Article 10 Transparency Website Disclosure
1 January 2023

The EU Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("**SFDR**") requires that Waystone Management Company (IE) Limited, the UCITS management company of Power Sustainable China A-Shares Core Strategy Fund, sub-fund of Power Sustainable Opportunity Funds ICAV (the "**Fund**"), publish on their website information regarding the environmental and social characteristics promoted by the Fund. This document contains the transparency disclosure in respect of the Fund for the purposes of Article 10 of SFDR.

a. *Summary*

The investment objective of the Fund is to target long-term capital growth. While the Fund does not have as its objective sustainable investment, it will promote environmental or social characteristics and, where the financial product makes a sustainable investment, these investments shall be chosen to not significantly harm any of the sustainable investment objectives as well as meeting minimal social safeguards. The Fund will not use derivatives to attain environmental or social characteristics nor has a reference benchmark been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The primary promoted environmental or social characteristics are grouped into three themes (the "**Themes**"):

- Decarbonization
- Smart Society
- Quality Growth

To ensure that the environmental or social characteristics are met throughout the lifecycle of the fund, the Investment Manager will:

- Overweight the Fund's portfolio with issuers that are believed to align with at least one Theme.
- Develop and continually maintain the proprietary ESG Scorecard.
- Assess every company in the investable universe of the Fund.

To ensure significantly harmful activities are excluded from investment by the Fund, the Investment Manager will:

- Exclude companies that generate revenue from the most controversial and harmful environmental or social activities.
- Assess the severity of past controversies and revenue generated indirectly from the most controversial and harmful environmental or social activities, and exclude from investment where significant harm is determined.

For the purposes of assessing good governance practices of investee companies, the Investment Manager will:

- Assess the severity of past controversies and exclude for investment the most severely hit companies that are likely to repeat.
- Exclude companies that have an average or poor governance sub score in the ESG Scorecard.

The Manager, in conjunction with the Investment Manager, takes into consideration the principal adverse impacts of investment decisions in respect of the Fund on sustainability factors by including the mandatory principal adverse impacts indicators as well as two optional adverse impact indicators in the ESG Scorecard. For the purpose of completing the ESG Scorecard, the Investment Manager relies on third-party sources for ESG indicator data and estimated data from the Investment Manager's internal investment team following discussions with investee company management.

Finally, the Fund will select investments from the active pool, such that the Fund will invest only in those companies with an ESG Scorecard rating of 7 or more. This ensures that only the sustainability leaders of the active pool are included in the Fund.

The Investment Manager will also promote greater transparency and disclosure on key environmental and/or social topics detailed in the Investment Manager's Stewardship Policy (https://www.waystone.com/funds/power-sustainable-opportunity-funds-icav/) and periodic reporting consistent with the SFDR requirements will be provided.

The Fund has the following binding elements:

- Limits to its exposure to companies that have revenues activities that could have an adverse impact on environmental or social factors.
- The Fund will not invest in issuers that have scored below 7 on the ESG Scorecard.
- The Fund complies with the Investment Manager's Responsible Investment Policy.
- The ESG Scorecard includes a number of indicators to measure performance on key issues.

The Fund has not committed to a minimum rate to reduce the scope of investments prior to the application of that investment strategy.

To fulfill its stewardship and fiduciary duties as it relates to promoting environmental and social characteristics, and steering investee companies towards a better sustainability profile, the Investment Manager will utilize two main levers to engagement: proxy voting and direct engagement activities.

The following being the key environmental and social themes covered:

- Climate Change Mitigation & Adaptation
- Equity
- Employee Wellbeing
- Innovation
- Community Impact
- Strategy
- Resource Efficiency
- Operational Footprint

It is expected that all equity positions will be aligned with at least one Theme and part of the Decarbonization theme will be aligned with the EU Taxonomy. It is expected that a target of 20% of investments will be made into "sustainable investments" as defined pursuant to the SFDR.

b. *<u>No sustainable investment objective</u>*

The financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Where the financial product makes a sustainable investment, these investments shall be chosen to not significantly harm any of the sustainable investment objectives ("DNSH criteria") as well as meeting minimal social safeguards ("MSS criteria"). To that affect, the indicators for adverse impacts in Table 1 of Annex I, and two relevant indicators in Tables 2 and 3 of that Annex I, are included in the list of indicators in the proprietary ESG Scorecard. These have a direct impact on the final score, which can disqualify a potential investment from Fund inclusion.

