

Sustainability Risks Policy Information

Initial Version. Applicable from March 2021

I. Legal framework

Waystone Management Company (Lux) S.A. (formerly known as MDO Management Company S.A.) (hereafter “Waystone”) is a management company of undertakings for collective investment in transferable securities (hereafter “UCITS”) pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments, as amended from time to time (the “Law of 2010”) and is also an alternative investment fund manager (hereafter “AIFM”) pursuant to Chapter 2 of the Law dated 12 July 2013 relating to AIFMs, as amended from time to time (the “Law of 2013”).

In the framework of the entry in force of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (“SFDR”), Waystone intends to ensure a clear definition of relevant factors and controls relating to sustainability risks.

II. Scope & aim

This document Sustainability Risks Policy (hereafter the “Policy”) generally describes Waystone’s approach, handling and monitoring of sustainability risks which may arise during the investment decision making process relating to the collective investment schemes it manages and that are in scope of SFDR (hereafter “CIS”), it being understood that such decision making process may be performed internally or by delegated third party portfolio managers as the case may be.

Within this Policy Waystone

- i. sets the framework for the manner in which sustainability risks are integrated into their investment decisions and
- ii. describes the approach taken to manage and monitor sustainability risks which may have a material influence on a managed CIS based on the portfolio management activities performed by Waystone

Waystone acknowledges the impacts sustainability risks can impose on the managed CIS and considers the approach to integrate the risks stemming from sustainability issues described in this Policy as strengthening its fiduciary duties towards the investors of said CIS.

The Policy is in line with the requirements set by the SFDR and is owned by the Compliance Function at Waystone.

III. Policy review

This Policy will be reviewed and updated annually, and on an ad hoc basis in the event of major changes to the organizational structure of Waystone; or of amendments to the regulatory framework governing this Policy or if otherwise deemed necessary.

The policy will be acknowledged by the Board of Directors of Waystone after every review and/or material changes to its content.

IV. Integration of sustainability risks into the investment decision process

a. Organizational set-up of the Portfolio Management function

Waystone, generally delegates the Portfolio Management function of a given CIS to a third party portfolio manager. In fewer cases, the function might be taken over directly by Waystone, usually with the assistance of an investment advisor.

i. Waystone delegates the Portfolio Management function

Waystone will normally delegate the Portfolio Management function to third party portfolio managers; where the external portfolio manager is responsible for the investment decision process and pre-trade assessments, in accordance with the mandate granted by Waystone.

Waystone monitors the quality of service of an external portfolio manager on an ongoing basis as part of its delegation oversight duties. Therefore, Waystone implemented a post-trade assessment for the verification of investment decisions executed by the delegated external portfolio manager. The aim is to assess the adherence of the investment decision taken by the external portfolio manager to regulatory and legal requirements. Waystone will, for any CIS which considers sustainability risks to be relevant within the investment decision making process, integrate sustainability risks as deemed relevant into the post-trade assessment process by extending the assessment of such investment decisions with sustainability risk considerations.

ii. Waystone performs Portfolio Management function and involves external investment advisers

In cases where Waystone performs the Portfolio Management function of a given CIS, it will usually involve an investment adviser, who provides specific assistance and support to the investment decision making process. The final investment decision is nevertheless at the sole discretion of Waystone. Therefore, investment proposals from investment advisers are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment). Waystone will for any fund which considers sustainability risks to be relevant within the investment decision making process, require such investment adviser to integrate sustainability risks as deemed relevant into the investment advisory process by extending the assessment of such investment proposals with sustainability risk considerations.

iii. Waystone performs Portfolio Management function

Occasionally, Waystone may perform the Portfolio Management function of a given CIS without engaging an investment adviser; therefore the investment decision will be at its sole discretion. In such cases, investment decisions taken by Waystone are duly assessed against regulatory and legal requirements

before their execution (pre-trade assessment). Waystone will, for any CIS which considers sustainability risks to be relevant within the investment decision making process and for which Waystone acts as portfolio manager, incorporate sustainability risks as deemed relevant into the pre-trade assessment.

b. Integration of sustainability risks into the investment decision process

Art. 2 (22) of the SFDR defines “sustainability risk” as every environmental, social or governance (‘ESG’) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Waystone is aware of the material impacts ESG events or conditions may cause to a managed CIS and deems sustainability risks to be relevant to each managed CIS as applicable in relation to the CIS specific investment strategy.

Waystone implemented a process for the handling and monitoring of sustainability risks in its pre-trade (when performing the portfolio management internally) and post-trade assessments (in case of delegation of the portfolio management function).

V. Sustainability factors considered in the investment decision making process

The aim of including sustainability risks in the investment decision making process is to identify the occurrence of these risks as soon as possible and to take appropriate measures to minimize the impact on the investments or the overall portfolio of the relevant CIS (or sub-fund thereof).

The events or conditions that may be responsible for a negative impact on the performance of a given CIS are split into environmental, social and corporate governance aspects and will depend on the particular set-up of each CIS (or sub-fund thereof) managed by Waystone.

While environmental aspects may include, for example, climate change mitigation, social aspects can include the consideration of internationally recognized labor law requirements, prevention of modern slavery or the abolition of a gender pay gap. Corporate governance aspects may include, for example, the consideration of employee’s rights and data protection.

Waystone also considers, as appropriate and relevant for each managed CIS, the aspects of climate change, including physical climate events or conditions such as heat waves, storms, rising sea levels and global warming.

The specific sustainability factors considered may vary as they depend on the specific investment strategy followed by the relevant CIS or (sub-fund thereof).

An increase in the sustainability risk exposure based on an increase of the sustainability risk level of a specific investment or of the portfolio of a given CIS (or sub-fund thereof) may lead to disinvestment of certain investments of the that CIS (or sub-fund thereof).

VI. Sustainability risk approach

When performing the risk management function on behalf of the CIS it manages, Waystone integrated sustainability risks into the risk profiles of those CIS which integrate sustainability risks into their

investment decision-making processes (details on the integration of sustainability risks into investment decision-making processes of the relevant CIS can be found in the respective prospectus/PPM/OM).

The enhancement of risk profiles on basis of the above allows Waystone to effectively monitor sustainability risks and report any (material) increase/breach of the limits set to the investment manager(s) of the relevant CIS to allow further mitigating actions to be taken by such investment manager(s). The limits set in the risk profiles for sustainability risks are based on the overall risk exposure of a given CIS to reflect the overall strategy of such CIS.

VII. Reporting

The Risk Management function is regularly reporting on the overall risk exposure of relevant CIS to the Management Board of Waystone.

All information concerning this Policy and its implementation is publicly available on Waystone's website www.mdo-manco.com/en/about-mdo/legal-documents.