

The importance of ESG factors for Bank of Ireland Life's PruFunds



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In late 2022, Bank of Ireland Life, together with M&G plc, exclusively launched **PruFunds** to the Irish market; a new investment offering for your clients. **PruFunds** aim to maximise growth over the medium to long-term while providing a smoothed investment experience. The performance of **PruFund Cautious**, a Bank of Ireland Life risk category 3 fund, and **PruFund Growth**, a Bank of Ireland Life risk category 4 fund, since launch demonstrates how the funds have the potential for investment growth whilst managing short-term volatility for clients. **Bernard Walsh, Head of Pensions and Investments Bank of Ireland Life**, talks to **Mark Riggall, Head of Client Portfolio Management from the M&G Treasury & Investment Office**, **PruFunds'** investment managers, about their approach to Environmental, Social and Governance (ESG) and the importance of ESG factors for **PruFunds**.

BW: Firstly, can I ask what makes PruFunds different from other multi-asset funds?

MR: For **PruFunds** generally, the wide variety of underlying investments (circa 34 asset classes), means they are truly globally diverse, multi-asset funds. As well as investing in equities, property, cash and fixed income, **PruFunds** invest in alternatives including private assets, hedge funds and infrastructure. While these specialist investments make up a small proportion of the overall fund, this exposure is a key differentiating factor and includes a diverse range of Europe-wide developments such as renewable energy and utility service providers.

Our investment philosophy is that asset allocation is the key driver of investment returns. The belief is founded on a long-term approach to investing, diversification by asset class and by geography.

Also, with an insurance overlay to **PruFunds** offering 'smoothing' of investment returns, this mechanism, along with the asset allocation, helps to deliver reduced volatility with the potential for growth for investors.

Do you find that having this broad asset allocation brings any particular challenges from an ESG perspective?

Within our business, we have the resources to manage this broad asset allocation. A number of teams collaborate together to support good investment outcomes. The overall business area comprises approximately 61 people, with additional support, oversight and advice provided by the second line of defence functions.

Considering the impacts of ESG factors to the economy, society and the environment as a whole is a key priority for our business. We ensure that integration of ESG factors spans the breadth of our teams. We also ensure investment strategies are appropriately managed by a suitable asset manager, capable of managing all risks, including ESG ones.

We expect our asset managers to be good stewards of clients' money. This includes researching and analysing the ESG risks and opportunities that companies may face, and considering these factors when making investment decisions. If companies don't have good plans for dealing with these risks, we expect our asset managers to work with them to adopt these. If necessary, asset managers can vote against resolutions at company Annual General Meetings and as a last resort, we could instruct asset managers to sell their investments in companies. On the whole, however, our preference is for asset managers to positively influence businesses to act responsibly.

Why does M&G plc (M&G) consider ESG to be important?

Sustainability is a core element of our purpose: to help people manage and grow their savings and investments, responsibly.

We believe a well-governed business, run in a sustainable way delivers stronger, more resilient returns for clients and shareholders, and better outcomes for society and the environment.

Therefore, considering the material impacts of ESG factors on the economy, society and the environment as a whole is a key priority for our business.

What is M&G's approach to sustainability and why does it matter?

We take a long-term investment approach to managing money, as we believe this results in the best outcome for clients. To do this, we need to consider sustainability. We believe sustainability is material to the long-term performance of clients' investments, as well as to the quality of life we enjoy on this planet. One of our responsibilities, as long-term stewards of clients' money, is to consider how environmental and social risks like these may affect their investments, and how best to manage them.

In 2020, M&G plc announced two high-level sustainability priorities: climate change, and diversity & inclusion (D&I), and specific commitments to support these.

- ▶ On **climate change**, M&G has a net zero commitment for 2050 across both our operations and investment portfolio, and have interim targets set for each.
- ▶ On **D&I**, M&G's commitments to diversity and inclusion are:
 - ▶ To achieve 40% female representation and 20% representation from Black, Asian and minority ethnic backgrounds by 2025 in the Group's senior leadership roles;
 - ▶ For Prudential Assurance Company (PAC), part of M&G plc, as an asset owner: to evaluate the diversity policy of investment managers that manage assets on our behalf, and how investment managers challenge investee companies to improve and maintain diversity and

- ▶ To continue to meet our external benchmarks, including the National Equality Standard and LGBT Great Equality Index.

M&G plc's 10-point approach to sustainability sets out our key steps and enablers to drive sustainability and support real-world change:



Have you changed your investment approach since the Sustainable Finance Disclosure Regulation (SFDR) was introduced?

We recognise the importance of clear and decision-useful sustainability disclosures so all stakeholders can assess our strategy and progress. SFDR was designed to ensure consumers and investors are fully informed, via sustainability disclosures, about the ESG credentials of funds and their investment managers, prior to and throughout the investment period.

We continue to invest in our sustainability reporting capabilities, as increased disclosure helps provide transparency for your clients' money.

As well as SFDR, we are signatories of the Financial Reporting Council's (FRC) UK Stewardship Code. The Code consists of 12 principles which ensures sustainable thinking remains an integral part of delivering long-term and resilient investment returns for our clients and shareholders. The asset owner parts of our business produce Stewardship Reports each year to evidence how we continue to incorporate sustainable thinking into our business practices and how we fulfil stewardship responsibilities.

Can you give some examples of what M&G is doing on ESG?

Recently, we have focused on strengthening our foundations and further developing our governance, data and climate modelling capabilities.

M&G is helping to drive industry change by playing a key role in developing a new Code of Conduct for ESG rating providers. The new Code sets out best practice to give the market and clients confidence in the integrity of data and ratings through improved systems, processes and controls.

PruFunds are available across a wide range of Bank of Ireland Life Single Premium Pension and Investment products. To find out more information about this exciting fund range, visit [Fund Centre](#) and [Sustainable Investing Hub](#) or talk to the Advisor in your local Bank Of Ireland branch.

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.
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.

Terms and conditions apply. Exit tax (up to 41% currently) applies to gains on life assurance investment policies. A Government levy (currently 1% of the premium amount) applies to all premiums paid to a life assurance policy. 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.

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