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, is also assessed through a review of the investee company's policies and mechanisms covering human rights, labour rights, anti-discrimination, diversity, equity and inclusion, as well as bribery and fraud. Being a signatory to the UN Global Compact is also encouraged, and companies are screened for controversies.

c. *<u>Environmental and/or social characteristics of the financial product</u>*

The Fund promotes three primary environmental or social characteristics (each a "**Theme**", together the "**Themes**") as set out below. The investment manager of the Fund (the "**Investment Manager**") promotes each Theme by applying an exclusion policy as further outlined in the Investment Manager's Responsible Investment Policy (https://www.waystone.com/funds/power-sustainable-opportunity-funds-icav/).

Decarbonization: The Fund promotes accelerating the transition to a low-carbon economy and the creation of affordable clean energy by investing in companies which contribute to stabilization of greenhouse gas concentration, reduction of greenhouse gas emissions, or the increase of greenhouse gas removals, through process and product innovation ("**Theme 1**").

Smart Society: The Fund promotes accelerating the transition to a more innovative, equitable, better educated, and informed society by investing in companies that help narrow the inequality among different social classes, that promotes sustainable societies by relieving societal operational and financial pressures, that facilitate health, education, gender equality and collaborative engagement initiatives in respect of social issues ("**Theme 2**").

Quality Growth: The Fund promotes 'Quality Growth' by investing in companies who are strategically positioning their product or service offering to upgrade the consumer's experience and long-term benefit while also supporting communities and the environment. Companies are targeted for their willingness and ability to improve the quality of products, services, and supply chains. Also, considering that natural and intellectual resources are scarce and the importance of using such resources efficiently, companies must show leadership in managing factors such as employee turnover, employee safety, training intensity, water usage, energy consumption, virgin materials usage and waste generated; and doing so in a more domestic and distributed way ("**Theme 3**").

d. *Investment strategy*

The investment objective of the Fund is to target long-term capital growth. The Investment Manager intends to maximize total return by employing a bottom-up, research intensive and fundamentals-driven approach to selecting investments for the Fund. The Investment Manager endeavours to gain an understanding of companies through discussions with suppliers, distributors, clients, competitors, and government agencies, subject to the sustainability methodologies that the Investment Manager applies in order to promote the Themes as outlined herein and in the Fund's offering documents. This is a process which the Investment Manager believes is a key element to investing in inefficient markets.

In order to assess whether investments meet the governance standards set out within this regulation, the Investment Manager evaluates the governance practices of companies within the investable universe of the Fund during the due diligence process, across the following key themes: business ethics, business risk, board and auditor assessment, compensation, minority interests, ownership and strategy. The quality of reporting of companies (both traditional and sustainability) is assessed and, to the extent possible, the Investment Manager will promote the addition of material sustainability indicators to the company's business.

For the purposes of assessing good governance practices of investee companies:

1) where the company has a governance sub-score of 7 or above based on the ESG Scorecard;

2) where a company has a minor ('green') or moderate ('yellow') overall controversy flag based on proprietary and/or third-party sources.

3) If the test under 2)) above is not met:

a. where a company has a severe ('orange') or very severe ('red') overall controversy flag based on proprietary and/or third-party sources but following Investment Manager engagement, it is likely that this and further engagement will yield a satisfactory outcome (i.e. meaningfully reduce likeliness and/or impact of a repeat), then it will be included in the active pool.

e. *Proportion of investments*

It is expected that all equity positions (~80% of Fund) will be aligned with at least one Theme. It is expected that a target of 20% of investments will be made into "sustainable investments" as defined pursuant to the SFDR. As Theme

1 shares many similarities with the first two Objectives of the EU Taxonomy Regulation (which have Delegated Acts), it is expected that a significant part of the positions aligning with Theme 1 will also be Taxonomy-aligned. As it is expected that roughly a third of the portfolio will be allocated to stocks aligned with Theme 1 and that a significant tactical cash position is possible in certain environments, it is expected that 10% of the Fund will be Taxonomy-aligned is a reasonable target, with typical weight being higher when cash and cash equivalents are fully deployed.

