

November 2024

**IQ EQ Fund Management
(Ireland) Limited Sustainable
Finance Disclosure
Regulation Statements and
no consideration of adverse
impacts of investment decisions
on sustainability factors**

Overview

IQ EQ Fund Management (Ireland) Limited ('IQ-EQ' or the 'Firm') was incorporated in Ireland on 3 August 1989 under the Companies Acts with registration number 148223. The Firm is authorised to act as an Alternative Investment Fund Management Company and a UCITS Fund Management Company by the Central Bank of Ireland and is therefore a Super Management Company. IQ-EQ also has enhanced portfolio management permissions to permit portfolio management.

Definitions

'SFDR', Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended and as may be further amended.

'Sustainability Risk', as defined in the SFDR, 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.

'Sustainability Factors', as defined in the SFDR, means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

IQ-EQ SFDR requirements

Transparency of sustainability risk policies

Article 3(1) of the SFDR notes that Financial Market Participants shall publish and maintain on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.

In compliance with its obligations under the SFDR, IQ-EQ has established an iterative and systematic process for the integration of Sustainability Risk which may impact financial products. The risk integration process, as implemented by IQ-EQ in respect of financial products, is summarised below.

In integrating Sustainability Risks into its investment decisions, IQ-EQ first endeavours to identify such risks (if any) and, where relevant, monitors and manages any such risks in a manner considered appropriate to the particular investment strategy of the financial product and consistent with the best interests of investors. While the integration of Sustainability Risks forms part of the overall investment decision-making process, the manner in which this integration will be achieved will vary between financial products, depending on the degree to which Sustainability Risks are considered relevant to the strategy or asset class being managed.

Where IQ-EQ appoints an Investment Manager as the entity responsible for investment decisions relating to an investment fund, in practice, IQ-EQ will rely upon the investment decision-making processes of the Investment Manager to ensure that Sustainability Risks relevant to the investment fund are integrated effectively. The policy of IQ-EQ will be to rely upon the processes which are adopted by the Investment Manager in relation to the integration of Sustainability Risk in respect of such investment fund.

At IQ-EQ we appreciate that ESG is a broad church and can be additive to an investment process in a variety of forms. We offer a broad range of ESG integrated approaches providing exclusionary, quantitative, best-in-class and thematic solutions, sometimes in combination.

The risk integration process can involve, amongst other metrics, considering the ESG characteristics of a target asset to support the identification of Sustainability Risk, based on qualitative indicators, as part of the investment due diligence and ongoing risk management processes.

It is IQ-EQ's view that the Sustainability Risk of assets can be driven by applying one or more risk indicators to help capture ESG risks including the application of market taxonomies, standards and labels along with other qualitative information and forward-looking/long-term investment benchmarks. This classification system allows for the enhancement of the list of relevant ESG factors through the use of specific indicators that support the evaluation of ESG risks.

Sustainability Risk integration challenges

The Sustainability Risk integration process faces a range of challenges including;

- **Materiality:** the materiality of any perceived or potential risk will ensure due prominence and consideration of same in the decision process.
- **Uncertainty:** transition risks are inherently challenging to assess as the timing and effect of policies and interventions are driven by regulators and national and EU policymakers as are physical risks e.g. the financial impact of emissions reduction is an ever-evolving question;
- **Lack of data:** the lack of reliable, comparable, available data is a key challenge to assessing ESG risks;
- **Historical data:** while historical data is used to assess ESG risks, its ability to estimate future risks is more limited;
- **Time-horizons:** ESG risks are generally considered long-term risks likely to materialise beyond the standard time horizons used in tools to assess financial risks impacting financial products.

Sustainability Risk monitoring and management

Once assets have been classified according to their ESG characteristics, a risk-based, exposure assessment is sought to be applied in respect of the potential impact of Sustainability Risks, where possible and relevant seeking to take due account of the materiality of the Sustainability Risks as driven by the ESG characteristics of its exposure.

Sustainability Risk impact

Sustainability Risk is an evolving, multi-faceted and multi-point-impact risk category that can drive a multitude of prudential risks relevant to a diverse range of asset classes but perhaps most significantly in the case of corporate and sovereign debt, equities and real estate. Given the systemic and pervasive impacts of climate change and other ESG factors, Sustainability Risk is likely to have an impact on the returns of a financial product in respect of which IQ-EQ act as Financial Market Participant.

IQ-EQ continues to monitor market and regulatory updates with regard to Sustainability Risk and to the extent that appropriate and accurate data becomes more widely available/accessible and the regulatory landscape stabilises, we will continue to look and consider as appropriate such developments as relevant to financial products under management.

Transparency of adverse sustainability impacts at entity level

Article 4(1) of the SFDR notes that Financial Market Participants shall publish and maintain on their websites where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

Taking due account of the nature and scale of its activities and the wide and varied range of financial products it makes available, the Firm, in accordance with Article 4(1)(b) of the SFDR, has elected for the time being not to consider (in the manner specifically contemplated by Article 4(1) (a) of the SFDR) the principal adverse impacts of investment decisions in financial products on Sustainability Factors. The Firm considers this a pragmatic and economical approach to compliance with its obligations under the SFDR.

Where identified in the relevant pre-contractual documentation, in the case of certain financial products the Firm, or its duly appointed delegate(s), may consider the principal adverse impacts of the relevant financial product's investments on sustainability factors, as further described in the relevant pre-contractual documentation. Further detail on principal adverse impacts on sustainability factors will be available where relevant in the periodic financial reports of the financial product.

Transparency of remuneration policies in relation to the integration of sustainability risks

In compliance with UCITS and AIFMD remuneration rules (the "Remuneration Rules"), IQ-EQ has established a remuneration policy that seeks to promote sound and effective risk management and neither encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of its financial products nor impair compliance with the Firm's duty to act in the best interest of its clients (the Remuneration Policy).

In line with the SFDR, the Firm has integrated Sustainability Risk in its investment decision making process, via the consideration of the Sustainability Risks of investments on an initial and on-going basis. The Remuneration Policy is considered consistent with the Firm's approach to sustainability risk integration.

About us*

We are IQ-EQ, a leading investor services group employing over 5800 people across 25 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

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*Information correct as of September 2024

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