

IIPM MARCH Webinar

7 May 2025

'SUSTAINABILITY'



Chair



Davin Spollen
President
IIPM

Davin is Chief Executive Officer of Glennon Employee Benefits. Davin has many years' experience working in senior positions including; Director, Head of Function, Senior Consultant and Operations within regulated financial, medical and professional consultancy services firms. He has also served as Board Advisor to a Global Employee Benefits Network.

Davin is an Associate of the IIPM, Qualified Pension Trustee and Certified Financial Planner.

SAVE THE DATE

Website: iipm.ie
Email: info@iipm.ie

Next IIPM WEBINAR | AUTO ENROLMENT

Weds 22 May @ 4.00pm

Registration open

Webinar Housekeeping



A Q&A WILL BE
RUN AFTER THE
PRESENTATIONS



QUESTIONS
FOR THE
SPEAKERS?



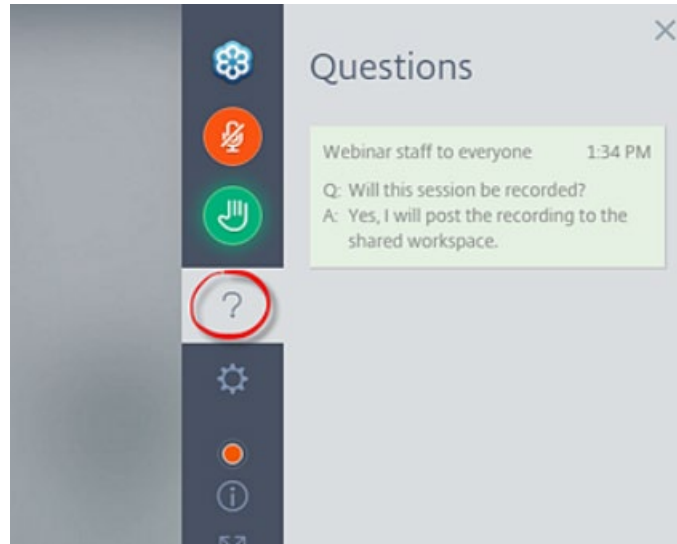
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AREA ON YOUR
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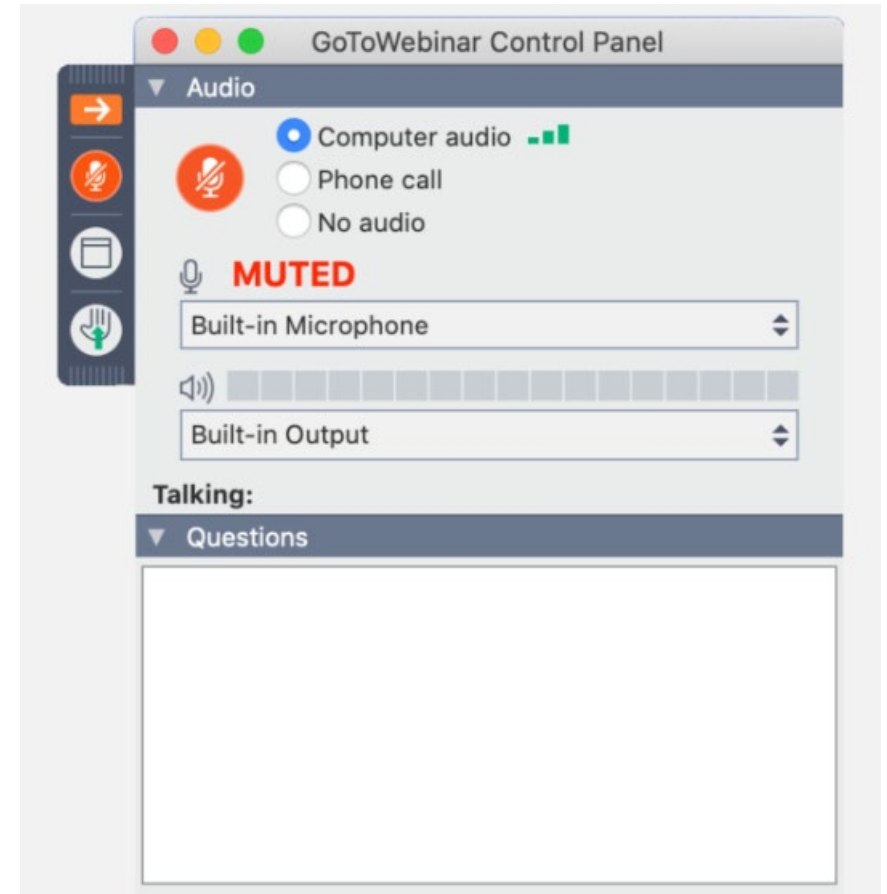
YOU CAN DO
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TIME DURING
THE
PRESENTATION

Sound or video issues?
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QUESTIONS FOR THE PANEL



Use the Questions function on the Control Panel to submit a question



Speaker



Ian Slattery

Head of Investment Solutions
Zurich Ireland

Ian joined Zurich in 2013. Ian's current role is as an Investment Consultant where his main responsibilities include producing investment commentary and insights, meeting with customers, and speaking at Zurich and Industry events. He is an Associate of the Irish Institute for Pensions Management, a CFA® Charterholder, a CAIA® Charterholder, and holds a Masters in Economic Policy Studies from Trinity College, Dublin.

Sustainable Investment

Zurich Investments

May 2025

The Zurich logo consists of a white stylized 'Z' inside a blue circle, followed by the word 'ZURICH' in white capital letters. The logo is positioned in the bottom right corner of the slide, overlaid on a blue circular graphic element.

