

## ARP IV SUSTAINABLE COMMUNITIES (IRELAND) FUND

### SFDR ARTICLE 9 – PRODUCT LEVEL DISCLOSURE

*ARP IV Sustainable Communities (Ireland) Fund (the “Fund” or “ARP IV”) is a sub-fund of Ardstone Partners ICAV, and is authorised by the Central Bank of Ireland.*

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

*The Fund 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 ARP IV is to deliver financial, social and environmental returns through the development of the highest standard of energy-efficient Social and Affordable Housing and ancillary commercial and community property, principally within Greater Dublin.

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.

The binding elements of the investment strategy to attain the Sustainable Investment Objective relate to both environmental and social objectives. The Fund’s Sustainable Investment Objective can be divided into a core environmental objective applicable to 100% of the underlying assets of the Fund, and two social elements relating to Social and Affordable Housing.

The Fund’s core environmental objective is to develop Properties that will meet the EU Taxonomy criteria for Construction of New Buildings under the Climate Mitigation objective. Developments will focus on building strong and supportive communities by encouraging social engagement, empowerment, economic growth and promotion of health and wellbeing.

The Fund also has two social objectives, namely that 30% of the units developed by the Fund are Social Housing units and 80% of the units developed by the Fund are Social and Affordable Housing units.

The Fund’s Sustainable Investment Objective is underpinned by supporting policies, procedures, and processes to ensure that the EU Taxonomy DNSH and MS criteria outlined for Construction of New Buildings substantially contributing to the Climate Mitigation objective are met. Separately, the Fund will also consider the DNSH requirements under the SFDR.

## **Environmental or Social Characteristics of the Financial Product**

ARP IV's sustainable investment objective can be divided into a core environmental objective applicable to 100% of the underlying assets of the Fund, and two social elements relating to Social and Affordable Housing.

The Fund's core environmental objective is to invest in Properties that will meet the EU Taxonomy criteria for Construction of New Buildings under the Climate Mitigation objective.

The Fund also has two social objectives, namely that 30% of the units developed by the Fund are Social Housing units and 80% of the units developed by the Fund are Social and Affordable Housing units. Social and Affordable Rents are defined in the Fund Supplement to mean rents: (i) paid directly or indirectly out of public expenditure; or (ii) paid by non-governmental organisations working with disadvantaged groups; or (iii) 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.

## **Investment Strategy**

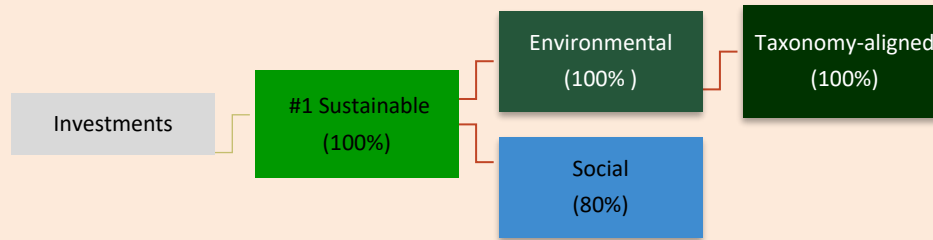
The Investment Objective of ARP IV is to deliver financial, social and environmental returns through the development of the highest standard of energy-efficient Social and Affordable Housing and ancillary commercial and community property, principally within Greater Dublin.

As an impact fund, the Fund ensures that social and environmental benefits are considered and maximised alongside financial returns, throughout all stages of the development process. 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 under *Environmental or Social Characteristics of the Financial Product*.

## **Proportion of Investments**

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

100% of the Fund's assets are aligned with the SFDR definition of a sustainable investment objective. Furthermore, the Fund solely invests in assets that contribute to Climate Mitigation in line with the EU Taxonomy criteria for the Construction of New Buildings. It also has binding social objectives relating to the percentage of units built for Social Housing and Social and Affordable Housing respectively, namely that 30% of the units developed by the Fund are Social Housing units and 80% of the units developed by the Fund are Social and Affordable Housing units. The Fund also aims to deliver community property which delivers a positive social impact to the local community.



**#1 Sustainable** covers sustainable investments with environmental or social objectives.

**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

### Monitoring of Environmental or Social Characteristics

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

#### Adverse Sustainability Indicators

There are two mandatory adverse sustainability indicators relating to climate and environment included in the 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 has also selected further non-mandatory adverse sustainability indicators which relate to climate and environmental issues. The Fund has also opted to disclose against one adverse sustainability indicator which relates to social issues. The Fund has determined that the indicators should be:

- raw materials consumption for new construction and major renovations;
- waste production in operations; and
- rate of accidents.

Other Environmental and Social characteristics will also be measured, as follows:

#### Environmental

- Building Energy Rating (BER) Certificate for all assets, showing a minimum A-rated EPC
- The (external) sustainability certification of the buildings e.g. Home Performance Index ([HPI](#)), BREEAM or similar.
- Alignment with the EU Taxonomy criteria for Construction of New Buildings under the Climate Mitigation objective., and whether it has been independently verified by the [CPEA](#).
- 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 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.
- Provision of community space for residents and non-residents, above what is required by the planning authority.
- Provision of green / biodiverse space, above what is required by the planning authority.
- Provision of ecological biodiversity initiative, above what is required by the planning authority.
- Social programmes established for education and inclusion.

## **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 will be available for the full portfolio. The Fund will not invest in any "energy-inefficient real estate assets" as defined in the SFDR, and instead, as noted above, will only develop real estate assets that are EU Taxonomy aligned under the Construction of New Buildings making a substantial contribution to Climate Mitigation objective. A detailed tracker will be maintained for each project to measure how the three key aspects of the EU Taxonomy requirements for new buildings are being achieved, namely:
  - Substantial contribution to Climate Change Mitigation
  - Do No Significant Harm to the other Environmental Objectives
  - Minimum Social Safeguards

In relation to the chosen non-mandatory adverse sustainability indicators, we will implement the following methods in collaboration with the construction team:

- Raw materials consumption for new construction and major renovations. A Project Materials tracker will be maintained, noting all building components and materials used in the construction.
- Waste production in operations. A Contractor Construction and Demolition Waste Management Plan will be put in place, and will involve the on-going monitoring of waste management on site. It will cover weekly reporting of the waste diversion rate, and detail of the individual waste streams generated and segregated on site
- Rate of accidents. A Contractor Health and Safety Management Plan will be put in place, and will involve the on-going monitoring of accidents on site.

## **Data Sources and Processing**

Our intention is to ensure that all data and certifications are independently verified by a third party. We will appoint specialist, third-party consultants where possible to support this.

## **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 the chosen non-mandatory adverse sustainability indicators, we will implement the methods described above under *Methodologies* in collaboration with the design and construction teams for each project. We will regularly review the data being collected to ensure that it is complete and accurate.

## **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 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](http://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 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:**

ARP IV Sustainable Communities (Ireland) Fund, a sub-fund of Ardstone Partners ICAV.

**Summary**

ARP IV 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 ARP IV 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:

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**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.