IRE AIFM HUB

SFDR Disclosures

UPDATE

February 2023

Introduction

IRE AIFM Hub (the "AIFM") is an alternative investment manager pursuant to Chapter 2 of the Law dated 12 July 2013 relating to alternative investment fund managers, as amended from time to time (the "AIFM Law").

The present document purports to fulfil the requirements (the "Requirements") of Article 3, 4 of 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 ("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.*"
- "*Financial market participants shall publish and maintain on their websites: (i) where they consider principal adverse impacts of investment decisions on sustainability factors, 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; or (ii) 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.*"

Furthermore, with reference to Article 7 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy"), supplementing art 6 of SFDR, it should be noted that currently, the investments underlying the financial products (the assets of the IRE AIFM's funds under management), do not take into account the EU criteria for environmentally sustainable economic activities.

Integration of sustainability risks in the investment decision process

Sustainability Risk Framework & Definition

Sustainable finance covers investments taking into account Environmental, Social or Governance ("ESG") considerations. Impact finance is subset of sustainable finance, investing with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

As defined by the SFDR a sustainability risk is 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 the investment.

The definition of sustainability risk refers to environmental, social and governance events or conditions, however there is no regulatory definition for these events or conditions. The EU Taxonomy refers to the following criteria, activities, and practices in relation to ESG:

- Environment: climate change, sustainable use and protection of water and marine resources, transition to a circular economy, waste prevention and recycling, pollution prevention control and protection of healthy ecosystems.
- Social: equality, social cohesion, social integration, and labour relations.
- Governance: sound management structures, employee relations, remuneration of relevant staff and tax compliance.

Sustainability risks may impact other risk domains, including but not limited to: governance risk (e.g. does the integration of sustainability risk have the required senior management oversight), operational risk (e.g. impacts of environmental events on operations), regulatory risk (e.g. compliance with the amended AIFMD directives) and conduct risk (e.g. misrepresenting the carbon footprint of an investment product to attract greater investment).

Impacts on investments

Sustainability is an integral part of the AIFM's culture and values, through which it aims to develop and maintain a solid and sustainable activity in the long term. This focus on responsibility and sustainability will enable the AIFM to develop lasting economic connections with clients, consolidate trusting relationships, and enhance its reputation.

The AIFM acknowledges the impacts which sustainability risk may impose on the alternative investment funds ("AIFs") managed and therefore considers the holistic approach delineated in this policy as reinforcing its duties towards the investor of the AIFs managed.

There is increasing evidence that sustainable investment can both preserve and increase asset value. In addition, investments in ESG funds will create environmental and social value by, for example, preserving the environment (reducing gas emissions, recycling, reconditioning of electronic waste, creating new technologies with an ecological purpose, etc.), innovating in labor protection and sound governance, reducing cost (e.g. installing more energy-efficient equipment) and liabilities (as better consideration of ESG risks reduces the chance of unforeseen litigation). Failure to actively deal with these risks will not only delay global efforts to address the climate challenge but will also damage long-term returns and threaten economic sustainability.

Implementation

Finally, further to the sustainability risk assessment at the level of the funds under management, the AIFM considers sustainability risks assessment as a mean of identifying investment opportunities, managing and monitoring investment risk, and therefore integrate this assessment in their investment decisions and their due diligence processes in order to maximize the long-term risk-adjusted return.

Indeed, sustainability risks are ESG factors that may pose a material impact on the value of the investment. When deciding whether ESG data are material for a particular investment, the AIFM shall evaluate the relevance of the information and the likely impact on the financial return of the investment in the context of the particular fund's investment strategy. Indeed, even if the fund concerned does not pursue or promote ESG objectives for the moment nor has sustainable investments' objectives, it remains exposed to sustainability risks.

In cases where the AIFM is keeping internally the portfolio management function for a fund under management, a pre-due diligence will usually be performed by an investment advisor or investment committee which shall provide the AIFM with specific analysis which will be part of the investment decision making process. The final due diligence and investment decision will remain the prerogative of the AIFM. Investment proposals will be duly assessed against regulatory and legal requirements before their approval by the AIFM which shall request that sustainability risk assessment is part of the pre-due diligences provided by potential investment advisors or the funds' investment committees.

In cases where the AIFM is delegating the portfolio management function for a fund under management, the external portfolio manager is responsible for the investment decision process and pre-trade analysis of the investments concerned. The AIFM will perform appropriate ongoing due diligence on the work performed by the portfolio manager with regards to the investment decision taken and will consider if the portfolio manager considered appropriately sustainability risks in his decision (for the funds for which sustainability risks are relevant). The risk management function of the AIFM will perform its own due diligence to ensure the respect with the fund's risk profile (pre-investment and post investment on an ongoing basis). The sustainability risks will be assessed in such context.

Article 5 SFDR disclosure – Remuneration policies

IRE AIFM Hub integrates the principles of responsible investments into its activities and recognizes the importance of managing risks and exploring the opportunities associated with environmental, social and governance aspects in financial processes.

The AIFM in line with its sustainability commitment in all its processes and functions integrates this consideration in the remuneration policy for all its staff members.

The remuneration policy of IRE AIFM Hub puts great focus on these aspects:

- Good and effective corporate governance;
- Sustainable and long-lasting value creation for all the stakeholders;
- Ensuring and promoting effective risk management.

These objectives taken together aim to promote a responsible and sustainable organizational model in the long term and prevent negative adverse impact on ESG factors. In addition, each of them follows the ESG recommendations provided by the legislator.

For more information please referred to the following document: “Remuneration policy” disclosed on the website of the AIFM.

Articles 4 SFDR disclosure – Statement on not consideration of principal adverse impact

No integration of Principal Adverse Impact

In conformity with SFDR, AIFMs are expected to comply with a series of sustainability-related disclosure requirements. IRE AIFM (is blow the 500 employees threshold set out in article 4.3 of SFDR Regulation) states for the time being, not to consider Principal Adverse Impacts (“**PAI**”) at entity level. PAI are defined as adverse effects on sustainability of the investment decision and/or the investment advice.

This position shall remain subject to ongoing review in line with the regulatory developments. IRE AIFM shall periodically reassess the integration of sustainability risks, PAI statements, policies adopted and reporting made in respect of the Funds under management to ensure their continued appropriateness.

Please refer to the following document: “No consideration of adverse impacts of investment decisions on sustainability factors” disclosed on the website of the AIFM for more information and explanation regarding this statement.

Policy Review

This Policy is subject at least to annual review and on an ad hoc basis in case of relevant changes to the organizational structure of the AIFM, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.