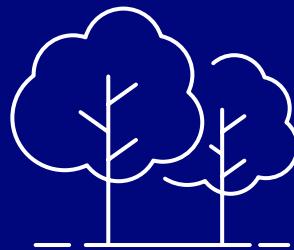


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# Bank of Ireland Investment Markets

Statement on Principal Adverse  
Impacts of investment decisions  
on sustainability factors

June 2023



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# A. Summary

Bank of Ireland Investment Markets, which is a division and trading name of The Governor and Company of the Bank of Ireland, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Bank of Ireland Investment Markets.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Bank of Ireland Investment Markets provides portfolio management services regulated under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended). Bank of Ireland Investment Markets has a small number of professional corporate investors to whom it provides portfolio management services. For those clients, Bank of Ireland Investment Markets is responsible for making investment decisions in relation to their portfolios, in alignment with individually agreed investment guidelines and subject to the specific investment management processes and procedures between it and each client.

Bank of Ireland Investment Markets considers and identifies principal adverse impacts of its investment decisions on sustainability factors by measuring and monitoring the aggregated negative impact on sustainability factors of our investment decisions. In its investments, Bank of Ireland Investment Markets considers the mandatory principal adverse impact indicators and two voluntary indicators defined by the EU Sustainable Finance Disclosure Regulation (SFDR), subject to data availability and quality. Bank of Ireland Investment Markets' assessment of its principal adverse impacts is described in its Responsible Investment and Engagement Policies. Bank of Ireland Investment Markets' responsible investment and engagement efforts include:

- ▶ Corporate engagement;
- ▶ Proxy voting;
- ▶ Exclusions and
- ▶ Collaboration with local and international organisations within its industry and beyond, to share experience and leverage expertise and knowledge, to assist it in responding to the environmental, social and governance (ESG) challenges facing us today.

## To find out more

Bank of Ireland Investment Markets' Responsible Investment and Engagement Policies can be found on the Bank of Ireland Sustainable Investing Hub:

Visit our [Sustainable Investing Hub](#) 



## B. Description of the principal adverse impacts on sustainability factors

The mandatory indicators under SFDR, in relation to the principal adverse impacts of Bank of Ireland Investment Markets' investment decisions on sustainability factors, are set out in Table 1 below. For each of these indicators Bank of Ireland Investment Markets has outlined the actions taken thus far and its intended plans to avoid or reduce the principal adverse impacts identified. This information covers the reference period of 1 January to 31 December 2022. The impacts are calculated as the quarterly average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period. Details on the impacts compared to the previous year will be published by 30 June 2024, and continuously on an annual basis.