ZURICH®

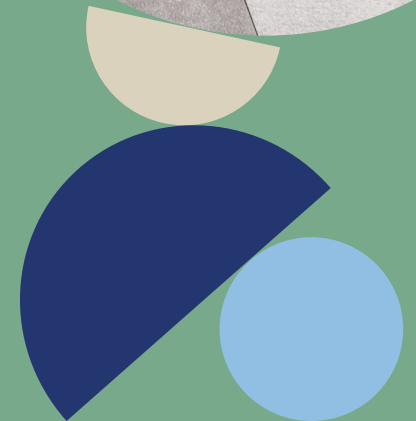
Contents

- 1 | Sustainable Investing: Explained
- 2 | Regulatory Environment
- 3 | Zurich's Approach
- 4 | Not always clear cut...



Sustainable Investing: Explained

May 2025



Sustainable Investment

- Investing with the principle intention of generating positive sustainability outcomes.
- Sustainable Investment still seeks to deliver competitive returns while having a positive impact on ESG issues.

Responsible Investment

- The incorporation of environmental, social and governance factors in investment decisions.
- Responsible Investment seeks to mitigate risks relating to ESG practices.
- Responsible Investment is all about 'doing well and doing good'.

What is ESG?

Three Pillars of Sustainability:



Environment

- Carbon emissions and carbon footprint metrics
- Energy consumption and fossil fuel production
- Impact on biodiversity, water emissions, and hazardous waste ratios



Social

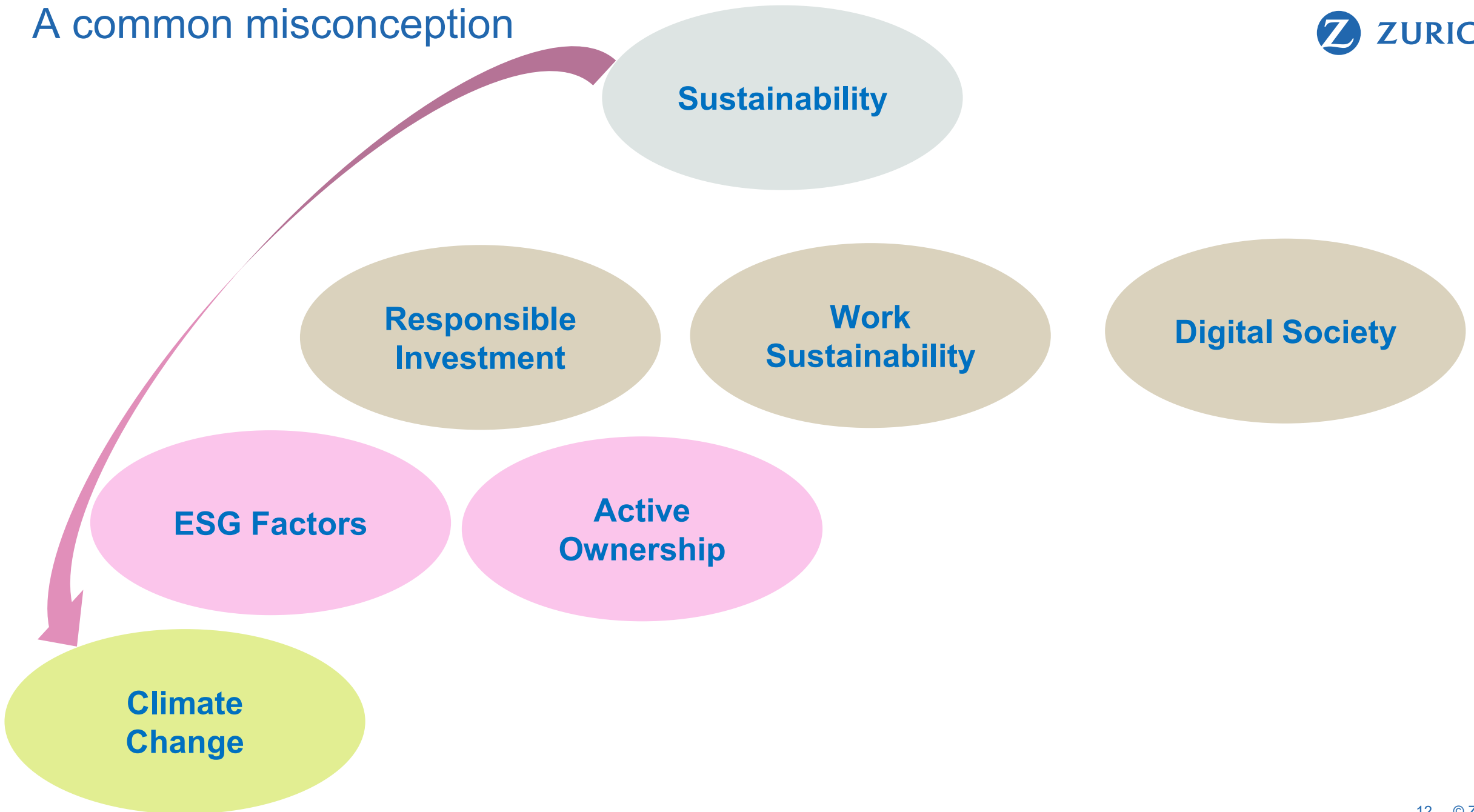
- Exposure to controversial weapons
- Respect for human rights and compliance with UN Global Compact Principles and relevant OECD Guidelines
- Board diversity and gender pay equality



Governance

- Corruption and bribery matters
- Adequate corporate governance and reporting
- Adherence to regulation, tax codes, and international conventions

A common misconception



Regulatory Environment

May 2025





EU Taxonomy

Based on assessment under six environmental objectives you can be:

Taxonomy Eligible

Taxonomy Aligned

SFDR

Requires disclosures at an entity and product (fund) level

Requires entity level disclosures (article 3,4 & 5), and funds are classified as Article 6, 8 & 9

