

December 2022

**Sustainability-Related
Disclosures
Davy Low Carbon
Equity Fund (The "Fund")**

Summary

The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment.

The Fund in accordance with Article 8 under Regulation (EU) 2019/2088 (“SFDR”) pursuant to its investment policy seeks to promote environmental and social characteristics (“ESG”) (i) by investing in companies that have a sufficient exposure to technologies and businesses which stand to benefit from climate change mitigation and/or adaptation. This includes companies which reflect the themes of 1) low carbon leadership (“Low Carbon Leaders”) and/or 2) low carbon solutions (“Low Carbon Solution Providers”) (ii) by avoiding investing in companies which violate humanitarian principles or labour rights by reference to the UN Global Compact (“UNGC”) Principles; and (iii) by excluding companies that: (a) manufacture cluster munitions or landmines (b) derive revenues from fossil fuels (coal, oil and gas), including power generation (more than 10% of revenues) or reserve ownership (c) derive more than 5% of their revenue from armaments (d) derive revenues from the production of tobacco products (e) derive more than 5% of their revenue from gambling-related business activities (f) derive revenues from pornography or (g) derive more than 10% of revenues from the manufacture of alcoholic products.

The Investment Manager engages in quantitative and qualitative techniques and methodologies in determining the investable universe of companies in which to invest and the monitoring of the Fund’s holdings in pursuit of the promotion of the Fund’s ESG characteristics in accordance with Article 8 of SFDR, including consideration of sustainability indicators to achieve the environmental and social characteristics of the Fund. Potential investee and investee companies are rated for good governance practices using a third-party ratings provider, with ESG data provided to the Investment Manager including details on the company’s corporate governance which is then analysed by the Investment Manager via an in-house research function.

The primary data sources used in the assessment and monitoring of each of the environmental and social characteristics promoted by the Fund are provided by a third-party data provider, (currently MSCI), or the investee company. Where sufficient measurable evidence is not provided by a company to determine the criteria of Low Carbon Solution Provider (e.g., where a company is not required to publish relevant information under the Taxonomy Regulation), the Investment Manager will make its determination on the basis of a best-efforts assessment. The Investment Manager also conducts its own research and may engage directly with companies as part of its assessment and ongoing monitoring of potential and current investments in pursuit of the promotion of the Fund’s characteristics.

A minimum of 80% of the Fund’s Net Asset Value will be invested directly in the securities of companies that promote ESG. The Fund will primarily invest directly in securities of companies but may gain some indirect exposure to companies, for example, through the use of FDI from time to time. The Fund does not intend to make sustainable investments and the Investment Manager does not currently commit to a minimum proportion of investments of the Fund that are Taxonomy aligned.

As outlined in the section “Monitoring of environmental or social characteristics”, the Fund uses certain sustainability indicators to measure the attainment and monitoring of the environmental or social (“E/S”) characteristics promoted by the Fund, being:

- a)** The Fund invests in equities of companies that have a sufficient exposure to technologies and businesses which stand to benefit from climate change mitigation and/or adaptation. This includes companies which reflect the themes of 1) Low Carbon Leaders and/or 2) Low Carbon Solution Providers
- b)** The Fund avoids investing in companies which violate humanitarian principles or labour rights by reference to the UNGC Principles. A third-party data provider is used to identify a violation; measured by the severity and number of human

and labour rights controversies incidents recorded for a company. Additionally, the Fund excludes companies that (i) manufacture cluster munitions or landmines (ii) derive revenues from fossil fuels (coal, oil and gas), including power generation (more than 10% of revenues) or reserve ownership (iii) derive more than 5% of their revenue from armaments (iv) derive revenues from the production of tobacco products (v) derive more than 5% of their revenue from gambling-related business activities (vi) derive revenues from pornography or (vii) derive more than 10% of revenues from the manufacture of alcoholic products.

The sustainability indicators listed in (b) above are included in an exclusionary screen as part of the Investment Manager's detailed monitoring process, and companies identified as breaching the Fund's environmental or social characteristics and the sustainability indicators are added to an exclusions framework. The investee companies identified as using the sustainability indicators listed in (a) above are recorded in the Investment Manager's internal database. Further details are set out in the section "Monitoring of environmental or social characteristics".