For the equity portion of the Fund, all positions are required to meet minimal environmental and social safeguards as described previously. Only companies with a score of 7 or above as rated by the ESG Scorecard are considered for inclusion into the Fund. In that sense, each position is aligned with at least one of the the Themes which exhibit a mixture of environmental and social characteristics. On average, investments will be made in equal measures between the Themes (bucketed by their primary Theme wherever the investment aligns with more than one Theme).

The Fund will not use derivatives to attain environmental or social characteristics.

f. *Monitoring of environmental or social characteristics*

As outlined above at (c) above, the Fund promotes three primary Themes. The 'Methodologies' section at (g) below describes in more detail the sustainability indicators used to measure attainment of these characteristics, as well as the binding elements in the Fund used to achieve them. Binding elements are those criteria used for the selection of underlying assets that are binding on the investment decision-making process, and not criteria that the Investment Manager may ignore or override at its discretion.

To ensure that the environmental or social characteristics are met throughout the lifecycle of the fund, the ESG intergrated process below is applied and monitored on an ongoing basis, , the Investment Manager will:

a. Overweight the Fund's portfolio with issuers that are believed to align with at least one Theme. The assessment of the level of alignment of every issuer in the investable universe of the Fund, with each of the Theme, is assessed at least annually through a proprietary sustainability scorecard developed and maintained by the Investment Manager ("**ESG Scorecard**").

b. Develop and continually maintain the ESG Scorecard. The ESG Scorecard is used to measure an issuer's performance on a number of key sustainability issues that, in turn, provide insight on how the issuer aligns with the Themes. In order to measure the Fund's promotion of the Themes, the Fund will include issuers with an ESG Scorecard rating of 7 or more and will exclude issuers with an ESG Scorecard rating of under 7. Sustainability issues range from GHG emissions to employee training and business ethics. The performance on any given sustainability issue is assessed using at least one sustainability metric or qualitative assessment (when no quantitative metric is readily available).

   The key sustainability indicators utilised by the Investment Manager under each Theme to assess the performance of an issuer from a sustainability perspective, to the extent available for a given issuer are set forth in Schedule II. The Investment Manager uses the available indicators to judge the sustainability profile of an issuer, that in turn will be allocated a score from 1-10 in line with the ESG Scorecard.

   Finally, material industry-specific sustainability indicators may also be assessed in addition to the systematic ones above in order to provide a complete picture of the investee company's sustainability profile.

c. Assess every company in the investable universe of the Fund comparing each against local peers, industry best practice, and against past self (to see improvement, if any), to assess the quality of risk management for each sustainability issue. When a company is positively impacting a sustainability issue (i.e. helping accomplishing specific goals that are beneficial to society or the environment), "bonus points" are awarded. This is to reward not only proper risk management ("Do No Harm"), but also being part of the solution ("Positive Impact"). An overall assessment score from 0 to 10 (10 being the best) is determined and is updated any time there's significant development around a sustainability issue covered by the ESG Scorecard.

g. *Methodologies*

The Investment Manager applies a two-step approach to ensure significantly harmful activities are excluded from investment by the Fund:

1. In the first step, the Investment Manager excludes companies that generate revenue from the most controversial and harmful environmental or social activities (as defined by the Investment Manager), a quantitative screening is performed. The investable universe is filtered to exclude companies involved in thermal coal, gambling, tobacco, or armaments. The Investment Manager has a zero (0) percent direct exposure threshold (as percentage of total revenue) and the Investment Manager tolerates up to ten (10) percent of revenue generated from the sale of products and services to direct exposure companies (i.e. indirect exposure threshold).

2. In the second step, with the active pool determined (that is, the subset of the investable universe meeting a number of criteria, including the companies that remain following the application of the abovementioned exclusion criteria), the Investment Manager will assess the following criteria and exclude from investment by the Fund if the answer is ‘yes’ to any of the following questions :

   a) Does the company have a severe (‘orange’) or very severe (‘red’) overall controversy flag based on proprietary and/or third-party sources and is it unlikely that engagement will yield a satisfactory outcome (i.e. meaningfully reduce likeliness and/or impact of a repeat)?

   b) If the company generates indirect revenue from excluded activities while keeping below the indirect revenue threshold of ten (10) percent of total revenue, is it unlikely that the company’s management will be able to reduce the exposure meaningfully in the short term and has a plan for complete divestment from the excluded activities?

Then the Fund will select investments from the active pool, such that the Fund will invest only in those companies with an ESG Scorecard rating of 7 or more.