Website disclosures for Financial Advisors

IDD

Updated to require the advice process to take account of a customer's sustainability preferences

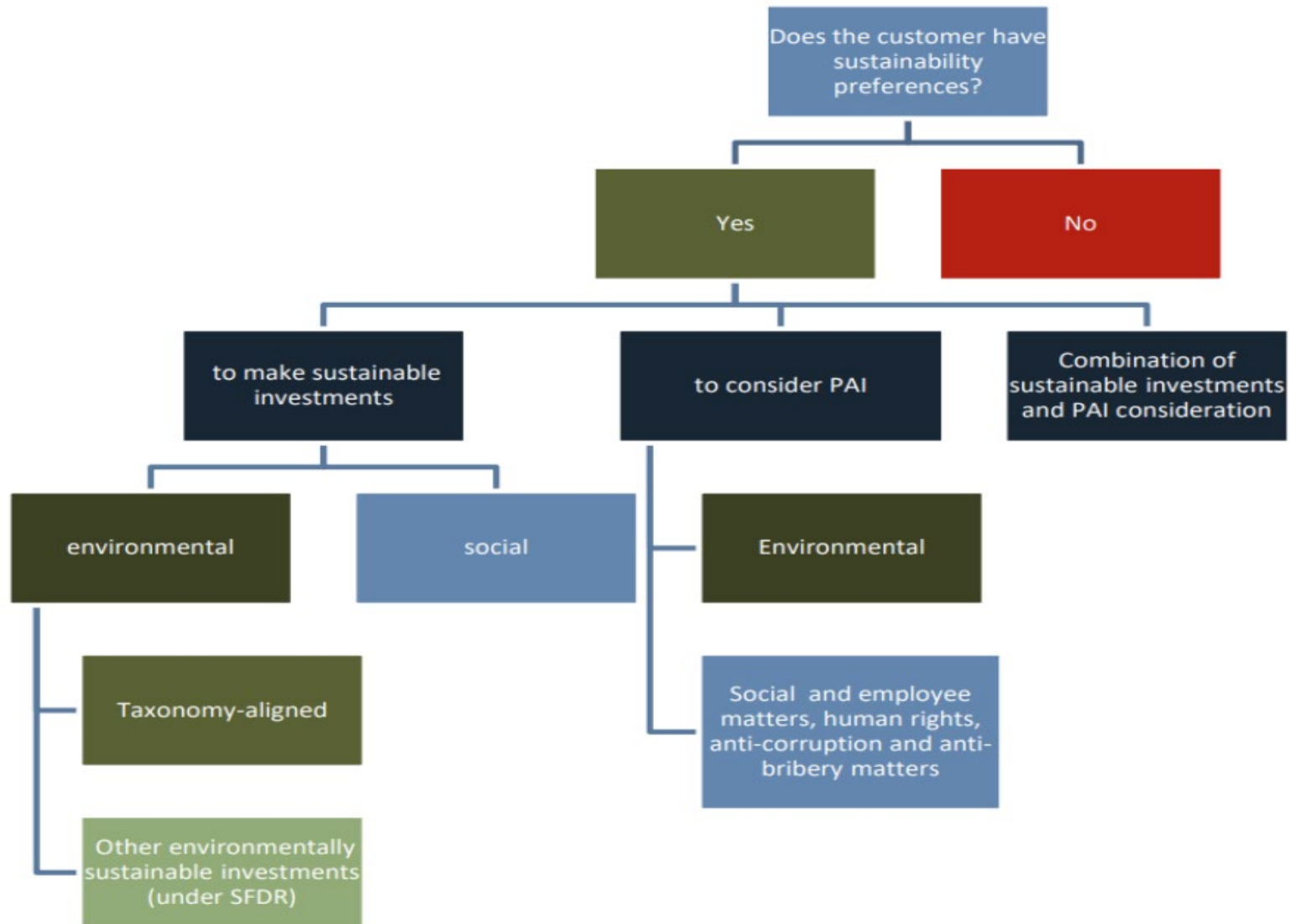
Sustainability preferences put into three different categories (not mutually exclusive)