**Table 1 – Quantitative Indicators**

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact year 2022	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
Greenhouse gas emissions (GHG)	1. GHG emissions	Scope 1 GHG emissions	55781.65 tCO2eq	N/A	N/A
		Scope 2 GHG emissions	12434.59 tCO2eq	N/A	N/A
		Scope 3 GHG emissions	511463.28 tCO2eq	N/A	N/A
		Total GHG emissions	579471.88 tCO2eq	N/A	N/A
	2. Carbon footprint	Carbon footprint	445.91 tCO2eq/ EURm	N/A	N/A
	3. GHG intensity of investee companies	GHG intensity of investee companies	871.12 tCO2eq/ EURm	N/A	N/A
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.84%	N/A	N/A
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	73.59%	N/A	General approach At Bank of Ireland, we understand the important role we can play in facilitating the transition to a low-carbon economy. Our Sustainability strategy, under the 'Supporting the Green transition' pillar, outlines how we are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions. Throughout 2022, Bank of Ireland Group continued to develop Science Based Targets (SBTs) for GHG emission reductions aligned with the Paris Agreement. In December 2022, Bank of Ireland became the first Irish bank, and one of the first in Europe, to have its targets validated by the SBTi. The targets cover all of the Group's own operations and 76% of the loan book. Initially confined to our own operations and the loan book, the scope of our decarbonisation strategy will consider gradually increasing coverage to include the asset portfolios. Our net zero ambitions depend on all sectors of society and the economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NACE Code A (Agriculture, Forestry And Fishing) NACE Code B (Mining And Quarrying) NACE Code C (Manufacturing) NACE Code D (Electricity, Gas, Steam And Air Conditioning Supply) NACE Code E (Water Supply; Sewerage, Waste Management And Remediation Activities) NACE Code F (Construction) NACE Code G (Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles) NACE Code H (Transportation And Storage) NACE Code L (Real Estate Activities)	0 GWh/ EURm 0.03 GWh/ EURm 0.18 GWh/ EURm 0.09 GWh/ EURm 0 GWh/ EURm 0.01 GWh/ EURm 0.03 GWh/ EURm 0.01 GWh/ EURm	N/A	N/A	<b>Voting</b> When voting, we generally support reasonable shareholder proposals that ask companies to prepare and plan for mitigating climate change risks. This includes, but is not limited to, resolutions requesting companies to reduce their greenhouse gas emissions and further request that companies report on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.  <b>Collaboration</b> The environmental challenges facing us today require a collaborative response from organisations across society. Bank of Ireland has partnered with a number of national and international organisations to share experience and leverage expertise and knowledge. We are a contributor to public and industry consultations, including those pertaining to ESG topics in general and climate topics in particular. Including membership of the Central Bank of Ireland Climate Forum and Sustainable Finance Ireland and voluntary commitments to UNEP FI UNPRB, UNPRI, CDP (formerly The Carbon Disclosure Project), UN SDGs, SBTi, PCAF, TNFD Forum, Business in the Community Ireland's Low Carbon Pledge and Elevate Pledge, ISO 50001 Energy Management System and ISO 14001 Environmental Management System (EMS) in addition to our mandatory/regulatory commitments. We continue to engage in consultations and provide expert views on topics around financing the low-carbon transition and the role that banks and asset managers can play.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.03%	N/A	N/A		<b>General approach</b> At Bank of Ireland, we understand the importance of climate change and biodiversity loss to our stakeholders and society, and we are committed to supporting the transition to a net zero and nature-positive economy. One of the three pillars of our sustainability strategy is supporting the green transition. We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero and nature-positive economy by 2050, in line with the actions and plans of the Irish and UK governments.

					<b>Collaboration</b> In 2022, Bank of Ireland joined the Taskforce for Nature-Related Financial Disclosures (TNFD) Forum, and is supporting the ongoing refinement of the TNFD framework by piloting the draft guidance and providing feedback to the forum. We have also joined the Partnership of Biodiversity Accounting Financials (PBAF) as a partner organisation, and we are actively supporting the continued development of the PBAF framework. We are also a member of the first Irish Business and Biodiversity. More recently, we joined the community of practice. UNPRB Nature Target-Setting Working Group alongside 34 leading banks worldwide with the goal of co-developing guidance to set Principles for Responsible Banking (PRB) targets, aligning with the objectives of the Kunming-Montreal Global Biodiversity Framework with the UNEP FI Secretariat and key nature finance stakeholders and experts.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	82.21 t/EURm	N/A	N/A <b>General approach</b> Transitioning to a circular economy is widely acknowledged as being a prerequisite to achieving Ireland and Europe's climate targets, mitigating biodiversity loss, reducing waste and improving management of vital resources like water. We recognise how water is essential for all human life, but water supplies are under increasing pressure from rising consumption, climate change and pollution. We have been tracking freshwater withdrawals and related emissions arising from our business operations since 2015 and transparently disclosing this information via the CDP platform.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	4.14 t/EURm	N/A	N/A <b>Collaboration</b> In 2022, we took an active role in the Circuléire <sup>1</sup> led Thematic Working Group (TWG) which was established to explore gaps and opportunities around the topic of financing the Irish Circular Economy. Through 2023, we are continuing to seek ways to incorporate circular principles into our operating model and exploring innovative and collaborative financing mechanisms that can support the circular transition in Ireland.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.16%	N/A	N/A <b>General approach</b> We recognise the importance of the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises and the important role these initiatives play in promoting fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

<sup>1</sup> The national platform for circular manufacturing and Ireland's first industry-led circular innovation network.

