

SUSTAINABILITY RISK POLICY

Waystone Management Company (IE) Limited (“WMC”)

Waystone Management Company (IE) Limited – Luxembourg Branch (the “Lux Branch”)

1. Background

Waystone Management Company (IE) Limited’s (“WMC”) (previously DMS Investment Management Services (Europe) Limited) is authorised by the Central Bank of Ireland (the “Central Bank”) as an AIFM and UCITS Management Company to manage AIFs and UCITS Funds. Pursuant to the AIFMD and UCITS Regulations, WMC has established a Branch in Luxembourg (the “Lux Branch”) to manage Luxembourg domiciled Funds. For the purposes of this policy, WMC and the Lux Branch shall be collectively referred to as “the Manco”

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

2. Introduction

This Sustainability Risk Policy (hereafter the “Policy”) generally describes WMC’s approach to, and handling and monitoring of, sustainability risks which may arise during the investment decision making process relating to the Fund(s), or sub-fund(s) thereof as applicable, (collectively “Funds”) where it acts as investment manager and that are in scope of SFDR. Such decision-making processes may be performed internally or by a delegated third party as may be the case.

Within this Policy WMC:

- i. sets the framework for sustainability factors considered within the investment decision making process; and
- ii. describes the approach taken to manage and monitor sustainability risks.

WMC acknowledges the impacts sustainability risks can impose on the Funds 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 the Fund.

3. Requirements and Application

WMC generally delegates the Portfolio Management function of a given Fund to a third-party portfolio manager. In limited instances, the function is discharged directly by WMC, ordinarily with the assistance of an investment advisor.

The following describes the approach taken by WMC for integration of sustainability risks into the investment decision process:

A. WMC delegates the Portfolio Management function

WMC 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 WMC.

WMC monitors the quality of service of an external portfolio manager on an ongoing basis as part of its delegation oversight duties. Therefore, WMC 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

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taken by the external portfolio manager to regulatory and legal requirements, and to the investment strategy set out in the Fund’s offering documents and/or prospectus. WMC will, for any Fund 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.

B. WMC performs the Portfolio Management function and involves external investment advisers

In cases where WMC performs the Portfolio Management function of a given Fund, 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 WMC. Therefore, investment proposals from investment advisers are duly assessed against regulatory and legal requirements and the investment strategy set out in the Fund’s offering documents and/or prospectus, before their execution (pre-trade assessment). WMC 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.

C. WMC performs the Portfolio Management function

Occasionally, WMC may perform the Portfolio Management function of a given Fund without engaging an investment adviser; therefore the investment decision will be at its sole discretion. In such cases, investment decisions taken by WMC are duly assessed against regulatory and legal requirements, and the investment strategy set out in the Fund’s offering documents and/or prospectus, before their execution (pre-trade assessment). WMC will, for any Fund which considers sustainability risks to be relevant within the investment decision making process and for which WMC acts as portfolio manager, incorporate sustainability risks as deemed relevant into the pre-trade assessment.

Integration of sustainability risks into the investment decision process

Art. 2 (22) of the SFDR defines a “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.

WMC is aware of the material impacts ESG events or conditions may cause to the Fund it manages and deems sustainability risks to be relevant to each managed Fund in proportion to the specific investment strategy of each fund it manages.

Where relevant, WMC will implement a process for the handling and monitoring of sustainability risks in its pre-trade (internal portfolio management) and post-trade assessments in case of delegation of the portfolio management function.

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 Fund or Sub-fund thereof.

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The events or conditions that may be responsible for a negative impact on the performance return of a given Fund are split into environmental, social and corporate governance aspects and will depend on the particular set-up of each Fund managed by WMC.

While environmental aspects may include for example e.g. climate change mitigation, social aspects can include the consideration of internationally recognized labour 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.

WMC also considers, as appropriate and relevant for each managed Fund, 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 Fund. 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 Fund, may lead to disinvestment of certain investments of the specific Fund.

Sustainability risk approach

Where applicable, WMC approach the monitoring of sustainability risks by integrating them at initial and on-going basis into the risk profiles of the relevant Fund. The risk profile of a given Fund reflects the level of identified relevant risks that arise from the investment strategy, including relevant sustainability risks, as well as the interaction and concentration at portfolio level for each Fund managed by WMC.

WMC defined internal risk limits in relation to sustainability risks for each Fund managed. The risk limits describe the maximum risk a Fund is exposed to for a certain risk type. The internal Risk Management function of WMC is responsible for the monitoring of the defined sustainability risk limits set for each Fund managed.

To effectively monitor the risks, WMC will calculate the overall sustainability (risk) exposure of a Fund’s portfolio based on the defined sustainability factors. The results of the assessment are compiled and constantly monitored by the internal Risk Management function against the limits set in the Fund’s risk profile.

Should the on-going analysis and monitoring of the overall sustainability risk exposure of the Fund determine the Fund is above the limits for a sustainability factor of an investment, it will be directly reported to WMC’s Designated Person for Fund Risk Management. The Risk Management function is responsible for defining mitigation actions and escalating the issue to the responsible portfolio manager.

4. Exceptions and Reporting

Ordinary Reporting

The Risk Management function is responsible for such regular reporting on the overall risk exposure of relevant Funds to the Board of WMC as may be determined appropriate by the Risk Management function and the Board.

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Exception Reporting

Should any material issues arise in relation to this policy and any practices relevant thereto which could impact the relevant managed Fund, the Designated Person for Fund Risk Management shall escalate to Compliance and/or the Board as required under the Escalations Procedures of WMC.

Circumstances where Action is Required

If, following an annual or other review of the levels of adherence to this Policy, it transpires that the Manco is not fully compliant with the principles set out therein, corrective action may be required.

Where any other issue arises in relation to this Policy and the practices and procedures arising therefrom, the Designated Person will either table the matter for discussion at the next board meeting of the Manco or, where the issue is material or time sensitive, follow the Manco’s Escalation Procedures.

5. Record Keeping

Policies of the Manco are documented by the Company Secretary of the Manco in the appropriate minutes where discussed at a meeting of the Board and saved in the Manco files maintained by the Company Secretary.

6. Review and Update

The implementation of this Policy is reviewed, periodically but at least annually by the Board and is subject to central and independent annual review by the Compliance Function, the Designated Person, and by the WMC Group Internal Audit Function. The Policy will also be reviewed as and when a change to the business model necessitates or in the event of an amendment to the Regulations and updated as required.