New business and reviews

Definitions feed into other areas

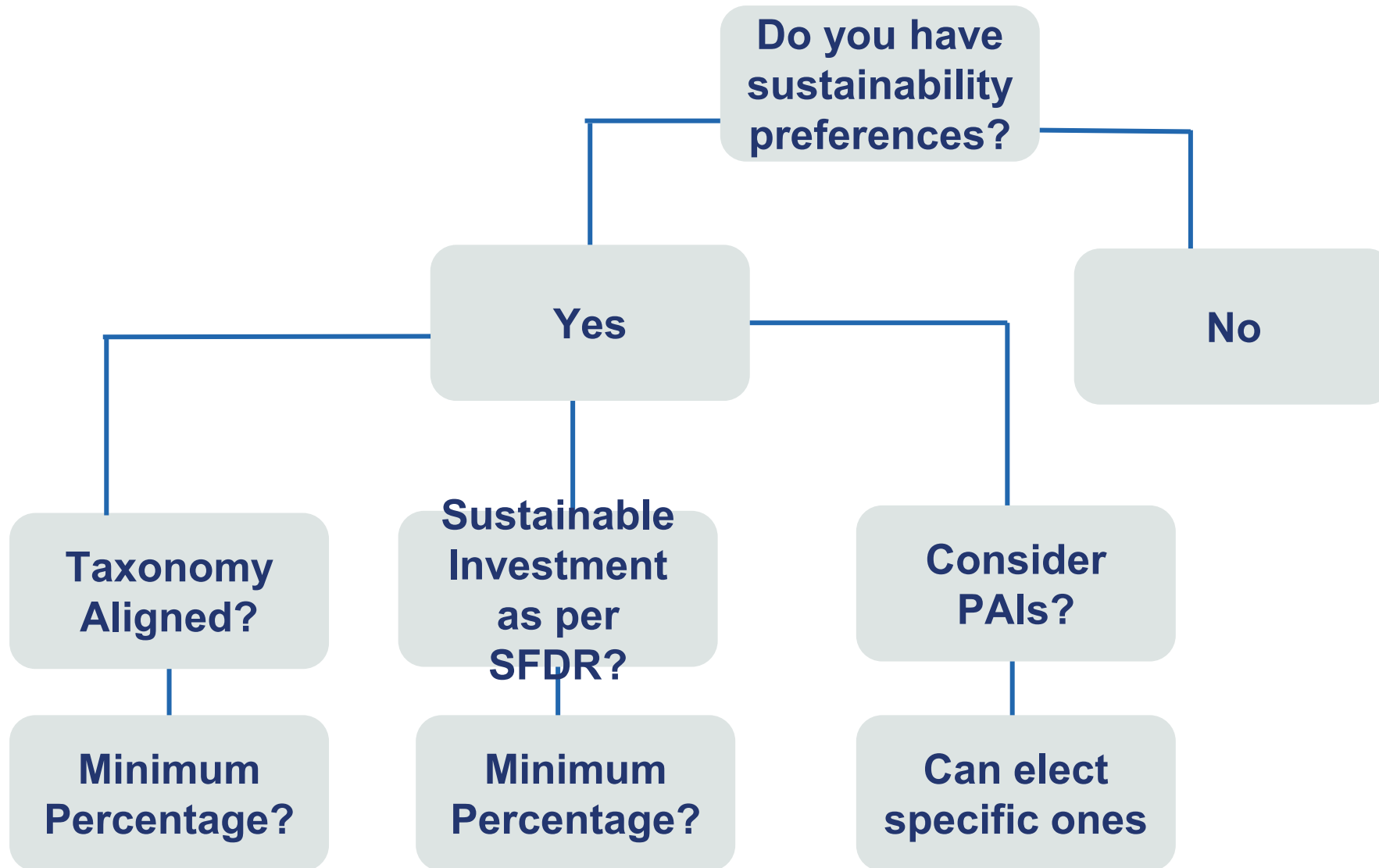
Sustainability preferences

Defined in the IDD (Insurance Distribution Directive)



- Applicable from August 2nd 2022
 - No opt-out
 - EIOPA guidance

The process for employers, advisors, and trustees:



Statement of Investment Governance:

Whether environmental, social, and governance factors will be considered, and if so, the processes by which these will be incorporated into the investment process,

Setting the investment objectives and strategy:

The investment strategy must include.... where applicable, the environmental, social, and governance factors that are to be considered.

Wider regulatory environment

New fund naming convention thresholds

Principle Adverse Impact Statements review

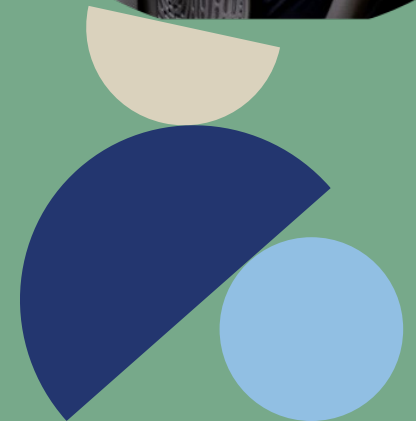
'SFDR 2'