The Investment Manager will measure how the social and environmental characteristics promoted by the Fund are met by firstly applying screens to measure the sustainability indicators listed in (b) above, which narrows the universe to a sub-set of potential investments which comply with the exclusion criteria applicable to the Fund. The sustainability indicators listed in (a) above are monitored using an internal database to measure the social and environmental characteristics promoted by the Fund

The data used to attain the environmental and social characteristics promoted by the Fund is sourced from a third-party data provider (currently MSCI) or investee companies, and collated on an internal database. MSCI data used to determine whether a company is in breach of the sustainability indicators listed in (b) above, is not expected to be estimated. The data used to determine whether a company is in accordance with the sustainability indicators listed above

as (a) above may be estimated. Investments, including proposed investments, of the Fund are reviewed against the sustainability indicators using this MSCI data, coupled with internal research by the Investment Manager.

Data quality assessment forms part of the initial and ongoing due diligence processes conducted against the data provider and cross-checks of MSCI data is undertaken. There are no material limitations on the scope of methodologies or data coverage for the sustainability indicators to note.

Due diligence on investee or potential investee companies includes incorporating the sustainability indicators in the investment screening process to narrow the universe to a sub-set of potential investments which comply with the exclusion criteria applied for the Fund listed in (b) above. The Investment Manager then reviews compliance with the sustainability indicators listed in (a) above. Internal research may include reviewing additional data points, third-party sources, and engagement with investee company management to form a complete view of whether the sustainability indicators are being respected by the investee company.

The Investment Manager may engage with an investee or potential investee company 1) as part of the assessment of sustainability risk 2) as part of the assessment of good governance practices and/or 3) if a company is identified as an outlier on specific or several principal adverse impact data points. If sufficient understanding and resolution on the issue is not achieved, the ESG risk profile of the company would be raised, which may ultimately lead to a decision to exclude the company from the investable universe or divest of the position.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the “financial product”

The Fund invests in equities of companies that have a sufficient exposure to technologies and businesses which stand to benefit from climate change mitigation and/or adaptation. This includes companies which reflect the themes of 1) Low Carbon Leaders and/or 2) Low Carbon Solution Providers.

The Fund avoids investing in companies which violate humanitarian principles or labour rights by reference to the UNGC Principles. A third-party data provider is used to identify a violation; measured by the severity and number of human and labour rights controversies incidents recorded for a company. Additionally, the Fund excludes companies that: (i) manufacture cluster munitions or landmines (ii) derive revenues from fossil fuels (coal, oil and gas), including power generation (more than 10% of revenues) or reserve ownership (iii) derive more than 5% of their revenue from armaments (iv) derive revenues from the production of tobacco products (v) derive more than 5% of their revenue from gambling-related business activities (vi) derive revenues from pornography or (vii) derive more than 10% of revenues from the manufacture of alcoholic products.

Investment Strategy

The investment approach utilises a combination of both quantitative and fundamental analysis and quantitative screens including consideration of sustainability indicators such as minimum safeguards. This includes identifying companies that have a sufficient exposure to technologies and businesses which stand to benefit from climate change mitigation and/or adaptation.

This screening process narrows the universe to a sub-set of potential investments which display characteristics in line with the Fund’s investment strategy. The Investment Manager then undertakes fundamental research on the

candidates within the investable universe. This may include further investigations into the climate change mitigation and/or adaptation and ESG practices of a company, supported by input from the team’s ESG specialist. This may include the review of third-party ESG data and direct engagement with company management, where necessary, to complete the appraisal of the climate change mitigation and/or adaptation and ESG characteristics of a company

Prior to investment and on an ongoing basis, the investee companies are rated for good governance practices using a third-party ratings provider. This ESG data that is provided to the Investment Manager in this manner includes, but is not limited to, information in relation to a company’s corporate governance, including board diversity, executive compensation, anti-competitive practices, ownership and control. The investment team then analyses and seeks to verify the ESG data and ratings in respect of such companies (the “ESG Information”) by using data that they have compiled through their own proprietary in-house research function. By way of example, the in-house research function will engage directly with such companies to seek clarification on, and/or further information in relation to, the ESG Information, if required. If sufficient understanding and resolution on the issue identified is not achieved, the ESG risk profile of the company is raised, which may ultimately lead to a decision to liquidate the position.

