

ARDSTONE RESIDENTIAL INCOME FUND

SFDR ARTICLE 9 – PRODUCT LEVEL DISCLOSURE

Ardstone Residential Income Fund (the “Fund”) is a sub-fund of Ardstone Partners ICAV, and is authorised by the Central Bank of Ireland.

ARIF has no employees and relies on Ardstone Homes Ltd. (the “Investment Advisor”) and Waystone Management Company (IE) Limited. (the “Investment Manager”), to manage and operate the properties in our portfolio.

ARIF and the Investment Advisor are hereinafter referred to collectively as “we”, “us” or “our”.

Please note that SFDR requirements and the scope of their application continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

Summary

The Investment Objective of ARIF is to generate long-term sustainable income returns for its shareholders by investing in residential rental accommodation and ancillary commercial property, principally within Greater Dublin.

The Fund intends to build a well-diversified portfolio of properties, across multiple geographic micro-markets and targeting a broad range of socio-economic groups and demographic cohorts (i.e. young singles, couples, families and empty nesters).

The Fund is classified as an Article 9 fund under the Sustainable Financing Disclosure Regulation (SFDR), as it has defined sustainable, social and governance objectives as binding elements for its investment strategy.

ARIF’s sustainable investment objective can be divided into a core environmental objective applicable to 100% of the underlying assets of the Fund, and a secondary social objective relating to social and affordable housing.

The Fund’s core environmental objective is to solely invest in properties built to the highest standards of energy efficiency, i.e.:

- where a building is built before 31 December 2020 the properties have an Energy Performance Certificate (EPC) of B (or better); and
- where a building is built post 31 December 2020, the primary energy demand of the properties meets national NZEB standards (or better).

This environmental objective is monitored by reference to the Building Energy Rating (BER) certificate which confirms the energy performance of each property. BER certificates are obtained and checked pre-acquisition for each new asset.

The Fund also has a social objective that, unless waived by its Advisory Board, at least 75% of residential rental income will be from Social and Affordable Rents.

For these purposes, “Social and Affordable Rents” shall mean rents that (i) are paid directly or indirectly out of public expenditure; and (ii) equate to a maximum of 37.5% of net disposable income of tenants with household earnings up to and including the 7th decile of the population, as measured by Oxford Economics, or alternative equivalent measure proposed by the AIFM.

The Fund’s strategy is underpinned by supporting policies, procedures, and processes to ensure that the “do no significant harm” requirements under the SFDR are met. These arrangements ensure that principal adverse impacts on sustainability and material environmental, social and governance issues and risks are identified, managed, and mitigated at all stages across of the investment process, from deal sourcing, through the investment decision and as part of active ownership of the underlying assets.

Sustainable Investment Objective

As described in the Summary section above, ARIF’s sustainable investment objective can be divided into a core environmental objective applicable to 100% of the underlying assets of the Fund, and a secondary social objective relating to social and affordable housing.

In line with Sustainable Finance Disclosure Regulation (SFDR), we consider principal adverse impacts (“PAI”) of our investment decisions on sustainability factors as part of our investment due diligence process and procedures, and property management process throughout the lifecycle of the properties in our portfolio.

There are two mandatory adverse sustainability indicators relating to climate and environment included in SFDR which are applicable to investments in real estate assets, namely:

- exposure to fossil fuels through real estate assets, measured by the share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels; and
- exposure to energy-inefficient real estate assets, as measured by the share of investments in energy-inefficient real estate assets.

Pursuant to SFDR, the Fund must select and disclose against one further non-mandatory adverse sustainability indicator which relates to climate and environment that is applicable to investments in real estate assets. The Fund has determined that the relevant indicator should be:

- energy consumption intensity, as measured by the energy consumed by the real estate assets per square metre.

These factors are considered in the investment process as follows:

- as outlined in the section of the Supplement headed ‘Investment Restrictions’, the Fund is specifically excluded from investing in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels or any activity of a “fossil fuel undertaking” as defined in the Fossil Fuel Divestment Act 2018;
- the Sub-Fund will not invest in any “energy-inefficient real estate assets”, as defined in SFDR; and

- the Sub-Fund has adopted an impact strategy through which it has committed to encourage the procurement by tenants of renewable energy and to otherwise educate tenants regarding reduction of energy consumption.

We have started collecting ESG data on these three indicators. If data availability progresses, more indicators will be included according to our material sustainability aspects.

We will collect and consolidate applicable data and perform data analysis in order to be able to take actions to manage and mitigate identified principal adverse sustainability impacts.

Environmental or Social Characteristics of the Financial Product

ARIF's sustainable investment objective can be divided into a core environmental objective applicable to 100% of the underlying assets of the Fund, and a secondary social objective relating to social and affordable housing.

The Fund's core environmental objective is to solely invest in properties built to the highest standards of energy efficiency, i.e.:

- where a building is built before 31 December 2020 the properties have an Energy Performance Certificate (EPC) of B (or better); and
- where a building is built post 31 December 2020, the primary energy demand of the properties meets national NZEB standards (or better).