The EU 'Omnibus' package

1. CSRD
2. CS3D
3. Taxonomy

Zurich's Approach

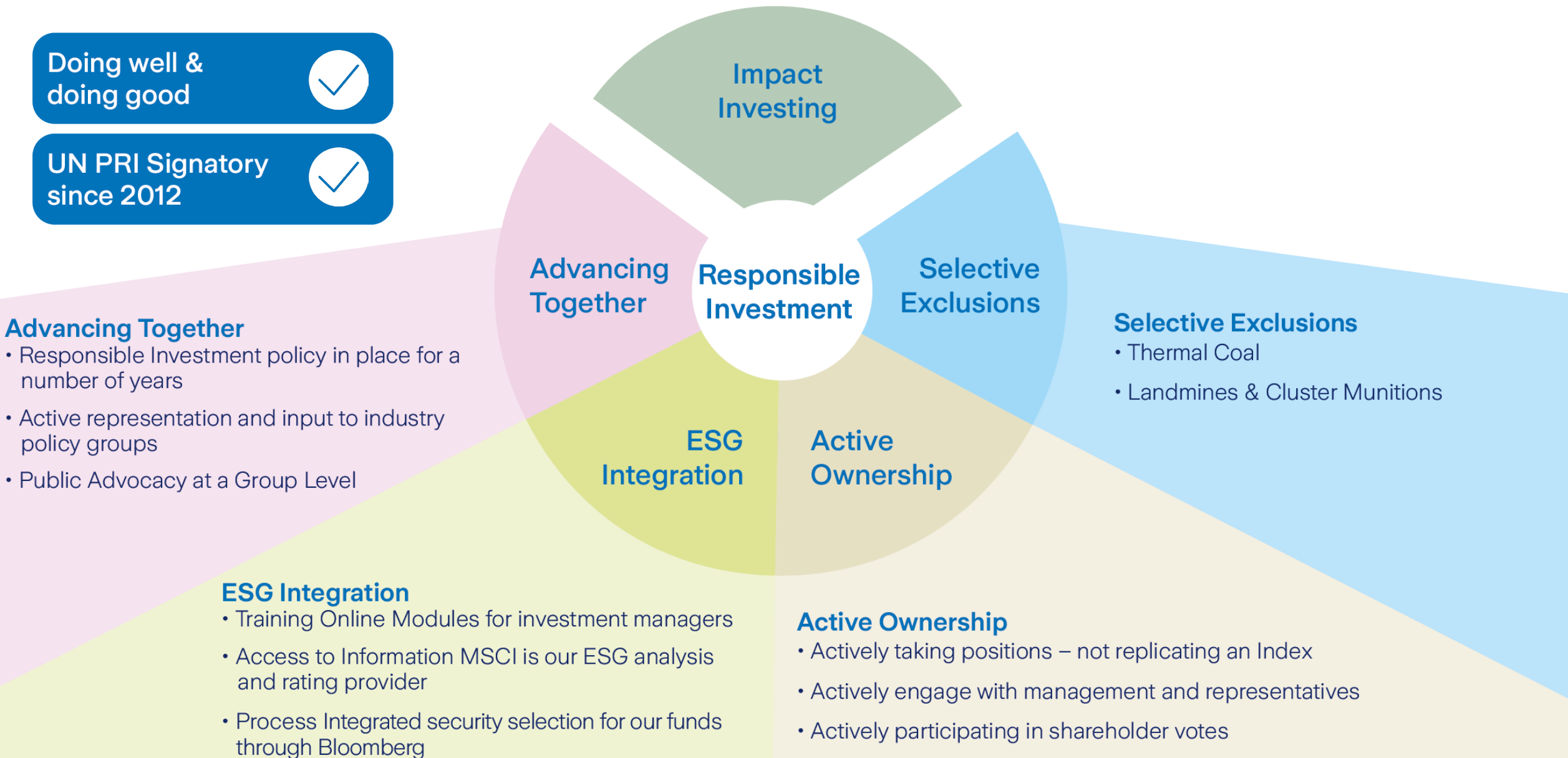
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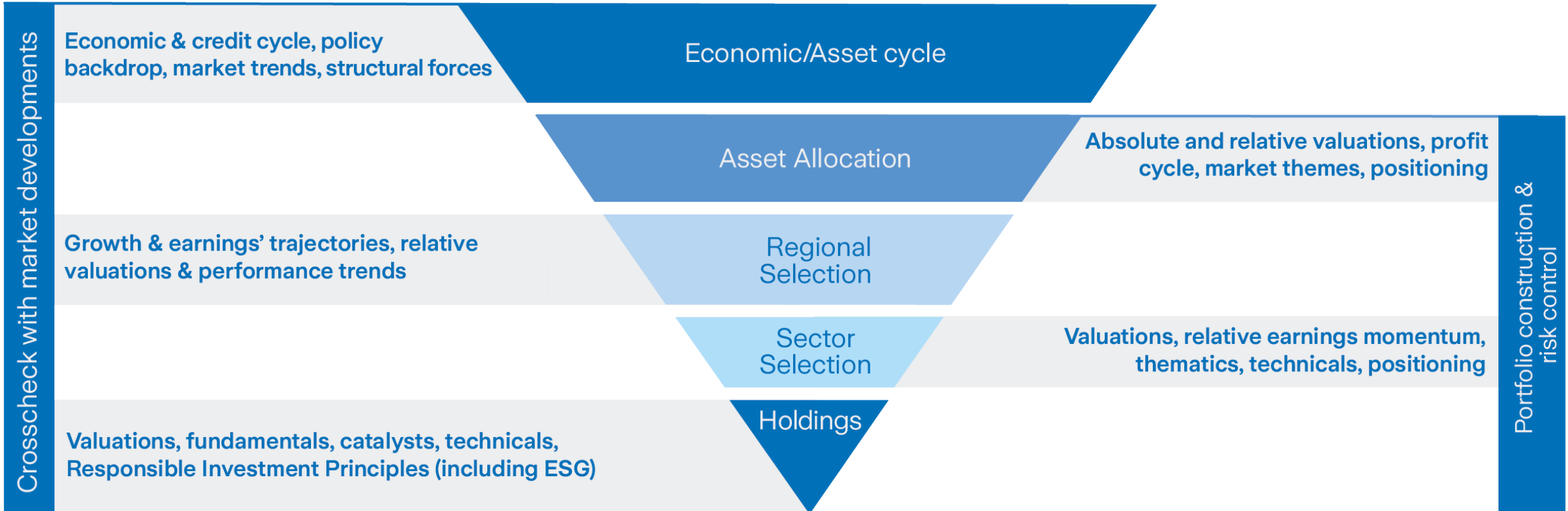
Doing well &
doing good



UN PRI Signatory
since 2012



Our top-down active investment process



The four pillars of Responsible Investment at Zurich

ESG Integration

- Online training modules for fund managers.
- Access to information from MSCI, our ESG analysis and rating provider.
- ESG information is part of our security selection for our funds through Bloomberg.

Active Ownership

- Actively taking positions – not replicating an index.
- Actively engaging with management and representatives.
- Actively participating in shareholder votes.

Selective Exclusions

We exclude:

- Companies that derive greater than 30% of their revenues from mining thermal coal or generate more than 30% of their electricity from coal.
- Economic activities in areas such as thermal coal, oil sands and oil shale.
- Companies involved in Anti-personnel Landmine & Cluster Munitions.

Carbon Ambition

- A carbon reduction ambition across relevant internally managed equity and credit portfolios.
- Aim to reduce the carbon intensity of the relevant portfolios by 55% by year end 2029 vs 2019 levels.

13 internally managed funds, with a combined €22.4bn in assets under management, classified as Article 8 according to SFDR.

ESG Integration

Four Pillars of Responsible Investment

This involves ensuring that ESG data is incorporated within the investment process through awareness on ESG theory and topics, relevant training, monitoring, and governance in respect of ESG portfolio scores. This is an economic approach dependent on valuation, the aim of such integration is to supplement and enhance the more traditional analysis and financial metrics such as price/earnings ratios, return on capital etc.

