

## SUSTAINABLE FINANCE DISCLOSURE REGULATION: ARTICLE 3

# Sustainability Risks Policy Summary

Dimensional Ireland Limited

15 March 2024

As part of its compliance with Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (“SFDR”), Dimensional Ireland Limited (“Dimensional Ireland”) is required to publish on its website information about its policy on the integration of sustainability risks in its investment decision-making process in respect of any portfolios it manages, including funds and separately managed accounts (the “Portfolios”). To that end, Dimensional Ireland has adopted a sustainability risks policy for integrating sustainability risks into the investment decision making process (the “Policy”).

Dimensional Ireland is assisted in performing certain aspects of the Policy by its affiliated entities Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., DFA Australia Limited, Dimensional Japan Ltd., and Dimensional Fund Advisors Pte. Ltd. (any of these separate but affiliated entities generally, rather than any one particular entity, or Dimensional Ireland are referred to herein as “Dimensional”).

### **Investment Philosophy**

Dimensional’s general investment philosophy is based on the belief that in liquid capital markets, prices reflect all publicly available information. This includes, but is not limited to, information about a portfolio company’s strategy, financial and nonfinancial performance, risk, capital structure, social and environmental impact, and corporate governance. As such, Dimensional believes that prices of securities reflect the aggregate risk-and-return expectations of investors and that competition among market participants drives prices toward fair value.

Dimensional believes that environmental, social and governance (collectively, “ESG”) related information may be material to the performance of portfolio companies. However, Dimensional also believes that publicly available and material ESG information is quickly incorporated into market prices, and that investors cannot generally use such information to gain an advantage over the market. Similarly, Dimensional believes that market prices quickly incorporate information about ESG risks, so that investors cannot generally use ESG-related information to improve the risk-return profile of their portfolios. This does not mean that markets are prescient, nor that unforeseen risks will not materialise. Rather, it means that Dimensional believes using information in current market prices is generally the best way for investors to manage the risk-return profile of their investments.

### **General Investment Process**

Dimensional Ireland seeks to protect and enhance shareholder and bondholder value and may consider ESG information to do so, including when defining and monitoring the investment universe of its Portfolios. As part of Dimensional Ireland’s process for defining an eligible fixed-income universe, it reviews country risks as well as the agency-assigned and market-implied credit ratings of individual securities. As part of Dimensional Ireland’s process for defining an eligible equity universe, it reviews country risks, exchange listing standards, as well as structural, governance-related issues. For example,

Dimensional Ireland may exclude companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders.

Furthermore, as part of Dimensional Ireland's risk management arrangements, it monitors securities in its eligible equity universe for reports of potential involvement in significant controversies, including ESG-related controversies. If Dimensional Ireland believes that a controversy may have a material impact on a portfolio company's financials, it may temporarily exclude securities issued by that company from further purchase in both its equity and fixed income Portfolios. Dimensional's Investment Stewardship Group may also engage with the portfolio company where appropriate for a particular Portfolio.

Given Dimensional's belief that market prices incorporate relevant ESG information, Dimensional Ireland does not attempt to identify companies that are mispriced based on their ESG profile. Numerous academic studies show the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. In Dimensional's view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

Dimensional Ireland may be assisted by any of the Dimensional entities in integrating sustainability risks into the investment decision-making process.

### **Investment Stewardship**

Dimensional believes that market prices reflect information about current corporate governance practices, and that material improvements in corporate governance may be rewarded with higher market prices. Dimensional Ireland therefore conducts stewardship activities on behalf of all its equity Portfolios in a manner that it believes is in the best interests of such Portfolios, and which seeks to maximise the value of their investments, subject to applicable legal and regulatory standards and any specific investing or voting guidelines.

Dimensional Ireland's stewardship efforts, which include proxy voting, engagement, industry participation, and public policy advocacy, are intended to promote practices that academic research suggests benefit shareholder value. Dimensional Ireland's stewardship priorities include protecting shareholder rights and encouraging strong and independent boards of directors that effectively oversee company management on behalf of shareholders, and implement robust policies and procedures to manage material financial risks (including material environmental and social risks). Although Dimensional Ireland may discuss governance matters with portfolio companies to represent client interests, Dimensional Ireland's stewardship activities are not undertaken with the purpose or intended effect of changing, or influencing, the control of any portfolio company.

When there is evidence of governance failings at a portfolio company, Dimensional believes clients are generally better served when stewardship activities are used to encourage better standards of corporate governance and risk oversight rather than divesting.

The Dimensional Ireland Designated Person for Fund Risk Management and the Dimensional Ireland board will seek to review the Policy on at least an annual basis.

## **Disclosure**

This material is not directed at any person in any jurisdiction where the availability of this material is prohibited or would subject Dimensional or its products or services to any registration, licensing, or other such legal requirements within the jurisdiction.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd. and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

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