	11.Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	18.15%	N/A	N/A	<b>Voting</b> When voting, we vote against the election of members of a company's board of directors where, for example, the board fails to meet minimum corporate governance standards, the board lacks at least one director of an underrepresented gender identity or where there have been questionable transactions with conflicts of interest. This is in line with the premise of both the UN Global Compact and the OECD guidelines and their common interest in promoting corporate responsibility initiatives.
	12.Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	15.80%	N/A	N/A	<b>General approach</b> Gender pay gap and board gender diversity considerations are some of the corporate governance factors we look at as part of our investment process. We believe having diversity of gender is one of many factors that foster diverse thinking and strengthen corporate governance and creates value within companies as a result.  <b>Collaboration</b> We participate in collaborative industry initiatives on gender specific pay gap transparency such as voluntarily publishing our own position to encourage more action on this important topic and to support the development of an open, inclusive and transparent working environment for all colleagues.
	13.Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35.23% Female	N/A	N/A	<b>General approach</b> Assessment of board gender diversity is one of a number of corporate governance factors we look at as part of our investment process. We believe having diversity of gender, race, ethnicity, background and skills on boards strengthens their decision-making and oversight abilities.  <b>Voting</b> When voting, Bank of Ireland support the election of a director nominated by management unless the nominee adds to a sub-standard composition compared to local best practices in terms of tenure, diversity, skills and external commitments, or the board fails to incorporate basic considerations for gender diversity.

						Boards should comply with best practices or legal requirements where these exist. For Continental European markets, we generally vote against or withhold from incumbent representative directors if the board is not comprised of at least 40 percent underrepresented gender identities. Similarly, in Canada and Australia we vote against or withhold from members nominations if the board is not comprised of at least 30 percent underrepresented gender identities. We take a similar voting approach for the UK and Japanese markets.
	14.Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.2%	N/A	N/A	<b>General approach</b> For all strategies, we deem anti-personnel mines, cluster munitions, chemical weapons and biological weapon to be controversial weapons.
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
Adverse sustainability indicator	Metric	Impact Year 2022	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Environmental	15.GHG intensity	GHG intensity of investee countries	374.77 tCO2eq/ EURm	N/A	N/A	<b>General approach</b> At Bank of Ireland, we understand the important role we can play in facilitating the transition to a low-carbon economy. Our Sustainability strategy, under the 'Supporting the Green transition' pillar, outlines how we are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions. Throughout 2022, we continued to develop Science Based Targets (SBTs) for GHG emission reductions aligned with the Paris Agreement. In December 2022, Bank of Ireland became the first Irish bank, and one of the first in Europe, to have its targets validated by the SBTi. The targets cover all of the Group's own operations and 76% of the loan book. Initially confined to our own operations and the loan book, the scope of our decarbonisation strategy will consider gradually increasing coverage to include the asset portfolios. Our net zero ambitions depend on all sectors of society and economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.

						<b>Collaboration</b> The environmental challenges facing us today require a collaborative response from organisations across society. Bank of Ireland has partnered with a number of national and international organisations to share experience and leverage expertise and knowledge. We are contributors to public and industry consultations, including those pertaining to ESG topics in general and climate topics in particular. Including membership of the Central Bank of Ireland Climate Forum and Sustainable Finance Ireland and voluntary commitments to UNEP FI UNPRB, UNPRI, CDP (formerly The Carbon Disclosure Project), UN SDGs, SBTi, PCAF, TNFD Forum, Business in the Community Ireland's Low Carbon Pledge and Elevate Pledge, ISO 50001 Energy Management System and ISO 14001 Environmental Management System (EMS) in addition to our mandatory/regulatory commitments. We continue to engage with consultations and provide expert views on topics around financing the low-carbon transition and the role that banks and asset managers can play.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4.51%	N/A	N/A	<b>General approach</b> We adhere to investment restrictions applicable further to key sanctions regimes imposed by (but not limited to) the EU, UN and US.

## Other indicators for principal adverse impacts on sustainability factors

In addition to the set of mandatory indicators above, Bank of Ireland Investment Markets considers two additional indicators, subject to data availability and quality. Bank of Ireland Investment Markets considers an indicator relating to investing in companies without carbon emission reduction initiatives. In regard to this indicator, Bank of Ireland Investment Markets monitors the share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement. This indicator is part of the set of additional indicators that relate to climate and the environment, as defined in the SFDR (Table 2, indicator 4, see below). Bank of Ireland Investment Markets also considers an indicator that relates to lack of anti-corruption and anti-bribery policies. In regard to this indicator, Bank of Ireland Investment Markets monitors the share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption. This indicator is part of the set of additional indicators that relate to social and employee, respect for human rights, anti-corruption and anti-bribery matters, as defined in the SFDR (Table 3, indicator 15, see [page 11](#)). Bank of Ireland Investment Markets will consider these indicators subject to data availability and quality.