What it is

- Another valuable input to security selection
- An economic approach dependent on valuation

What it isn't

- A guarantee of superior returns
- A prohibition on low ESG-rated stocks



Selective Exclusions

Four Pillars of Responsible Investment

While to date Zurich Life has not adopted a broad-based exclusionary approach to investments there are certain situations where we believe exclusion criteria are justified.

The exclusion criteria cover activities that are irreconcilable with Zurich's values, sustainability strategy and reputational risk.

What we exclude:

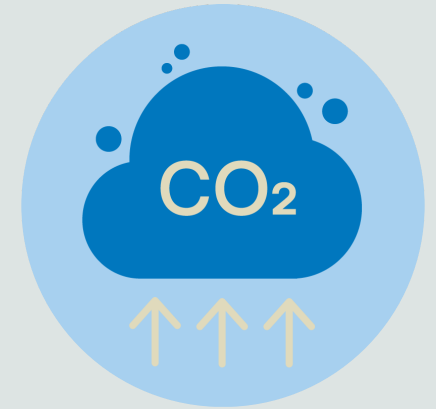
- Activities in thermal coal, oil sands and oil shale.
- Companies that derive greater than 30% of their revenues from mining thermal coal.
- Companies that generate more than 30% of their electricity from coal.
- Companies which produce, stockpile, distribute, market, or sell banned cluster munitions or anti-personnel landmines.



Carbon Ambition

Four Pillars of Responsible Investment

- In 2022, Zurich introduced a carbon reduction ambition across our internally managed equity and credit portfolios. This Phase 1 ambition has been achieved, and Zurich has recently adopted a Phase 2 carbon reduction ambition.
- The aim is to reduce the carbon intensity of equity and credit portfolios in our multi-asset funds by 55% by year end 2029 vs 2019 levels.
- This is pursued within the framework of Zurich's existing top-down active investment process.
- To support this ambition, we monitor the carbon intensity of our portfolios versus a trend line, and report to existing internal oversight groups and committees.



Active Ownership

Four Pillars of Responsible Investment

Zurich Life undertakes active ownership of its investee companies through exercising shareholder voting rights and engaging with investee companies directly.

Voting is executed across Zurich's entire directly managed equity portfolio with agreed approaches across a wide range of issues on corporate governance and other key ESG factors with full voting records publicly available online.

On engaging with investee companies Zurich has put in place a framework to engage with some of the largest carbon emitters through direct meetings.

What we vote for

- Greater disclosure of climate exposures
- The move from fossil fuel energy generation to renewables
- Management strategies that divest coal, oil and gas assets in favour of investment in renewable and clean technologies

What we vote against

- Re-election of directors who we believe, serve on too many boards.
- Excessive compensation plans



Not always clear cut...

May 2025



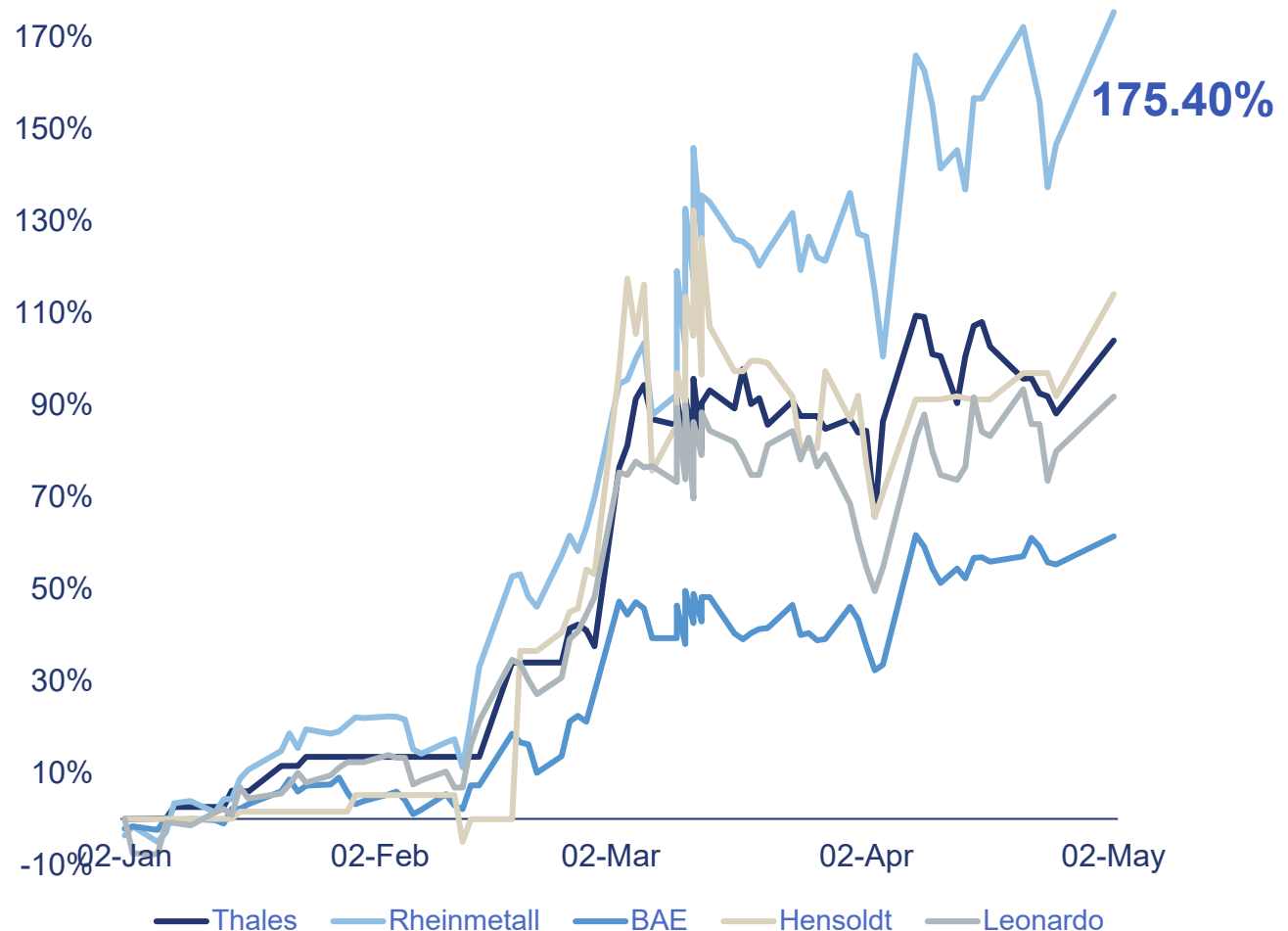
‘We are in an era of rearmament. And Europe is ready to massively boost its defence spending. Both, to respond to the short-term urgency to act and to support Ukraine but also to address the long-term need to take on much more responsibility for our own European security.’

