

SUSTAINABILITY RISKS POLICY
WAYSTONE INVESTMENT MANAGEMENT (IE) LIMITED

I. Background

In the framework of the 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 Investment Management (IE) Limited intends to ensure a clear definition of relevant factors and controls relating to sustainability risks.

II. Purpose

This Sustainability Risk Policy (hereafter the “Policy”) generally describes Waystone Investment Management (IE) Limited’s (“WIM”), (“the Firm”) approach, handling and monitoring of sustainability risks which may arise during the investment decision making process relating to the collective investment schemes where it acts as investment manager and that are in scope of SFDR (hereafter “CIS”), it being understood that such decision making process may be performed internally or by a delegated third party as may be the case.

Within this Policy WIM:

- (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

WIM acknowledges the impact sustainability risks can impose on the 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 the CIS.

III. Organizational set-up of the Portfolio Management function

1. WIM performs Portfolio Management function and involves external investment advisers

In cases where WIM performs the Portfolio Management function, it may involve an investment adviser, who provides specific assistance and supports the investment decision making process. The final investment decision is nevertheless at the sole discretion of WIM. Therefore, investment proposals from investment advisers are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment). WIM 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.

2. WIM performs Portfolio Management function

Where WIM perform the Portfolio Management function of a given CIS without engaging an investment adviser; the investment decision will be at its sole discretion. In such cases, investment decisions taken by WIM are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment). WIM will, for any CIS which considers sustainability risks to be relevant within the investment decision making process and for which WIM 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 “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.

WIM is aware of the material impacts ESG events or conditions may cause to the CIS it manages and deems sustainability risks to be relevant to all each managed CIS in proportion to the specific investment strategy of each fund it manages. Where relevant, WIM 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 relevant CIS (or Sub-fund thereof). The events or conditions that may be responsible for a negative impact on the performance return of a given CIS (or sub-fund) 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 WIM.

Environmental aspects will often but not exclusively regards 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. The Firm 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 relevant CIS (or sub-fund thereof) may lead to disinvestment of certain investments of the specific CIS (or (sub-)fund).

Sustainability risk approach

Where applicable, WIM will set up the monitoring of sustainability risks by integrating them at initial and on-going basis into the risk profiles of the relevant CIS. The risk profile of a given CIS (or sub-fund thereof) 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 CIS (or sub-fund thereof) fund managed by WIM.

WIM defined internal risk limits in relation to sustainability risks for each CIS fund managed. The risk limits describe the maximum risk a CIS (or sub-fund thereof) is exposed to a certain risk type. The internal Risk Management function of WIM is responsible for the monitoring of the defined sustainability risk limits set for each CIS managed. To effectively monitor the risks, WIM decided to calculate the overall sustainability (risk) exposure of a fund 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 (sub-)fund risk profile. In the event the overall sustainability risk exposure of the fund is above the limits for a sustainability factor of an investment, it will be directly reported to WIM's Compliance Officer. The Risk Management function is responsible to define mitigation actions and escalate the issue to the responsible portfolio manager.