



## **IQ EQ Fund Management (Luxembourg) S.A.**

# **STATEMENT ON THE DISCLOSURE REGARDING REGULATION (EU) 2019/2088 ("SFDR") ON SUSTAINABILITY RISK AND PRINCIPAL ADVERSE IMPACTS**

**MARCH 2021**

### **Introduction**

IQ EQ Fund Management (Luxembourg) S.A. ("IQ EQ FM") is an authorised Alternative Investment Fund Manager regulated and supervised by the *Commission de Surveillance du Secteur Financier* in order to provide AIFM services to a range of collective investment schemes domiciled in, but not limited, to Luxembourg, Belgium and France.

Through the present statement IQ EQ FM seeks to align itself with the regulatory obligations regarding sustainability risk and principal adverse impacts as foreseen under SFDR coming into force as of March 10<sup>th</sup> 2021.

SFDR is one of the first measures taken by the European Union in order to reach the objectives of the Paris Agreement adopted under the United National Framework Convention on Climate Change effective as of November 4<sup>th</sup> 2016. In such framework, SFDR aims to promote the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants and financial advisers (investment advisers) to make pre-contractual and ongoing disclosures to end investors when they act as agents of those end investors and make investment decisions or provide investment advice which may cause, contribute to or be directly linked to effects on sustainability factors that are negative, material or likely to be material.

As per SFDR, IQ EQ FM is defined as a "financial market participant". As per Article 4 of SFDR a "financial market participant", is required, where the principal adverse impacts ("PAI") of investment decisions are considered, to publish and maintain on its website a "statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available". The present Statement has been developed in accordance with the provisions of Article 4, while also taking into consideration Article 7 of SFDR on the transparency of PAI at product level.

### **Definitions:**

"Sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

"Financial Market Participant": entities which manufacture the financial products, including AIFMs and Portfolio Managers

"Financial Advisers": entities providing investment or insurance advice.

IQ EQ FM delegates the portfolio management function of some of their funds to a qualified third party portfolio manager (the "Portfolio Manager") IQ EQ FM retain for most of the funds the portfolio management function and in that circumstance usually appoints a third-party investment advisor which

may or may not be considered as a Financial Advisor as per SFDR. Therefore, usually, the “manufacturer of financial products” is not IQ EQ FM but rather the Portfolio Manager/Investment Advisor.

As per article 6 of SFDR Financial market Participants shall include the following descriptions in the pre-contractual disclosures:

- the manner in which sustainability risks are integrated into the investment decisions: This is determined at the on boarding stage of a new Fund in conjunction with the Portfolio Manager/Investment Advisor/GP. The AIFM discloses, as per SFDR, the information related to article 23 (1) of Directive 2011/61/EU;
- the result of the assessment of the likely impacts of sustainability risks on the returns of the financial products they advice on.

Further, the Funds, to which IQ EQ FM acts as AIFM, follow a number of different investment strategies with varying consideration of environmental, social and governance (ESG) and sustainability factors. As such, some of the Portfolio Managers/Financial Advisors may consider sustainability risks and PAI in respect of the funds for which they are appointed while other Portfolio Managers/Investment Advisors may not. Due to the different strategies and nature of the Funds under management, IQ EQ FM has determined a prudent approach to allow for both eventualities in this Article 4 SFDR Statement taking into account Article 7 of SFDR.

### **Selected Approach**

#### Article 3 – Sustainability Risks

As per article 3 of SFDR, financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process. In this framework, IQ EQ FM will include in its due diligence process to portfolio managers/financial advisers the consideration on sustainability risks in regards to the following:

1. Sustainability Risks is an integral part of the Fund’s investment process;
2. Sustainability Risks is considered as part of a broader analysis of individual issuers, using internal and external inputs helping to identify exposure to Sustainability Risks, preparing for company engagement and collaborate on new research inputs based on data provided by data providers. The factors which will be considered by the Portfolio Manager will depend on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labour relations history, and climate risks.
3. In assessing these risks, the Portfolio Manager draws upon a wide variety of internal and external research to assess any potential impact on the value of the assets over the time horizon of the Fund.

In instances where IQ EQ FM retains portfolio management and where an Investment Advisor is appointed, IQ EQ FM may consider sustainability risks within their investment decision in respect of those funds, provided that the steps described in 1-3 are fulfilled. IQ EQ FM also acknowledge that in certain instances, the Financial Advisors may publish information on their own website in respect of sustainability risks integration.

IQ EQ FM has also enhanced its existing risk management framework to oversight the integration of sustainability risks. The risk management will oversee the integration of sustainability risks by Portfolio Managers/Investment Advisors on an ex-post basis.

#### Articles 4 & 7 – Principal Adverse Impact



As per article 7 of SFDR, Financial Market Participants that wish to consider PAI in respect of the Funds in line with Article 7 of SFDR, they shall ensure that:

1. The Delegated Portfolio Manager/Financial Advisor has the appropriate infrastructure in place to report on PAI on an ongoing basis;
2. Where PAI are to be considered in respect of the Funds, the appropriate disclosures are made in the pre-contractual documents in line with SFDR by 31 December 2022;
3. The list of Funds for which PAI are considered is available on request;
4. The processes, systems and procedures in place to consider and report on PAI in respect of each Funds shall remain subject to the IQ EQ FM' periodic due diligence;
5. The Portfolio Manager/Financial Advisor also provides or published on its website appropriate disclosures in accordance with Article 4(1) and (2) of SFDR, while also considering the associated Regulatory Technical Standards once adopted by the European Commission, in respect of the Funds;
6. The periodic reports of the Funds contain sufficient and appropriate information as to the assessment of PAI.

Where PAI are not considered in respect of the Funds to which IQ EQ FM act, IQ EQ FM shall ensure appropriate disclosures are contained within the relevant pre-contractual documents. For further information as to why PAI are not considered in respect of a particular Funds, please refer to the prospectus/supplement of that Funds.

In instances where IQ EQ FM retains portfolio management, IQ EQ FM may consider PAI in respect of those funds, provided that the steps described in 1 to 6 of the above are carried out in an equivalent manner with appropriate disclosures made on its website. IQ EQ FM also acknowledge that in certain instances, the Financial Advisors/Portfolio Managers may publish information on their own website in respect of PAI in respect of the Funds.

This position shall remain subject to ongoing review in line with market practise and regulatory developments. IQ EQ FM shall periodically reassess the integration of sustainability risks, PAI statements, policies adopted by the Portfolio Managers and reporting made in respect of the Funds to ensure their continued appropriateness.

These Statements are subject at least to annual review.

**For further queries relating to IQ EQ Fund Management (Luxembourg) S.A. please contact :**  
[luxaifm@iqeq.com](mailto:luxaifm@iqeq.com)