Ursula von der Leyen 3rd March 2025

Defence in Europe

- Defence spending in Europe is set to rise dramatically.
- Recent performance of the European Defence Sector has brought ESG risks into focus.
- Material ESG risks of Defence companies include:
 - Impacts on human rights
 - High levels of carbon emissions
 - Potentially controversial weapons
 - Strict product safety and regulatory requirements
 - Bribery and corruption

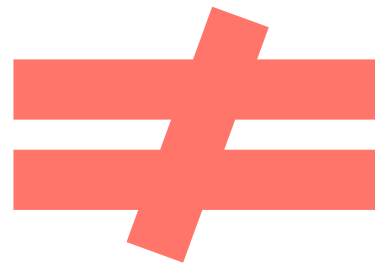
European Defence Sector Stock Performance - YTD 2025



Current CO2 emissions (FY2024)
Target CO2 emissions 2030
Implied CO2 reduction

- **Company A:** Targeting to become carbon negative across their value chain by 2030, aiming to cut 6.04 million tonnes of emissions.
- **Company B:** Targeting a 30% reduction in absolute CO2 emissions by 2030 based on base year 2021, planning reductions of 13.5 million tonnes.
- Company B's reduction plan, while not targeting absolute zero, results in a greater overall emission reduction.

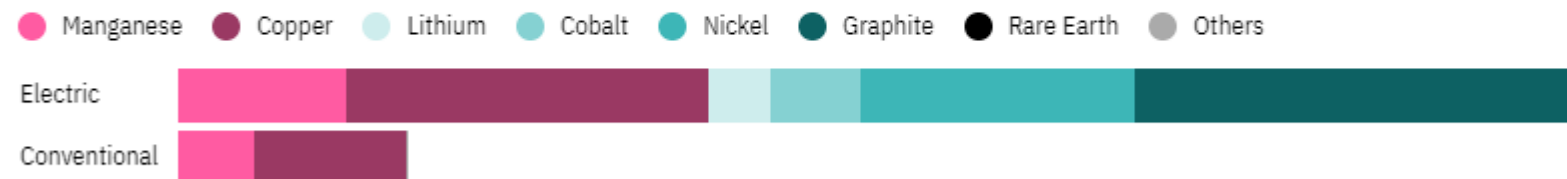
'We should all drive electric vehicles'



'We should mine less given the environmental impact'

A battery electric vehicle needs six times more minerals than a conventional vehicle

Required minerals in kilograms per vehicle



Source: IEA

MSCI ESG RATINGS

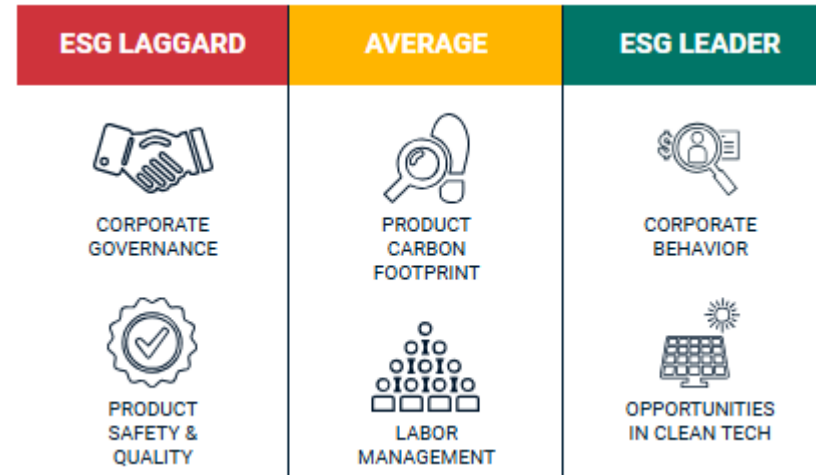
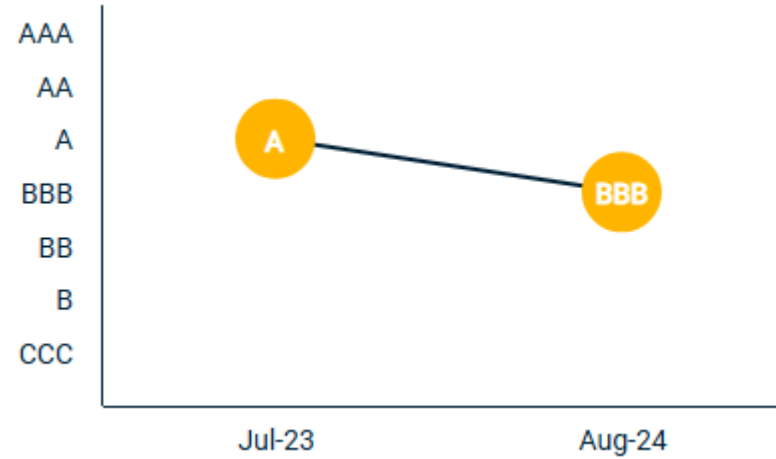
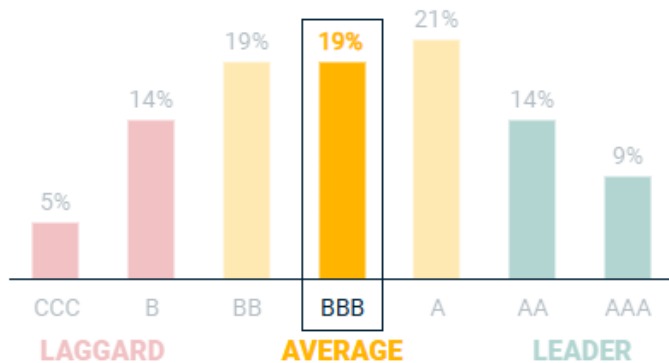
BBB



