Sustainable investing for a new generation of investor

Bank of Ireland Life

KBI Global Investors (KBIGI) funds on the Bank of Ireland Life platform are part of the 18 Article 8 Funds available to advisors from Bank of Ireland Life. **Bernard Walsh, Head of Pensions and Investments Bank of Ireland Life,** talks to **Niall Murphy, Senior Vice President Business Development**, about KBIGI's approach.

Bernard Walsh,
Head of Pensions and Investments, Bank of Ireland Life

KBIGI have been an early adopter of Environmental, Social, Governance (ESG) investing in Ireland. What factors drove this?

KBIGI has a longstanding commitment to ESG and Responsible Investing. As a global equity boutique headquartered in Ireland we deliberately set out to offer unique funds with strong environmental characteristics. As such, in 2000 we started our listed Natural Resources Equity strategies with the launch of the **Water** and **Alternative Energy funds**. We joined the United Nations Principles for Responsible Investment (UN PRI) in 2007 and set up the KBIGI's Responsible Investing Committee in 2014. We also initiated a proprietary and pioneering approach to measuring impact in our Natural Resources Funds in 2018. All our Natural Resources funds are Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

KBIGI scored very well again this year in the latest UN PRI assessment, can you explain to us the importance of that to your firm?

The UN PRI conduct an independent assessment of the ESG practises of its members annually. KBIGI achieved the highest rating across all 3 modules relevant to equity managers in each of the last 5 annual assessments. The results of the last assessment conducted using 2021 data is outlined in the table below. We believe it is a testimony to the comprehensive and robust approach to ESG and Responsible Investing practises implemented by KBIGI and we are very proud of the results.

KBI has achieved maximum possible rating from PRI

Max rating is five stars	2021 Rating	KBI Score	Median Score
Investment & Stewardship	★★★★★	95%	60%
Active Equity – RI Incorporation	★★★★★	95%	71%
Active Equity - Voting	★★★★★	92%	54%

Source: KBI Global Investors, May 2023

ESG investing is a huge part of what KBIGI do, why is it so important to you?

Quite simply because we believe considering ESG factors in building investment portfolios helps improves returns over the long-term and improve the risk characteristics. Furthermore, the goals of ESG investing are worthy in their own right. Consider environmental factors - the most critical long-term challenge facing the global economy, and indeed the planet, is global warming so what is the point in investing to create acceptable investment returns for retirement in 25 years' time if global warming has made life somewhat unbearable? In our view all investment decisions should factor in environmental factors – it is too important to ignore.

Can you tell us the top five steps that you take in embedding ESG/Responsible investing in the firm.

The main five areas are **1. Integration** of ESG into investment decisions; **2. Engagement** with companies (both directly and collaboratively with other investors) to encourage companies to improve their ESG practises; **3. Voting** at company AGMs and EGMs; **4. Measuring the impact** on the UN Sustainable Development Goals (UN SDGs) of the underlying activities of companies; **5. Applying Net Zero targets** to all portfolios which, in practise, target a reduction of carbon emissions by 7.6% annually from 2019 to 2024. Other than that we apply exclusionary screens to all portfolios, comply with ESG regulations and compile ESG reporting for our clients and investors in our funds.

KBIGI prefers engagement to exclusion. Why?

We think there is both alpha (excess investment return) and societal benefits from investing in companies that are committed to improving their ESG practises and engaging with them. Take, for example, big European utilities like Enel that are well down the glide path in terms of transition from generating electricity using polluting fuels like coal, to building out clean renewable electricity sources like wind and solar farms. If we refuse to invest in such companies until they get rid of all their legacy coal power stations we will lose out on an opportunity to **a)** own the stock at a price that doesn't fully reflect the speed of change of their business as companies with better ESG practises can command a share price premium **b)** engage with the company to encourage them to hasten their divestment of legacy "dirty" activities with poor environmental consequences, to activities that help the transition to a decarbonised global economy. Of course we exclude companies involved in certain undesirable practises (like tobacco or nuclear weapons) and those companies that have revenues from undesirable activities that exceed our specified thresholds.

What is impact investing and how do you measure impact in listed equity portfolios?

Impact is the benefit to society from the products and services of companies in which we invest. So for example connecting a rural dwelling in India to a town's water supply has a positive impact while burning coal to generate power has a negative impact. We recognised investors wanted a single metric to determine if a portfolio helps attain UN Sustainable Development Goals (UN SDGs) or is negatively aligned to the SDGs. KBIGI developed an innovative way of measuring impact for its listed Natural Resource portfolios to demonstrate the activities of the underlying companies are positively aligned to the UN SDGs. For example 74% of net revenues related to the activities undertaken by the companies held in the **KBI Water Fund** (as at 31.12.22), support attainment of the UN SDGs; primarily UN SDG 6 which is "Clean Water and Sanitation".

To find out more about Bank of Ireland Life's **KBIGI Fund** range, visit **Fund Centre** and **Sustainable Investing Hub** or talk to the Advisor in your local Bank Of Ireland branch.

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

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