



Waystone Asset Management (IE) Limited

Waystone Investment Management (IE) Limited

Sustainability Risks Policy

January 2023

## Sustainability Risks Policy

### 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 Asset Management (IE) Limited and Waystone Investment Management (IE) Limited (hereinafter “Waystone”) intends to ensure a clear definition of relevant factors and controls relating to sustainability risks, where Waystone acts as investment manager.

### Purpose

This Sustainability Risk Policy (hereafter the “Policy”) generally describes the Waystone’s approach, in the handling and monitoring of sustainability risks which may arise during the investment decision making process relating to a collective investment scheme (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. It should be noted that Waystone does not typically engage in investment advice or manufacturing of financial instruments. Detail of the relevant Waystone activities are outlined within this Policy.

Within this Policy Waystone:

- (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

Waystone 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.

### Organizational set-up of the Portfolio Management function

- i. Waystone performs Portfolio Management function and involves external investment advisers

In cases where Waystone 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 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 CIS 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. The degree to which Sustainability Risks are integrated into the investment decision making shall be appropriately detailed within the precontractual documents of each CIS in accordance with Article 6 of SFDR.

- ii. Waystone performs Portfolio Management function

Where Waystone 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 Waystone are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment). For any CIS which considers sustainability risks to be relevant within the investment decision making process, incorporate sustainability risks as deemed relevant into the pre-trade assessment.

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### **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 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, Waystone 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 Waystone. Environmental aspects will often but not exclusively regard 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 divestment of certain investments of the specific CIS (or (sub-)fund).

### **Sustainability risk approach**

Where applicable, Waystone will monitor 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 Waystone.

Waystone 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 Waystone is responsible for the monitoring of the defined sustainability risk limits set for each CIS managed.

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To effectively monitor the risks, Waystone 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 Waystone's Compliance Officer. The Risk Management function is responsible to define mitigation actions and escalate the issue to the responsible portfolio manager.

### **Policy Review Frequency and Ownership**

The Board will be responsible for the oversight of compliance with this Policy. It will review the appropriateness of this Policy annually and will ensure that it is operating as intended. It will also review this Policy to ensure that it continues to be compliant with applicable regulations.