

# Metlife – Global Impact Bond Fund

Ethical Survey, as voted by members of the Ethical Advisers Co-Op on 16 July 2024



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: [www.ethicaladviserscoop.org/find-an-adviser.html](http://www.ethicaladviserscoop.org/find-an-adviser.html)

## Fund Overview

This is an actively managed global fixed income fund, previously called Affirmative Global Bond Fund. The Fund's screening is predominately a positive selection process, but they do have negative screens. The Fund invests in bonds whose proceeds are committed to green, social, or sustainability projects. The fund is managed by Affirmative Investment Management (AIM), which was acquired by Metlife Investment Management in 2022, and distributed in Australia by Colonial First State.

## Ethical Concerns

### Investments

- ✘ Some issuers in the Fund may be problematic for ethical investors, such as:
  - **Fossil Fuels:** There are several holdings in the portfolio which do have some fossil fuel exposure, primarily natural gas (pertaining to storage and/or supply). As there is a large exposure to European bond issuers, there are companies that still have this exposure, but are making positive steps in other renewable energies to aid transition to cleaner energy. Please note that gas storage and/or supply exposure is not an automatic exclusion for the fund manager, and there is a 5% revenue threshold for oil and gas (conventional/unconventional).
    - Issuers: International Bank for Reconstruction and Development, Asian Development Bank, Inter-American Development Bank, ERG S.p.A, SSE PLC, Rabobank, EDP and Hera S.p.A.
    - Cash holdings: Citigroup and Commonwealth Bank of Australia.
  - **Holdings with other ethical concerns:**
    - Bank of America Corp – for unethical practises in 2023.
    - Some issuers that have been flagged for providing finance towards companies involved in Palm Oil production.

### Other concerns

- ✘ While there is negative screening (with zero tolerance) for issuers who are directly involved in some key climate change and ethical themes, in terms of banks or financial institutions that provide any form of financing to these entities, the screening process would not trigger an automatic exclusion as they are indirectly involved. AIM will however examine these on a case-by-case basis through the SPECTRUM process.

## Good Points

- ✓ Lead portfolio manager has extensive experience – Justin Eeles was the portfolio manager of the first ever green bond portfolio with over 35 years' experience.
- ✓ AIM don't rely on external screens or the 'green bond' label to rate the integrity of their process.
- ✓ In-house SPECTRUM screening process is unique – it provides independent verification for the bond issuer, and the how the funds are used, ensuring meaningful and measurable impact. A bond issue must pass on both fronts to be included in the investible universe.
- ✓ AIM's investment universe includes a list of issuers/bonds where at least 50% of its revenues are generated from sectors aligned with eligible sectors (sustainable, green, and social) and there is a clear commitment in the issuers' strategy or mission to achieving UN SDGs. Furthermore, each of these entities need to exhibit strong transparency and commitment to impact

*This survey, and the information contained in this document, consider **ethics only** and do not include ANY analysis of fees, performance of financial suitability. It is **general advice only**. The ethical score is subjective and benchmarked to each adviser's average ethical client. Your ethics may differ. We recommend you speak to an experienced ethical financial adviser for personalised advice before making any decisions.*

reporting. Of this universe the SPECTRUM process has historically screened out approximately 20% of its eligible universe which has remained relatively static over time.