Following the above exclusion process, the ESG Scorecard is completed for all companies still available for portfolio inclusion. The ESG Scorecard covers key themes such as Climate Mitigation, Equity, Employee Wellbeing, Operational Footprint and Leadership. For each theme, key issues and accompanying indicators (quantitative and qualitative), including the mandatory principal adverse indicators, have been identified to assess performance on each issue. Companies that are poor performers (rating below 7 out of 10) will not be considered for inclusion in the Fund.

Finally, all stock pool members will be screened for environmental, social and governance controversies and any company with a severe (‘orange’) or very severe (‘red’) overall controversy flag (as determined by proprietary and/or third-party sources) overall rating will not be considered for inclusion into the portfolio and might become candidate for engagement activities.

These companies are deemed not to meet minimal social and environmental safeguards such as: adversely impacting human rights, conducting operations without regard to mitigating adverse impacts to the environment and local communities, etc. This exclusion step applies de facto to all investments in the Fund.

Specific to sustainable investments, the Investment Manager ensures that the companies have an Anti-Discrimination Policy and a Human Rights Policy in place. Being signatory to the UN Global Compact and having a due diligence policy on labor issues addressed by the fundamental International Labor Organisation (ILO) Conventions 1 to 8 is also encouraged and helps investee companies score higher on the ESG Scorecard.

The Manager, in conjunction with the Investment Manager, takes into consideration the principal adverse impacts of investment decisions in respect of the Fund on sustainability factors in accordance with Article 7(1) of the SFDR. There are mandatory principal adverse impacts indicators which are included in the ESG Scorecard as well as two optional adverse impact indicators (one for environmental issues, one for a social issues). The Investment Manager will provide the periodic reporting consistent with the SFDR requirements.

The Investment Manager actively takes adverse impacts into account by implementing limits to its exposure to companies that have revenue activities that could have an adverse impact on environmental or social factors. It has a zero (0) percent direct exposure threshold (as percentage of total revenue) and the Investment Manager tolerates up to ten (10) percent of revenue generated from the sale of products and services to direct exposure companies (i.e. indirect exposure threshold).

The Investment Manager will also promote greater transparency and disclosure on key environmental and/or social topics detailed in the Investment Manager's Stewardship Policy (https://www.waystone.com/funds/power-sustainable-opportunity-funds-icav/).

h. *Data sources and processing*

The Investment Manager relies on third-party sources for ESG indicator data, which consists of reported ESG data from investee companies, but also estimated data from the third-party provider, and estimated data from the Investment Manager's internal investment team following discussions with investee company management.

For the purpose of the analysis whether a potential investment promotes an environmental or social characteristic, the Investment Manager uses a combination of proprietary research, publicly available data, third-party data providers, and discussions with investee company management. For instance, carbon emission data is made available through a third-party data provider that collects reported data and estimates wherever the data is not available from the publicly disclosed company documents.

The Investment Manager's operational team is tasked with collecting and monitoring the third-party ESG data used within the investment process. The Portfolio Manager reviews and identifies discrepancies between the provided data and what is expected from investee company disclosure. Where issues are found, the operational team will reach out to the third-party provider to resolve the issue. Where no data is available (from the third-party provider or the investee company disclosure documents), the Portfolio Manager will use its knowledge of the investee company, industry and peers to provide an estimate for the data in order to assess the investee company's sustainability profile and thus result in an ESG Scorecard score for the purpose of portfolio construction.

i. *Limitations to Methodologies*

The main limitation of the methodology is the reliance on sometimes incomplete or unreliable data. Unfortunately, sustainability information tends to be inconsistent due to the lack of standardization between companies. Companies are, for the vast majority, not tooled to properly monitor and report on sustainability issues, let alone the manage them to the same rigor as financial data. This requires the Investment Manager to lean on third-party data providers and internal expertise to assess reported data and fill in the gaps through estimation in order to paint the full sustainability profile and score accordingly. The risk of investing in a company that is, in reality, harmful to environmental or social objectives is a concern in this situation. However, given the breadth of issues and indicators used, as well as the monitoring of controversies, and frequent engagement activities with investee companies (both virtually and in-person), the likeliness of this risk materializing is lessen considerably.

j. *Due diligence*

In addition to the 'Methodologies' section at (g) above, the below describes in more detail the due diligence applied in the investment process.