**Table 2 - Optional Quantitative Indicators**

### Additional climate and other environment-related indicators

Additional climate and other environment-related indicators						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>						
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	10.17%	N/A	N/A	<p><b>General approach</b></p> <p>At Bank of Ireland, we understand the important role we can play in facilitating the transition to a low-carbon economy. Our Sustainability strategy, under the 'Supporting the Green transition' pillar, outlines how we are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions. Our net zero ambitions depend on all sectors of society and economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.</p> <p><b>Voting</b></p> <p>When voting, we generally support reasonable shareholder proposals that ask companies to prepare and plan for mitigating climate change risks. This includes, but is not limited to, resolutions requesting companies to reduce their greenhouse gas emissions and further request that companies report on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.</p>

					<b>Collaboration</b> The environmental challenges facing us today require a collaborative response from organisations across society. Bank of Ireland has partnered with a number of national and international organisations to share experience and leverage expertise and knowledge. We are contributors to public and industry consultations, including those pertaining to ESG topics in general and climate topics in particular. This includes membership of the Central Bank of Ireland Climate Forum and Sustainable Finance Ireland and voluntary commitments to UNEP FI UNPRB, UNPRI, CDP (formerly The Carbon Disclosure Project), UN SDGs, SBTi, PCAF, TNFD Forum, Business in the Community Ireland's Low Carbon Pledge and Elevate Pledge, ISO 50001 Energy Management System and ISO 14001 Environmental Management System (EMS) in addition to our mandatory/regulatory commitments.
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**Table 3 - Optional Quantitative Indicators**

**Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters**

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact Year 2022	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>						
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	1.75%	N/A	N/A	<b>General approach</b> We adhere to investment restrictions applicable further to key sanctions regimes imposed by (but not limited to) the EU, UN and US.

# C. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

## Identification and prioritisation of principal adverse impacts

Bank of Ireland Investment Markets' Responsible Investment Policy ([click here](#)) sets out its approach to identifying, monitoring and implementing its approach to ESG.

Where Bank of Ireland Investment Markets invests in investee companies, sovereign and supranational or real estate assets, it considers and identifies the adverse impacts of its investment decisions on sustainability. Where issues are identified, it will follow its internal procedures to decide what and if any actions should be taken in each case.

Where Bank of Ireland Investment Markets invests in external funds when acting as an investment manager, we acknowledge that external fund managers will have detailed knowledge of both the governance and the operations of the underlying investee companies, sovereign and supranational or real estate assets they hold. Consequently, Bank of Ireland Investment Markets acknowledges that these external fund managers will identify and prioritise principal adverse impacts on sustainability, based on their own policies and procedures. Bank of Ireland Investment Markets carries out annual due diligence on and active engagement with external fund managers.

## Governance

The policies for identification and prioritisation of principal adverse impacts were approved by Bank of Ireland's Wealth Management Risk Committee (WMRC) on the 26th of June 2023. Ongoing review and ad-hoc updates are made by the operational, risk and compliance teams, which are reviewed and approved by senior management. The review and oversight of sustainable investing impacts are raised at the Bank of Ireland Group's Wealth & Insurance Environmental, Social & Governance (ESG) Steering Committee. The ESG Steering Committee is comprised of senior management from across Bank of Ireland's Wealth & Insurance business.

## To find out more

You can find more information on Bank of Ireland Investment Markets' Responsible Investment Policy and Engagement Policy by visiting the Bank of Ireland Sustainable Investing Hub:

Visit our [Sustainable Investing Hub](#) 



## Methodologies used

### (a) To select the additional indicators:

Where Bank of Ireland Investment Markets elects to voluntarily report against a principal adverse impact (under section B above), it has selected indicators given their probability of occurrence and the severity of those principal adverse impacts, including their potentially irremediable character. In determining which additional indicators to focus on, Bank of Ireland Investment Markets considered a range of factors, including the quality and reliability of the data related to the indicator and the level of subjectivity associated with the indicator.

### (b) To identify and assess the principal adverse impacts:

Bank of Ireland Investment Markets sources data on principal adverse impacts from MSCI ESG®. In terms of SFDR adverse impact metrics, MSCI ESG® covers over 10,000 corporate equity and fixed income issuers, including the MSCI ACWI Investable Market Index®. This market index covers approximately 99% of the global equity investment opportunity set. MSCI® collects and verifies ESG data by utilising 100+ specialised datasets, assessing company disclosures, including sustainability and proxy reports, contacting companies directly to validate data and by monitoring over 3,400+ media sources daily. MSCI®'s adverse impact coverage is gradually being increased and the underlying methodology is being improved continuously.

