

# How MGIE Assess the ESG Profile of Issuers

## Article 8 Funds



The following Bank of Ireland Life funds: World Index Fund (Hedged) and World Index Fund (Unhedged) 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 “Portfolio”**).

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.

### **World Index Fund (Hedged) & World Index Fund (Unhedged)**

The Sub-Fund that the World Index Fund (Hedged) and the World Index Fund (Unhedged) have exposure to seeks to promote environmental and social characteristics within the meaning of Article 8 of the SFDR.

#### **No sustainable investment objective**

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

#### **Environmental and social characteristics of the financial product**

The Sub-Fund seeks to promote environmental and social characteristics within the meaning of Article 8 of the SFDR by investing in the component securities of the Benchmark Index which applies an ESG negative screen.

#### **Investment Strategy**

The investment objective of the Sub-Fund is to seek long-term growth of capital and income.

The Sub-Fund will seek to achieve its objective by investing predominantly in global equity securities that as far as possible and practicable reflect the component global equity securities of the Benchmark Index.

The Investment Manager (Mercer Global Investments Europe (MGIE)) does not typically select investments directly; instead, it selects and combines specialist investment managers to manage segments of the portfolios of the Sub-Funds. The Investment Manager believes that enhanced outcomes may be achieved from the assessment by its Sub-Investment Managers of ESG risks and opportunities in security selection and portfolio construction, acknowledging that the degree of relevance or materiality varies between asset classes.

The Sub-Fund is passively managed and seeks to track the risk and return profile of the Benchmark Index which applies an ESG negative screen.

## World Index Fund (Hedged) & World Index Fund (Unhedged) (cont'd)

### Investment Strategy (cont'd)

The Investment Manager (or its delegate) is required to follow good governance standards in the selection of securities for investment, while tracking the risk and return profile of the Benchmark Index.

The Sub-Fund will also use third party data providers to identify companies that are deemed to be in breach of United Nations Global Compact principles (including companies breaching United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises). An engagement and escalation framework is in place, seeking to remedy breaches within an acceptable time-frame. If the Investment Manager deems the likelihood of the remediation within an acceptable time-frame low, such companies may be excluded.

More information available in the [Sustainability Policy](#) 

### Methodology

- The “Benchmark Index” shall mean MSCI World ex Select Securities Index, unhedged as measured in USD, is based on the MSCI World Index (the “Parent Index”). The Parent Index is a broad global equity benchmark that represents large and mid-cap equity performance across Developed Markets with more than 1500 constituents. The Benchmark Index excludes a set of securities from the MSCI World Index. The remaining index constituents are weighted according to their free float adjusted market capitalization. The Benchmark Index, based on the methodology and assessment of the index provider, applies a negative screen to the overall Parent Index, and seeks to exclude those companies which:
  - (i) are involved in the manufacture, distribution or sales of controversial weapons such as landmines, cluster munitions, chemical and biological weapons, nuclear weapons and (semi) automatic civilian firearms; or
  - (ii) manufacture tobacco products or generate more than 50% of their revenue from tobacco distribution or sales; or
  - (iii) generate more than 1% of their revenue from thermal coal extraction, arctic drilling or oil tar sand mining.
- Additional information on the Benchmark Index, its composition, the index provider’s ESG methodology, calculation and rules for periodical review and re-balancing, and on the general methodology behind the MSCI indices can be found on [www.msci.com](http://www.msci.com)
- The Sub-Fund intends to use optimisation techniques in order to achieve a similar return to the Benchmark Index.

### Limitations to methodologies and data

Data quality and coverage have various challenges across different countries and regions. Some data may be modelled rather than reported data and data from some companies may be delayed. In addition, not all self-reported data is independently verified.

## Monitoring of environmental or social characteristics

The Adverse Sustainability Impacts that may be considered include, but are not limited to, the following:

- **Governance:** Poor Corporate Governance, Poor Gender Diversity;
- **Climate and Other Environmental Impacts:** High Carbon Intensity Profile, Negative Contribution to Climate Transition Pathway, Revenue Exposure to Pollutants;
- **Social Impact, Respect for Human Right, and Anti-Corruption:** Revenue from Controversial Weapons, Revenue from Civilian Firearms, Revenue from Tobacco, Revenue from Gambling, Poor Gender Diversity, Adverse Impact on the UN Sustainable Goals.

The structure and mechanisms for monitoring of Adverse Sustainability Impacts is inclusive of, but not limited to:

- Pre-trade evaluation of the impact of investment decisions on sustainability factors and the sustainability characteristics of the fund;
- Post-trade continuous evaluation – managed through governance committees, engagement and reporting;
- Ongoing efforts to refine processes, enhance analysis and align with market best practice and regulatory guidance.

## Engagement policies

The Manager and Investment Manager believes active and engaged shareholders have a greater chance of ensuring company management acts in ways that are aligned with shareholder interests.

Stewardship can also provide investors with an opportunity to enhance the value of companies and markets and to acquire additional information, which can enhance the investment decision-making process. The Investment Manager's Stewardship Policy can be found here:

<https://investment-solutions.mercer.com/europe/ie/en/our-funds/responsible-investment.html>



In most instances, corporate engagement implementation is delegated to the appointed sub-investment managers, who are encouraged to engage with portfolio companies on material sustainability risks, adverse sustainability impacts and other ESG issues with the aim of improving long-term risk adjusted returns and the stability of financial markets.

MGIE may also elect to participate, as appropriate, in collaborative industry engagement initiatives related to the identified engagement priorities, or other topics that are considered aligned with the best interests of investors.

Stewardship is monitored by seeking disclosure from the sub-investment managers, including through its annual manager engagement survey and will report to its investors on its the voting and engagement activity and monitoring processes of the sub investment managers on at least an annual basis.

## Next steps

For more information on our Article 8 Funds, talk to an Advisor available in your local Bank of Ireland branch:



Fund Centre

Sustainable Investing Hub

**Warning: The value of your investment may go down as well as up. You may get back less than you invest.**

**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.**

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The World Index Fund (Hedged) and the World Index Fund (Unhedged) have been developed solely by Bank of Ireland Life. There is no trade connection with the MSCI World Index. MSCI® does not sponsor, advise, recommend, endorse or promote the World Index Fund (Hedged) and the World Index Fund (Unhedged).

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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.