Management Team where they will indicate the building blocks either meeting the 70% requirement or the building blocks in the Ancillary Universe which T&IO attest have passed the check. This means the Portfolios can only invest in the predefined list and the T&IO Investment Manager Oversight Team (IMOT) would need to confirm any new investments are Article 8 or pass the 20% check. M&G Investments have confirmed that the underlying asset manager will confirm the exposure to them rather than they get holdings and run the screens, though they are free to do so if they want.
- 2. Monitoring of the limits of the 20% at building block level within the ancillary universe**
  - a. IMOT will ask the underlying managers in the ancillary universe for the % market value in the excluded investments, this will be done on a quarterly basis.
    - i. If 20% is not exceeded, IMOT will provide an attestation to say that funds have not exceeded the 20%.
    - ii. If 20% is exceeded, details will be provided to assess reasons (market movements, trading activities, temporary vs long-term situation etc.)
    - iii. If 30% is exceeded, they will consider divesting subject to liquidity and opportunities.

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## Next steps

To find out more about **PruFunds** talk to an Advisor available in your local Bank of Ireland branch:



**Fund Centre**



**Our Sustainable Investing Hub**

**Warning: The value of your investment may go down as well as up.**

**Warning: These funds may be affected by changes in currency exchange rates.**

**Warning: Past performance is not a reliable guide to future performance.**

**Warning: If you invest in these funds you may lose some or all of the money you invest.**

The information set out is of a general nature, may have been condensed or be incomplete and should not be relied upon without seeking professional advice. We believe the information to be reliable but we cannot guarantee its accuracy. The information set out does not constitute an offer or recommendation to buy or sell any investments or to subscribe to any investment services. Details are as at the date of this document unless otherwise stated and may change over time. For further details please refer to the fund literature. Terms and conditions as set out in your policy conditions apply.

M&G Investments is a trading name of M&G Investment Management Limited.

M&G plc, incorporated and registered in England and Wales. Registered office: 10 Fenchurch Avenue, London EC3M 5AG. Registered number 11444019. M&G plc is a holding company, some of whose subsidiaries, including Prudential Assurance Company and M&G Investment Management Limited, are authorised and regulated, as applicable, by the Prudential Regulation Authority and the Financial Conduct Authority.

For the purposes of Alternative Investment Fund Manager Directive, M&G Luxembourg S.A. acts as Alternative Investment Fund Manager for the M&G (Lux) Reserved Investment Funds (2), SCA SICAV-RAIF. The registered office of M&G Luxembourg S.A. is 16, Boulevard Royal, L-2449, Luxembourg.

Life assurance and pension products are provided by New Ireland Assurance Company plc trading as Bank of Ireland Life. New Ireland Assurance Company plc trading as Bank of Ireland Life is regulated by the Central Bank of Ireland. Member of Bank of Ireland Group. The Company may hold units in the funds mentioned on its own account and the underlying funds may hold shares in Bank of Ireland from time to time.

Advice on Bank of Ireland Life products is provided by Bank of Ireland. Bank of Ireland trading as Bank of Ireland Insurance & Investments, Insurance & Investments, Bank of Ireland Private or Private, is regulated by the Central Bank of Ireland. Bank of Ireland is a tied agent of New Ireland Assurance Company plc for life assurance and pensions business. Member of Bank of Ireland Group.