

# How IE-EQ\* Assesses the ESG Profile of Issuers

## Article 8 Funds: IQ EQ Fund Management (Ireland) Limited\*

The impact of Sustainability Risks on each of the following funds is covered below.

- ▶ IQEQ High Yield Fund (previously known as the Davy High Yield Fund)
- ▶ IQEQ Defensive High Yield Fund (previously known as the Davy Defensive High Yield Fund)
- ▶ Discovery

### Process

In selecting investments for the portfolio, the Investment Manager of the underlying funds (IQ EQ Fund Management (Ireland) Limited (\*previously known as Davy Global Fund Management Limited)) assesses the environmental, social and governance (“ESG”) profile of issuers, using ESG and fundamental research models which include sector-specific frameworks aimed at highlighting materially impactful ESG issues within a given sector. The research process applied by the Investment Manager in order to assess the ESG profile of potential investments relies on a combination of independent company-specific research from MSCI ESG, data inputs from CDP, ISS, company reports, Bloomberg and sell-side research as well as in-house fundamental research. Building on the output of this research process, the Investment Manager will then engage directly with issuers to gain further detail of and insight into the ESG profile of potential investments. In this way, risks or opportunities relating to the ESG profile of potential investments are identified, which are not typically highlighted by traditional fundamental research.

Once these steps have been taken, the Investment Manager will consider whether an adjustment to the discount rate used to value the investment should be applied, based on its ESG profile. Companies with superior ESG profiles may be afforded premium valuations relative to companies with inferior ESG profiles. This premium may be justified by reference to the superior awareness and management by the

relevant company of long-term ESG-related business risks, consistent with the profile of attractive long-term investment propositions. Additionally, the market may fail to incorporate this ESG premium, leading to stocks with attractive ESG profiles trading below their true intrinsic value. The Investment Manager will then use this adjusted valuation to select stocks and adjust weights within the portfolio.

In addition to supporting the research process described above, the Investment Manager believes that engagement with underlying issuers can drive improved management of relevant ESG-related issues arising at the portfolio level and therefore the Investment Manager follows a structured engagement process with issuers in respect of ESG-related matters identified during the research phase.

### Further regulatory developments

As at the date of this Agreement, the implementing Regulatory Technical Standards (Level 2) for SFDR have been released but not adopted by the European Commission and certain concepts newly introduced by SFDR are not currently the subject of centralised implementing standards, local guidance or established market practice. The funds have been assessed and classified in good faith based on the relevant information currently available. As these standards and guidance develop, the SFDR related disclosures and classification(s) are subject to change and may no longer apply.

**Warning: The value of your investment can go down as well as up.**

**Warning: This fund may be affected by changes in currency exchange rates.**

**Warning: Past performance is not a reliable guide to future performance.**

**Warning: If you invest in this fund you may lose some or all of the money you invest.**

## Next steps

For more information about the **IQEQ Defensive High Yield**, **IQEQ High Yield Equity Fund** or the **Discovery Fund** talk to an Advisor in your local Bank of Ireland branch:



**Fund Centre**



**Our Sustainable Investing Hub**

Terms and conditions apply. Where relevant, exit tax (currently up to 41%) applies to gains on life assurance investment policies. A Government levy (currently 1% of the premium) is payable on all premiums paid to a life assurance policy.

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