In assessing the adverse impact scoring sourced using this methodology, Bank of Ireland Investment Markets considers the significance and severity of adverse sustainability impacts, including severity, scope and character (whether it is potentially irremediable or not). This is performed as part of the on-going review of the principal adverse impacts, as outlined in our engagement policy.

## Margin of error with Bank of Ireland Investment Markets' methodologies

The methodology to identify principal adverse impacts is subject to data availability and data quality. Where data is not available from Bank of Ireland Investment Markets' ESG data provider it may seek additional data from the external managers of the funds it has selected for investment to supplement the information. Where additional data is incorporated, this data will be based on the methodology of the relevant external fund manager. Where reported data is not available or of adequate quality, we use proxy data provided by third-party data providers.

Despite substantial progress in the availability of data, Bank of Ireland Investment Markets has noted that there are limitations and potential margins of error present in obtaining the impact data of certain types of investments, such as fund-of-fund investments, certain derivatives and in relation to real estate assets. Bank of Ireland Investment Markets continuously endeavours to enhance its data coverage and obtain issuer data on a best-efforts approach.



# D. Engagement policies

Bank of Ireland Investment Markets undertakes a range of engagement activities on behalf of the clients in which it provides portfolio management services. The purpose of these engagement activities is to influence and encourage improved ESG practices, enhance sustainable long-term financial performance and to seek to mitigate adverse impact on sustainability factors.

Bank of Ireland Investment Markets has adopted an engagement policy (dated 26/06/2023) under the Shareholder Rights Directive II<sup>2</sup>. The purpose of this engagement policy is to describe how it ensures effective and sustainable shareholder engagement and protects shareholders' rights.

## Engagement Policy

Bank of Ireland Investment Markets' Engagement Policy outlines the general principles for how shareholder engagement is integrated in the investment process and sets out the different engagement activities that are carried out on behalf of clients where relevant.

The Engagement Policy elaborates on general principles that Bank of Ireland Investment Markets' has established for positively influencing investee companies to improve their corporate governance practices as well as ensuring a more long-term approach. It should be noted that the application of the Engagement Policy is subject to the individually agreed investment guidelines, processes and procedures between Bank of Ireland Investment Markets and each of the clients to whom Bank of Ireland Investment Markets provide portfolio management services.

Bank of Ireland Investment Markets' Engagement Policy describes its monitoring of and dialogue with investee companies, its exercising of voting rights, its cooperation with other shareholders, its communication with relevant stakeholders of the investee companies and the management of any actual and potential conflicts of interest that may arise in relation to this engagement, as required under the Shareholder Rights Directive II. The engagement policy considers certain adverse impacts in respect to climate and environmental-related indicators, such as greenhouse gas emissions, or indicators with respect to governance, such as board gender diversity. When investing through external fund managers, Bank of Ireland Investment Markets requests those fund managers integrate shareholder engagement into their investment strategies. Every year, Bank of Ireland Investment Markets will review whether there is a reduction of the principal adverse impacts on sustainability factors as a result of its Engagement Policy. If there is insufficient progress being made, Bank of Ireland Investment Markets will consider adapting its Engagement Policy in terms of strategy and approach.

## To find out more

You can find the Bank of Ireland Investment Markets' Engagement Policy by visiting the Bank of Ireland Sustainable Investing Hub:

Visit our **Sustainable Investing Hub** 

## Voting

It is Bank of Ireland Investment Markets' policy to vote all proxies for the benefit of clients, and it has engaged Institutional Shareholder Services Group (ISS), a leading independent proxy voting advice service, to assist it and to maintain a robust level of oversight. In addition, Bank of Ireland Investment Markets has incorporated the principal adverse impact indicators into its voting guidelines. Bank of Ireland Investment Markets receives sustainability guidance and voting recommendations from ISS who engage with companies when it is considered, by ISS, to be beneficial and to enhance the accuracy and quality of research and voting guidance ISS provide. In line with Bank of Ireland Investment Markets' policy, ISS voting recommendations are reviewed on a vote by vote basis by Bank of Ireland Investment Markets, who make the final voting decision on all proxies. ISS facilitate the administration of voting each proxy, however, Bank of Ireland Investment Markets retain all voting rights and decisions. It should be noted that Bank of Ireland Investment Markets' approach to voting is subject to the individually agreed investment guidelines, processes and procedures between it and each of the clients to whom it provides portfolio management services.