This environmental objective is monitored by reference to the Building Energy Rating (BER) certificate which confirms the energy performance of each property. BER certificates are obtained and checked pre-acquisition for each new asset.

The Fund also has a social objective that, unless waived by its Advisory Board, at least 75% of residential rental income will be from Social and Affordable Rents.

For these purposes, "Social and Affordable Rents" shall mean rents that (i) are paid directly or indirectly out of public expenditure; and (ii) equate to a maximum of 37.5% of net disposable income of tenants with household earnings up to and including the 7th decile of the population, as measured by Oxford Economics, or alternative equivalent measure proposed by the AIFM.

Investment Strategy

The Investment Objective of the Fund is to generate long-term sustainable income returns for its shareholders by investing in residential rental accommodation and ancillary commercial property, principally within Greater Dublin.

The Fund intends to build a well-diversified portfolio of properties, across multiple geographic micro-markets and targeting a broad range of socio-economic groups and demographic cohorts (i.e. young singles, couples, families and empty nesters).

As an impact fund, the Fund ensures that social and environmental benefits are considered and maximised alongside financial returns, both at the time of initial investment and throughout the ongoing management of the portfolio. In this regard, the Sustainable Investment Objective of the Fund can be divided into a core environmental objective and a secondary social objective, each as further described above in the

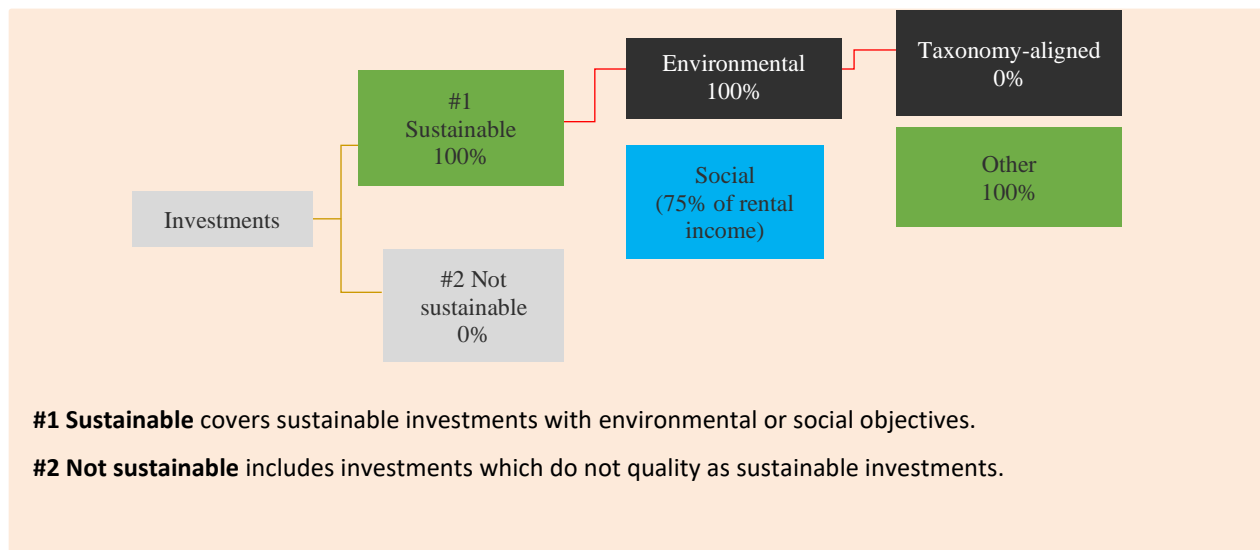
Introduction section.

Proportion of Investments

The Fund will invest solely in real estate assets. The significant majority of the Sub-Fund's investments are in residential real estate assets, with only ancillary commercial assets that may be acquired as part of a residential development.

The Fund solely invests in assets with an environmental objective and has a secondary social objective in relation to a percentage of the income from the assets that must be derived from Social and Affordable Rents.

100% of the Fund's assets are aligned with the SFDR definition of a sustainable investment objective. While the Fund does not commit to a minimum share of Taxonomy-aligned investments, where assets are acquired which are not EU Taxonomy-aligned from the outset, every effort will be made to bring the asset within the EU Taxonomy criteria as soon as possible through capital expenditure.



Monitoring of Environmental or Social Characteristics

The Environmental and Social characteristics will be measured with an Impact Dashboard, where the following criteria are included:

Environmental

- BER Certificate for all assets, showing a minimum A-rating.
- The (external) sustainability certification of the buildings e.g. Home Performance Index ([HPI](#)), BREEAM or similar.
- Alignment with Climate Change Mitigation objective as set out in the EU Taxonomy, and whether it has been independently verified by the [CPEA](#).
- Energy consumption data for heating and electricity of the buildings (kWh/m²).
- PAI indicators to be monitored: fossil fuels, energy efficiency and energy consumption.
- Annual report to GRESB to monitor the Fund.