- ✓ AIM maintain strong engagement with impact bond issuers and key stakeholders. They engage to gain further details on the use of proceeds, reporting commitments and methodology. Their goal is to enhance impact reporting in the market.
- ✓ AIM's [Impact Report](#) has been recognised as world leading, being awarded the 'Impact Report of the Year (for investors)' at the Environmental Finance Bond Awards 2023.
- ✓ The ESG factors they consider in their analysis of the bond issuer and the projects being funded include environmental impact reporting, climate change strategies and targets, labour standards and relations, board diversity, equality of opportunity, human rights, global supply chain management, diversity, marketing practices (including demand-side management to shape responsible consumption), corporate governance, business ethics and integrity.
- ✓ The largest share of holdings are in climate-related green bonds, which accounted for 72.6% of the portfolio in 2022, aligning with 4 key UN Sustainable Development Goals:
  - SDG 7: Affordable and Clean Energy (24%)
  - SDG 9: Industry, Innovation and Infrastructure (16%)
  - SDG 11: Sustainable Cities and Communities (20%)
  - SDG 13: Climate Action (16%)
- ✓ Commitment to the Paris Agreement is demonstrated through the ongoing measure of the portfolio's greenhouse-gas (GHG) metrics, all three scopes, at both the issuer and project level. This includes Carbon Yield™, net zero alignment and the Task Force on Climate-related Financial Disclosures (TCFD) recommended Weighted Average Carbon Intensity (WACI).

## Fund Overview

<b>UNPRI Signatory</b>	Yes - AIM ( <a href="#">LINK</a> ) & MIM ( <a href="#">LINK</a> )
<b>Full Holdings Disclosure</b>	Yes ( <a href="#">LINK</a> )
<b>RIAA Certification</b>	Yes – for AIM only ( <a href="#">LINK</a> )
<b>Disclosure of Voting</b>	N/A
<b>Ethical Screening Process</b>	Refer website ( <a href="#">LINK</a> ), Responsible Investment Policy ( <a href="#">LINK</a> ), Product Disclosure Statement ( <a href="#">LINK</a> )
<b>Exclusions and Exposure Limits</b>	<p>On a best effort basis, AIM seek to exclude issuers (with a zero-tolerance threshold) who are involved in:</p> <p><b>Climate change screens (zero tolerance)</b></p> <ul style="list-style-type: none"> <li>× Thermal coal mining or production</li> <li>× Exploration or extraction of unconventional oil and gas</li> </ul> <p><b>Ethical screens (zero tolerance)</b></p> <ul style="list-style-type: none"> <li>× Manufacturing and wholesale trading of tobacco products</li> <li>× Gambling</li> </ul> <p><b>Conventions and controversies-based screens (zero tolerance)</b></p> <ul style="list-style-type: none"> <li>× Manufacture or sale of weapons and/or ammunition</li> </ul> <p>The Investment Mandate Agreement for the CFS product has an additional set of exclusions (the IMA and associated list of securities are not publicly available):</p> <p><b>Climate change screens (with a 5% revenue threshold)</b></p> <ul style="list-style-type: none"> <li>× Thermal coal mining or production</li> <li>× Fossil fuel utilities - thermal coal power generation</li> <li>× Oil and Gas (Conventional/Unconventional)</li> </ul> <p><b>Ethical screens (zero tolerance)</b></p> <ul style="list-style-type: none"> <li>× Pornography</li> <li>× Tobacco producers</li> <li>× Gambling</li> <li>× Alcohol manufacturers</li> <li>× Predatory lending</li> </ul> <p><b>Conventions and controversies-based screens (zero tolerance)</b></p> <ul style="list-style-type: none"> <li>× Weapons – manufacture of Nuclear, Controversial, Conventional</li> <li>× Production of uranium for nuclear weapons</li> </ul>
<b>Materiality</b>	<ol style="list-style-type: none"> <li>1. AIM do not directly invest in fossil fuels but would look to support issuers that are actively moving to a more sustainable low-carbon business model.</li> <li>2. AIM avoid direct investments in nuclear power, however some issuers may have some limited exposure to nuclear, for example EDP.</li> </ol>

## About the 'Ethical Survey'

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### About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

### How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

### Further Research

#### *Does your fund walk the talk?*

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

#### *Is your fund investing in fossil fuels?*

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

#### *If the fund is certified by the Responsible Investment Association Australasia (RIAA)*

You can find more ethical and investment information for certified funds [here](#).

#### *More information on this fund*

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

*Vote based on information last updated 16 July 2024*