<sup>2</sup> Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (Shareholder Rights Directive II).

## E. References to international standards

Bank of Ireland Group is a member of, endorses or adheres to the following business conduct codes and internationally recognised standards for due diligence and reporting including:

- ▶ United Nations Guiding Principles on Business and Human Rights;
- ▶ United Nations Global Compact;
- ▶ United Nations Sustainable Development Goals;
- ▶ OECD Guidelines for Multinational Enterprises;
- ▶ Responsible Business Conduct for Institutional Investors (OECD);
- ▶ United Nations Principles of Responsible Investments (UNPRI);
- ▶ International Labour Organization Core Conventions;
- ▶ The Paris Agreement<sup>3</sup>;
- ▶ Corporate Sustainability Due Diligence Directive (CSDDD) and
- ▶ ISO 50001 Energy management standard

The following principal adverse impact indicators are monitored as part of Bank of Ireland Investment Markets' periodic reviews. The output of those reviews is used, in part, to measure its alignment with the above standards (methodology). Some indicators align to multiple international standards.

- ▶ Table 1 PAI indicator 1 to 6 (Greenhouse gas emissions);
- ▶ Table 1 PAI indicator 10 (Violations of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises);
- ▶ Table 1 PAI indicator 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises);
- ▶ Table 1 PAI indicator 12 (Unadjusted gender pay gap) and
- ▶ Table 1 PAI indicator 13 (Board gender diversity).

Data for the indicators is sourced via MSCI® and ISS. Consideration of the indicators in decision-making will apply to all holdings, and is subject to data availability and quality. The above methodology does not forecast the future performance of investee companies.

In particular, Bank of Ireland Group's alignment with the Paris Agreement is informed by its Five Point Climate Plan, first introduced in 2021. The plan outlines the role Bank of Ireland will play in facilitating Ireland's green transition to a low-carbon economy and its efforts to reduce its own impact on the environment. Bank of Ireland Group is committed to working with its customers, colleagues and communities to support a transition to a net zero economy by 2050. With the successful implementation of the Five Point Climate Action plan across the business since 2021, Bank of Ireland Group is now moving from a planning and execution phase into a delivery phase, or from ambition to action. In 2022, Bank of Ireland Group became the first Irish bank to set greenhouse gas (GHG) emission reduction targets, in line with climate science and validated by SBTi, covering all the Group's operations and 76% of its loan book. This includes Scope 1 & 2 emissions, present in its operations, and Scope 3 up and downstream in its value chain. Bank of Ireland Group is committed to reporting year-on-year progress against its targets. Its GHG emission reduction targets bring opportunities to decarbonise overall group operations and will support its sustainable finance strategy through its portfolio of innovative sustainable finance products and services.

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<sup>3</sup> Bank of Ireland Group is committed to a long-term ambition of alignment with the Paris Climate Agreement of Net zero emissions by 2050. As part of its implementation, Bank of Ireland Group is working across the group to integrate the Sustainability strategy fully into the business. This implementation is aligned with Bank of Ireland Group's Climate Risk Implementation Plan.

## **E. References to international standards (cont'd)**

In line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Bank of Ireland Group continued to develop and test scenario analysis methodologies to quantify the potential impact of climate-related risks across our commercial and retail customer lending portfolios. In 2022, scenario analysis was completed, focusing on the mortgage portfolio, more specifically on flood risk by region. The analysis looked at properties at high risk of flooding as a percentage of the Group's mortgage lending under a forward-looking climate scenario. The locations of these properties were geo-coded for flood risk assessment using data and modelling from JBA Flood Risk Management - a leading provider of climate flood modelling in the Irish and UK market.

Bank of Ireland Investment Markets recognises the importance and benefits that forward looking climate scenarios bring and will work towards the integration of this analysis into further areas of the business, including investment management.

## **F. Historical comparison**

The earliest historical comparison will be provided in June 2024.



There is no trade connection between Bank of Ireland and any MSCI Index or service referred to above. MSCI® does not sponsor, advise, recommend, endorse or promote the Bank of Ireland products or services referred to above and has no liability whatsoever to any person arising out of their engagement with Bank of Ireland.

Bank of Ireland trading as Bank of Ireland Investment Markets is regulated by the Central Bank of Ireland. Registered Number C-1. Registered Office and Head Office: Bank of Ireland 40 Mespil Road, Dublin 4.