Social

- The percentage of the portfolio which is exclusively utilised for social housing i.e. let on a long-term lease to a local authority or Approved Housing Body for the provision of social housing entered into pursuant to the Social Housing Leasing Scheme administered by the Department of Housing, Local Government and Heritage.
- The percentage of the portfolio which is deemed to be 'affordable' rental housing, be reference to rent levels that equate to a maximum of 37.5% of net disposable income of tenants with household earnings up to and including the 7th decile of the population, as measured by Oxford Economics.

Methodologies

The measurement of environmental and social objectives will be captured in the Impact Dashboard as outlined above under *Monitoring of Environmental or Social Characteristics*.

In relation to the following two PAI indicators, our data coverage will be 100%:

- Exposure to fossil fuels through real estate assets. In the section of the Supplement headed 'Investment Restrictions', the Fund is specifically excluded from investing in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels or any activity of a "fossil fuel undertaking" as defined in the Fossil Fuel Divestment Act 2018;
- Exposure to energy-inefficient real estate assets. This is measured by the Building Energy Rating (BER) certificate which is obtained pre-acquisition and will be available for the full portfolio. The Fund has committed to not invest in any "energy-inefficient real estate assets", as defined in SFDR.

In relation to the chosen non-mandatory adverse sustainability indicator of energy consumption intensity, this will be measured using data collected from energy meters which will be installed in all assets, together with data received from energy providers.

The Fund has adopted an impact strategy through which it has committed to encourage the procurement by tenants of renewable energy and to otherwise educate tenants regarding reduction of energy consumption.

Data Sources and Processing

Our intention is to ensure that all data and certifications are independently verified by a third party.

In relation to the chosen non-mandatory adverse sustainability indicator of energy consumption intensity (as measured by the energy consumed by the real estate assets per square metre), we are developing Energy and Carbon Statements to ISO 14064, and the resulting data will be independently verified on an annual basis by personnel who are certified by the Canadian Standards Association to carry out verification activities to ISO Standard 14064-3: 2019 'Specification with guidance for the verification and validation of greenhouse gas statements.

Limitations to Methodologies and Data

Our aim is to have 100% data coverage across the portfolio.

In relation to the following two indicators, our data coverage will be 100%:

- Exposure to fossil fuels through real estate assets. This is specifically prohibited by the Fund's

investment restrictions.

- Exposure to energy-inefficient real estate assets. This is measured by the Building Energy Rating (BER) certificate which will be available for the full portfolio.

In relation to energy consumption intensity indicator, the data coverage will present slightly more of a challenge. We will have full data coverage in all landlord controlled areas, and will also work with our tenants to work towards full data coverage for tenant controlled areas through the installation of smart energy meters in all units, always being mindful of GDPR considerations.

Due Diligence

Prior to our investment in a property, we conduct a due diligence review, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision. They are then tracked and monitored during the ownership of the asset. The purpose of doing so is to ensure that the Sub-Fund's investments do not cause significant harm to any environmental or social sustainable investment objective.

We also seek to determine that the assets are well-positioned for the future and corresponding trends. Principal adverse sustainability aspects are also considered post-investment through measurement and analysis of PAI indicators, and corresponding action.

By June 30th 2023, we will publish our first Principal Adverse Impacts Statement (PAIS). In it we will disclose a description of the principal adverse sustainability impacts that have occurred as well as any actions taken or planned to mitigate identified and measured principal adverse impacts.

The impact will be published on our website www.ardstone.com and in our annual report.

Engagement Policies

The following Ardstone Group policies and guidelines, as amended from time to time, apply to this Fund:

- Sustainability Risk Policy
- Remuneration Policy
- Human Rights Policy as outlined in the Employee Handbook
- Anti-Bribery and Corruption Policy

The relevant policies of Waystone Management Company (IE) Limited. (the "Investment Manager") can be found here: <https://www.waystone.com/waystone-policies/>

Reference Benchmark

No index has been designated as a reference benchmark for the purpose of attaining the Sub-Fund's sustainable investment objectives.

However, the Fund does participant in the Global ESG Benchmark for Real Estate (GRESB).

APPENDIX**Statement on principal adverse impacts of investment decisions on sustainability factors**

Financial market participant: Ardstone Residential Income Fund (ARIF), a sub-fund of Ardstone Partners ICAV.
Summary ARIF considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of name of ARIF and its subsidiaries. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 December 2022 to 31 December 2022.
Description of policies to identify and prioritize principal adverse sustainability impacts 1. Sustainability risk policy statement: https://ardstone.com/specific-documentation/
Engagement policies The following Ardstone Group policies and guidelines, as amended from time to time, apply to this Fund: <ul style="list-style-type: none">• Sustainability Risk Policy• Remuneration Policy• Human Rights Policy as outlined in the Employee Handbook• Anti-Bribery and Corruption Policy The relevant policies of Waystone Management Company (IE) Limited. (the “Investment Manager”) can be found here: https://www.waystone.com/waystone-policies/
References to international standards The Investment Advisor has expressed support for the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board and clarified stronger efforts to address climate-related issues.