Proportion of investments

The Fund will invest a minimum of 80% of Net Asset Value in companies which align with the environmental and social characteristics of the Fund. The Fund will primarily invest directly in the securities of companies, but may gain some indirect exposure to companies, for example, through the use of FDI for efficient portfolio management from time to time.

The Fund may invest a maximum of 20% of Net Asset Value in cash and/or other ancillary liquid assets which are not aligned with the Fund’s environmental or social characteristics on the

basis that minimum environmental and social safeguards are not applicable due to the nature of the investments.

The Fund does not intend to make sustainable investments and the Investment Manager does not currently commit to a minimum proportion of investments of the Fund that are Taxonomy aligned. Accordingly, the percentage of investments of the Fund aligned with the EU Taxonomy is 0% of the Net Asset Value of the Fund.

Proportion of investments

The Fund will invest a minimum of 80% of Net Asset Value in companies which align with the environmental and social characteristics of the Fund. The Fund will primarily invest directly in the securities of companies, but may gain some indirect exposure to companies, for example, through the use of FDI for efficient portfolio management from time to time.

The Fund may invest a maximum of 20% of Net Asset Value in cash and/or other ancillary liquid assets which are not aligned with the Fund's environmental or social characteristics on the basis that minimum environmental and social safeguards are not applicable due to the nature of the investments.

The Fund does not intend to make sustainable investments and the Investment Manager does not currently commit to a minimum proportion of investments of the Fund that are Taxonomy aligned. Accordingly, the percentage of investments of the Fund aligned with the EU Taxonomy is 0% of the Net Asset Value of the Fund.

Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by the Fund;

a) For a company considered to be a Low

Carbon Leader, it must report Green House Gas ("GHG") Intensity at a 30% discount to Global Industry Classification Standard ("GICS") Industry Group average and/or have set and published carbon emissions reduction targets.

b) For a company considered to be a Low Carbon Solution Provider it must derive its revenues from:

- Economic activities which are eligible, within the meaning of the Taxonomy Regulation, to contribute to its environmental objectives of climate mitigation and/or climate adaptation; or
- A product or service which can evidence carbon emission reduction, avoidance, or energy efficiency

c) For companies excluded from the Fund, the following indicators are accessed to include companies which:

- Manufacture cluster munitions or landmines;
- Derive revenues from fossil fuels (coal, oil and gas), including power generation (more than 10% of revenues) or reserve ownership
- Derive more than 5% of their revenue from armaments
- Derive revenues from the production of tobacco products
- Derive more than 5% of their revenue from gambling-related business activities
- Derive revenues from pornography
- Derive more than 10% of revenues from the manufacture of alcoholic products; or
- Violate the UNGC Principles and OECD Guidelines for Multinational Enterprises. A third-party data provider is used to identify a violation; measured by the severity and number of human and labour rights controversies incidents recorded for a company (denoted by a "red flag"). This Portfolio will not invest in any companies reported as having such red-flag violations attaching

Companies that are identified as breaching the sustainability indicators listed as (c) are recorded in the Investment Manager's database and excluded from investment in the Investment Manager's pre-trade approval systems. Companies

that are identified using sustainability indicators (a) and (b) in the Fund are recorded in an internal database. Additionally, the Fund's portfolio is formally reviewed against all the sustainability indicators monthly by the Investment Manager's Investment Risk team.

Methodologies

The Investment Manager will measure how the social and environmental characteristics promoted by the Fund are met by applying screens to measure the sustainability indicators listed as (c) outlined under the section "Monitoring of environmental or social characteristics". This screening process, updated monthly, which utilises third-party data coupled with internal research, narrows the universe to a sub-set of potential investments which comply with the exclusion criteria applicable to the Fund.

