

## Allied Irish Banks p.l.c. – Private Banking Wealth Solutions

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR")

AIB Private Banking Wealth Solutions, as a unit within AIB p.l.c., is obliged to make certain disclosures under the Sustainable Finance Disclosure Regulation (SFDR) in relation to sustainability related matters. AIB Private Banking Wealth Solutions has prepared website disclosures in relation to its approach to ESG Integration in respect of all products, irrespective of their categorisation under the SFDR, and information in this respect can be found at <https://aib.ie/content/dam/frontdoor/private-banking/aib-pb-sfdr-sustainability-disclosures.pdf>

AIB Private Banking Wealth Solutions has a number of ESG-focused portfolios (collectively the "**ESG- Portfolios**"), each of which is listed below:

- Conservative ESG Portfolio; Moderate ESG Portfolio; Advanced ESG Portfolio and Aggressive ESG Portfolio

These portfolios are closed to further investment from 31<sup>st</sup> December 2022.

### **No Sustainable Investment Objective**

The ESG Portfolios promote environmental or social characteristics but do not have as their objective sustainable investment.

### **Environmental or Social Characteristics of the Financial Product**

Environmental and Social characteristics are met in each ESG Portfolio through our investment in a variety of asset classes and Funds. Characteristics considered by the investment managers (each a "**Manager**") of each third-party fund (each a "**Fund**") within each ESG Portfolio include climate change, carbon emissions, natural resource depletion and pollution & waste, human capital, external social and megatrends. These characteristics are captured by the Managers using three core pillars to incorporate sustainability into investment solutions: exclusions, integration and active ownership. These ESG factors are integrated into our Fund selection criteria for consideration alongside other investment factors in terms of their impact on risk and return. Other qualitative and quantitative factors considered include Manager experience and turnover, short and medium term performance, financial ratios, Fund volatility, Fund size and Fund costs & charges.

### **Investment Strategy**

The majority of the Funds in which the ESG-Portfolios invest, are determined to be ESG Funds following our assessment of the relevant Fund and the ESG processes of the relevant Manager.

In order to meet the governance requirements applicable to each ESG Portfolio, we examine the governance tools that each Manager of a Fund has in place. We participate in collaborative engagement activities with the Managers in order to focus on further improvements to underlying investee companies' compliance with international norms and good governance on human rights, labour rights, the environment and anti-corruption, as well as actions relating to climate mitigation.

### **Proportion of Investments**

The ESG- Portfolios invest in a range of asset classes across global markets with a focus on superior and sustainable earnings performance. 20% of asset allocation is aligned with the E/S characteristics, which includes the investments of each Fund used to attain the environmental or social characteristics promoted by the Fund. The remaining investments are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

### **Monitoring of Environmental or Social Characteristics**

Each Fund and Manager is assessed at the outset of any relationship between an ESG- Portfolio and the relevant Fund and on an ongoing basis. Product reviews are subsequently undertaken to ensure that the Fund remains consistent with the needs, characteristics and objectives, of investors in the ESG- Portfolios. In the event that a

Fund no longer meets the relevant criteria, this is discussed with the Manager and may lead to divestment from the Fund where improvements in the performance of the Fund and/or Manager are not demonstrated to our satisfaction.

### **Methodologies**

The Managers of the various Funds in an ESG Portfolio use different methodologies to integrate ESG factors into their processes but most will involve either an internal or external rating system to determine the level of sustainable risk applicable to each actual and potential underlying investment within their Fund. In turn, we consider the external ESG rating or score of each Fund when deciding to invest in, or advise on, that Fund. We also consider how far ESG issues affect and are integrated with the Manager's investment process and philosophy, financial analysis and the composition of the Fund through time.

### **Data Sources and Processing**

We receive periodic data provided by each Fund in relation to the environmental and social characteristics promoted by such Fund and how the Fund has performed relative to such characteristics during previous reporting periods. This data is reviewed and if any issues or queries are identified these are raised with the relevant Manager. In addition we may use data from third party data providers with broad capabilities and coverage. It is not currently clear what percentage of data provided by each Manager, on behalf of a Fund, is estimated, however, due to certain limitations currently faced by Managers in respect of ESG data, it is likely that a certain percentage of data is currently estimated.

### **Limitations to methodologies and data**

ESG Data may be based on certain assumptions, forecasts, projections, views and opinions which may be based on current market trends or anticipated future events. To assess company involvement in different activities and to estimate revenue shares as accurately as possible, data providers strive to obtain information directly from companies and issuers. Sources of data include annual reports, regulatory filings, sustainability reports, press releases, investor presentations, company websites, and other company disclosures. Given the developing and innovative nature of data models, methodologies and assumptions and the inherent uncertainty in predicting forward-looking events, it cannot be guaranteed that the ESG Data is always accurate or correct or that the ESG Data will satisfy the aims or requirements of any specific client or investor. Furthermore, there may be data that cannot be sourced due to the lack of availability of data sources.

### **Due Diligence**

Prior to allocating a particular ESG Portfolio's assets to a Fund, AIB carries out an assessment of each Fund and the ESG processes of the Manager. The Managers and the relevant methodologies used by such Managers to integrate ESG factors into their processes are assessed at the outset of any relationship and on an ongoing basis. These ESG factors are integrated into the Fund selection criteria for consideration alongside other investment factors in terms of their impact on risk and return. Other qualitative and quantitative factors considered include Manager experience and turnover, short and medium term performance, financial ratios, Fund volatility, Fund size and Fund costs & charges.

### **Engagement Policies**

Certain of the Managers will integrate the principles of good governance practices into their stewardship and engagement approach by setting expectations with investee companies' management regarding good governance practices; actively engaging with the investee companies; utilising their voting rights; and supporting policymakers and legislators to ensure there is strong regulation and standards. We assess this integration as part of Manager selection, as outlined further above.

### **Designated Reference Benchmark**

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by an ESG-Portfolio.

1<sup>st</sup> January 2022

Allied Irish Banks p.l.c. is regulated by the Central Bank of Ireland