



Applicable entity/entities:

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

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

Waystone Management Company (Lux) S.A. (formerly known as MDO Management Company S.A.)
(the “Waystone Entities”)

Policy: Sustainability Risks

December 2022

Introduction:

The Waystone Entities are authorised by the Central Bank of Ireland and the Commission de Surveillance du Secteur Financier respectively to provide UCITS Management Company/AIFM services to a range of UCITS/AIFs domiciled in, but not limited to, Ireland and Luxembourg (the “Schemes”/ “Funds”).

As per Regulation (EU) 2019/2088 (“SFDR”), the Waystone Entities are defined as a “financial market participant”. Further, a financial market participant is required to “publish on their websites information about policies on the integration of sustainability risks in their investment decision-making process.”

The Waystone Entities have adopted this statement to describe the approach taken to demonstrate compliance with Article 3 of SFDR. Compliance with requirements under the UCITS and AIFMD¹ have been addressed and embedded within the Waystone Entities existing risk management and internal governance frameworks.

For the purpose of this statement: “Sustainability risk” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

The Waystone Entities ensure that internal procedures and organisational arrangements are properly implemented and adhered to, and that all relevant processes, systems and internal controls in place reflect the impacts of Sustainability Risks.

Delegation and Integration of Sustainability Risks

The Waystone Entities typically delegate the portfolio management function to a suitably qualified third party investment manager (the “Delegated Manager”). In certain instances, the Waystone Entities may retain the portfolio management function. In both cases, the degree to which Sustainability Risks are integrated into the investment decision making shall be appropriately detailed within the precontractual documents of each Fund in accordance with Article 6 of SFDR. This shall be determined in conjunction with the Delegated Manager.

The Waystone Entities due diligence and oversight processes ensure that disclosures made in precontractual documents shall be consistent with the investment objectives of the Funds profiles and the infrastructure implemented at each Delegated Manager appointed to the Fund.

The manner in which sustainability risks are integrated into the investment decision making process will differ between asset classes, market liquidity or lack thereof, strategies, full-look through capabilities, and Delegated Manager.

Where Sustainability Risks are integrated into investment decision making/research in respect of each Fund, monitoring of Sustainability Risks is conducted by checking the Funds’ constituents against thresholds for a number of sustainability factors including ESG rating as classified by a third-party data provider, controversies screening, and governance risk. For certain illiquid asset classes, ESG rating

¹[Commission Delegated Regulation \(EU\) 2021/1255](#) amending Delegated Regulation (EU) 231/2013 (the AIFMD Delegated Regulation) as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers;
[Commission Delegated Directive \(EU\) 2021/1270](#) amending Directive 2010/43/EU (the UCITS Implementing Directive) as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS).

data is not publicly available to monitor Sustainable Risks of the Fund. The Waystone Entities may therefore be reliant on the Delegate Investment Manager to provide the relevant ESG data and regular information on the Delegates integration of Sustainable Risks into their investment process (further detailed below). This may be applicable through the ESG screening process or Investment commitment which may be set-up by the Fund. The Delegate Investment Managers may also contract third party consultants and service providers who will also provide data for ESG screening on integration and compliance with the EU Taxonomy Regulations².

The internal Risk Management functions of the Waystone Entities are responsible for the monitoring of the sustainability risk profile for each Fund managed. Sustainability Risk represents just one component of the overall risk profile of a given Fund which reflects the level of identified relevant risks that arise from the investment strategy, as well as the interaction and concentration at portfolio level for each Fund managed. The results of the sustainability risk assessment are compiled and actively monitored by the internal Risk Management function against the Fund's risk profile.

However, subject to any particular exceptions as noted below, we expect our Delegated Managers to:

- a) have the appropriate capabilities to carry out robust sustainability risk integration processes to consider sustainability risks;
- b) implement their own detailed sustainability risk policy suitable to the fund or funds they manage;
- c) identify, consider and incorporate Sustainability Risks and factors to the extent they reasonably consider appropriate as part of their overall ongoing investment process and when carrying out initial due diligence on each investment; Please note for certain financial instruments (e.g. Collateral loan obligations, CDS, the investment manager are unable to integrate sustainable risk into their process) and
- d) where possible and required by relevant regulations, collect ESG data and reporting on their portfolios and to produce periodic ESG reporting on the funds.

The Waystone Entities shall periodically assess the adequacy of these measures at the Delegate through the issuance of due diligence questionnaires, reporting templates and onsite due diligence visits. Further, the Risk Management function shall oversee the integration of sustainability risks by these Delegates on an ex-post basis.

Reporting

Should any material issues³ 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 /relevant Conducting Officer shall escalate to Compliance and/or the Board as required under the Escalations Procedures of the respective Waystone Entities.

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. Corrective action should be implemented without undue delay by the Investment Manager for liquid investments. Where the Investment Manager determines, in good faith, that the pre-investment due diligence or ongoing monitoring under the Policy demonstrates evidence of material and ongoing ESG failures and the Investment Manager would be or is unable to influence remedial action, the Investment Manager will decide not to invest or (in a post-investment scenario) take steps to divest the investment, insofar as feasible, and all other routes to remedial action are exhausted. The manner and rate of divestment may, in some cases, be subject to the liquidity of the investment.

² REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

³ A 'material issue' will be defined within the relevant Waystone Entities Operating Memorandum or relevant Escalation Policies and Procedures



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

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. Record keeping will be maintained for all investments and/or decisions over the life of the fund.

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 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.