The Fund will measure how the social and environmental characteristics promoted by the Fund are met to measure the sustainability indicators listed as (a) and (b) by recording the indicators in an internal database for investee companies, updated monthly. For the sustainability indicators listed as (a), GHG intensity figures and carbon emissions reduction targets are provided by a third-party data provider, which may be cross checked with data provided by investee companies and alternative data providers. For the sustainability indicators listed as (b), data is sourced from investee companies. Where sufficient measurable evidence is not provided by a company to determine the criteria of Low Carbon Solution Provider (e.g., where a company is not required to publish relevant information under the Taxonomy Regulation), the Investment Manager will make its determination on the basis of a best-efforts assessment.

Data sources and processing

The data used to attain the environmental and social characteristics promoted by the Fund is sourced from a third-party data provider (currently MSCI) or investee companies and collated on an internal database on a monthly

basis. MSCI data used to determine whether a company is in breach of the sustainability indicator listed as (c) in the section "Monitoring of environmental or social characteristics" is not expected to be estimated and MSCI has indicated that the data is collated from third party sources (for example news media services, NGO reports and websites, government data, company websites).

The data used to determine whether a company is in accordance with the sustainability indicators listed as (a) and (b) may be estimated.

Investments (including proposed investments) of the Fund are reviewed against the sustainability indicators using this MSCI data, company data, coupled with internal research by the Investment Manager.

Data quality assessment forms part of the initial and ongoing due diligence processes conducted against the data provider and cross-checks of MSCI data against that of alternative data providers and data provided by prospective and investee companies is regularly undertaken. Should a notable variance be identified, the Investment Manager will engage with the third-party data provider to understand and request an explanation and, if necessary, correction of any error consequently identified in the data.

Limitations to methodologies and data

There are no material limitations on the scope of methodologies or data coverage for the sustainability indicators to note.

Due diligence

Due diligence includes incorporating the sustainability indicators in the investment screening process, which utilises third-party and company data coupled with internal research, to narrow the universe to a sub-set of potential investments which comply with the exclusion criteria applied for the Fund. Internal research

may include reviewing additional data points, third-party sources, and engagement with investee company management to form a complete view of whether the sustainability indicators are being respected by the investee company.

The sustainability indicators are subject to a formal internal monthly review by the Investment Manager's investment risk team.

Engagement policies

The Investment Manager may engage with an investee or potential investee company 1) as part of the assessment of sustainability risk 2) as part of the assessment of good governance practices and/or 3) if a company is identified as an outlier on specific or several principal adverse impact data points. If sufficient understanding and resolution on the issue is not achieved, the ESG risk profile of the company would be raised, which may ultimately lead to a decision to exclude the company from the investable universe or divest of the position.

Any such engagement may include a structured, multi-stage process to drive progress in the management and resolution of the issue identified, including for example collaborative engagement with other asset managers or asset owners. The engagement process is recorded in an internal database.

About us*

We are part of IQ-EQ Group, a leading investor services group employing over 4300 people across 24 jurisdictions worldwide. We bring together that rare combination of global expertise with a deep understanding of the needs of our clients. We have the know how and the know you to support fund managers, global companies, family offices and private clients.

Contact IQ-EQ

This communication has been sent to you by IQ EQ Fund Management (Ireland) Limited as part of our service offering. You can opt out of similar communications at any stage by emailing iqeqfundmanagement@iqeq.com.

The IQ-EQ Group Privacy Notice can be found at iqeq.com/master-privacy-notice

Dublin office

5th Floor
76 Sir John Rogerson's Quay
Dublin Docklands
Dublin 2
D02 C9D0
Ireland

IQ EQ Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland. In the UK, IQ EQ Fund Management (Ireland) Limited is deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. In Luxembourg, IQ EQ Fund Management (Ireland) Limited is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier. Details about the extent of our authorisation and regulation by the Central Bank of Ireland, the Financial Conduct Authority and Commission de Surveillance du Secteur Financier are available from us upon request.

*Information correct as of 6 October 2022

This document is provided for information purposes only and does not constitute legal, tax, investment, regulatory, accounting or other professional advice. For more information on the legal and regulatory status of IQ-EQ companies please visit www.iqeq.com/legal-and-compliance

Reference: HM522_19122022_1
© IQ-EQ 2022

Find out more
www.iqeq.com

Follow us