The sustainable investments are intended to contribute positively towards the Themes. Sustainable investments are chosen specifically to strongly align with at least one Theme through primarily their product/service offering. Sustainable investments also need to pass the minimal social safeguards, "Do No Significant Harm" test and good governance test as defined by the Investment Manager.

Additionally, in order to assess whether investments meet the governance standards set out within the SFDR, the Investment Manager evaluates the governance practices of companies within the investable universe of the Fund during the due diligence process, across the following key themes: sound management structures, employee relations, remuneration of staff, tax compliance, business ethics, business risk, board and auditor assessment, minority interests, ownership and strategy. The quality of reporting of companies (both traditional and sustainability) is assessed and, to the extent possible, the Investment Manager will promote the addition of material sustainability indicators to the company's business. The Investment Manager assesses issuers' compliance with each of the above themes by referencing a set of minimum standards and guidelines developed by the Investment Manager and assigning a 'pass', 'warning' or 'fail' to each theme. If an issuer is assigned orange or red flag, this typically indicates a 'fail' and if an issuer is assigned a green or yellow flag, this typically indicates a 'pass'. The issuer is deemed to have poor overall governance if it has failed a theme or if the Investment Manager believes the issuer suffers from another significant governance concern, and typically, the issuer excluded from the portfolio. The Investment Manager may also, from time to time, use third party providers to assess issuers' compliance with good governance standards.

For the purposes of assessing good governance practices of investee companies:

1) Where a company has to have a minor ('green') or moderate ('yellow') overall controversy flag based on proprietary and/or third-party sources, then it can be considered for inclusion in the Fund's portfolio.

2) If the test under 1) above is not met:

   a) where a company has a severe ('orange') or very severe ('red') overall controversy flag based on proprietary and/or third-party sources but following Investment Manager engagement, it is likely that this and further engagement will yield a satisfactory outcome (i.e. meaningfully reduce likeliness and/or impact of a repeat), then it will be included in the active pool; and

   b) where that same company under 2) has a governance score of 7 or above based on the ESG Scorecard, it be considered to meet the good governance practices requirement.

The Investment Manager will also promote greater transparency and disclosure on key environmental and/or social topics detailed in the Investment Manager's Stewardship Policy.

For the equity portion of the Fund, all positions are required to meet minimal environmental and social safeguards as described previously. Only companies with a score of 7 or above as rated by the ESG Scorecard are considered for inclusion into the Fund. In that sense, each position is aligned with at least one of the the Themes which exhibit a mixture of environmental and social characteristics. On average, investments will be made in equal measures between the Themes (categorized by their primary Theme wherever the investment aligns with more than one Theme, assessed qualitatively by the Investment Manager using the investee company's business model).

The Fund has the following binding elements in its investment strategy to promote each Theme:

1) The Investment Manager actively takes adverse impacts into account by implementing limits to its exposure to companies that have revenues activities that could have an adverse impact on environmental or social factors. It has a zero (0) percent direct exposure threshold (as percentage of total revenue) and the Investment Manager tolerates up to ten (10) percent of revenue generated from the sale of products and services to direct exposure companies (i.e. indirect exposure threshold).

2) The Fund will not invest in issuers that have scored below 7 on the ESG Scorecard.

3) The Fund complies with the Investment Manager's Responsible Investment Policy.

4) The ESG Scorecard includes a number of indicators to measure performance on key issues and ensure that best-in-class companies are given more prominence in the Fund while laggards are kept out of the Fund. This also guide engagement activities with companies within the active pool.

The Fund has not committed to a minimum rate to reduce the scope of investments prior to the application of that investment strategy.

k. *Engagement policies*

The Investment Manager believes that stewardship aims at preserving or enhancing value on behalf of clients by promoting a deeper understanding of companies and the drivers of long-term value creation. Stewardship practices help fulfill its fiduciary duty, acting in the best long-term interests of clients.

There are two main levers to engagement: proxy voting and direct engagement activities. In both cases, clear stances are detailed in the Stewardship Policy (https://www.waystone.com/funds/power-sustainable-opportunity-funds-icav/) that guide how the Investment Manager will vote or what motivates a given engagement activity. The stances cover a wide range of issues, with the following being the key environmental and social themes covered:

- Climate Change Mitigation & Adaptation
- Equity
- Employee Wellbeing
- Innovation
- Community Impact
- Strategy
- Resource Efficiency
- Operational Footprint

l. *Designated reference benchmark*

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.