Tesla is **average** among 68 companies in the **automobiles industry**.

ESG Rating distribution in relation to industry peers

Universe: Automobiles, (68 companies)



Not always clear cut...

Costs

**Asset class
considerations**

Time horizon

Pooled funds

**Trustee/employe
r obligations**

**Company
demographics**

Thank you

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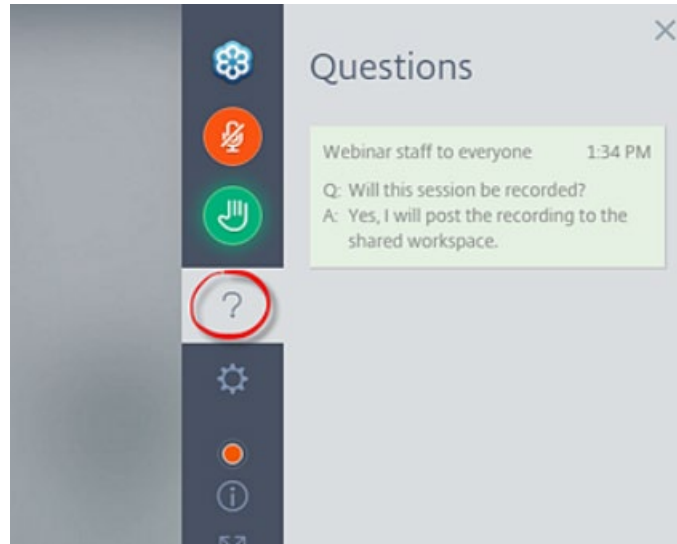
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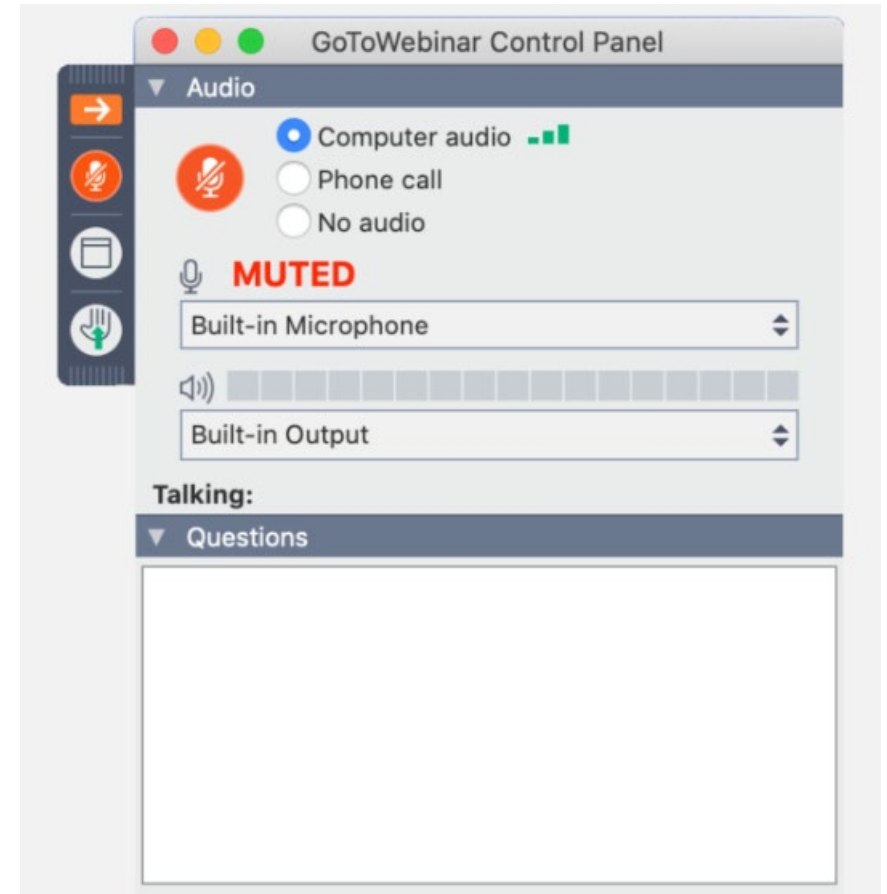
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Warning: The value of your investment may go down as well as up.
Warning: If you invest in this product you may lose some or all of the money you invest.



QUESTIONS FOR THE PANEL



Use the Questions function on the Control Panel to submit a question



Thank You



Ian Slattery
Head of Investment Solutions
Zurich Ireland

Thank you for joining us

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Please help the IIPM and complete the survey at the end of the webinar – or find the link in your follow up email

CPD DETAILS:

Attendees at the event may claim 1 hour of CPD

CPD details and link to recording will be in follow up email also in the News section at www.iipm.ie - CPD details updated on the website as soon as we receive them

1 hour | Pensions | Savings & Investment | **LIA: LIA18752_2025** | **IOB pending**