



Applicable entity/entities:

Waystone Management Company (IE) Limited

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

**Waystone Management Company (Lux) S.A. (“WMC Lux”)
(together hereafter “Waystone”)**

Policy: Sustainability Risk Policy

February 2025

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1. Introduction

This document sets out the approach taken by the Boards of Waystone Management Company (IE) Limited and Waystone Management Company (IE) Limited – Luxembourg Branch and Waystone Management Company (Lux) S.A. (collectively “Waystone” or “the Management Company”) to sustainability risks which may arise during the investment decision making process relating to the AIFs and UCITS (collectively, “Funds” and each a “CIS”) thereof as applicable, where it acts as Manager.

2. Entity Background

Waystone Management Company (IE) Limited is authorised by the Central Bank of Ireland (the “Central Bank”) as an AIFM and UCITS Management Company to manage Funds. Pursuant to the AIFMD and UCITS Regulations, WMCIE established a Branch in Luxembourg to manage Luxembourg domiciled Funds. Waystone Management Company (Lux) S.A. is a Management Company of undertakings for collective investment in transferable securities pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments, as amended from time to time (the “Law of 2010”) and is also an alternative investment fund manager pursuant to Chapter 2 of the Law dated 12 July 2013 relating to AIFMs, as amended from time to time (the “Law of 2013”), subject to the prudential supervision of the Luxembourg financial markets authority, the *Commission de Surveillance du Secteur Financier* (the “CSSF”).

3. Regulatory

The integration of sustainability factors and sustainability risks applies from 1 August 2022. The Commission Delegated Directive (EU) 2021/1270¹ applies to UCITS and Commission Delegated Regulation (EU) 2021/1255 applies to AIFMs² (“the amended regulations”).

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 SFDR, Waystone ensures a clear definition of Sustainability Risk across the organization and publishes information about its policy on the integration of sustainability risks in its investment decision-making process on its website.

4. Purpose and Scope

For the purpose of this policy, “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.

Waystone has adopted this policy to describe the integration of sustainability risks in its activities and to demonstrate compliance with Article 3 of SFDR, “Transparency of sustainability risk policies”.

The amended regulations were reviewed by Waystone and embedded in its oversight and governance framework to ensure that Waystone integrates sustainability risks within its general requirements on procedures and organization and performs oversight of sustainability risks where it has delegated activities to a suitably qualified third-party investment manager (the “Delegated Investment Manager”).

As per the UCITS directive and the general principles as defined in AIFMD, Waystone seeks to ensure that it retains the necessary resources and expertise for the effective integration of sustainability risks. This will ensure that the management and oversight of sustainability risks is suitably allocated across

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021L1270&from=EN>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1255&from=EN>

the relevant managerial functions.

Waystone will take into account sustainability risks when complying with the requirements

- to ensure a high level of diligence in the selection and ongoing monitoring of investments.
- to ensure that sustainability risks are appropriately disclosed and managed by the Management Company and the Delegated Investment Manager (where relevant);
- to ensure it has adequate knowledge and understanding of the assets in which the Funds are invested.
- to establish written policies and procedures on due diligence and
- to implement effective arrangements for ensuring the investment decisions of the Funds are carried out in compliance with the objectives, investment strategy and risk limit of the Funds.

The risk management policy shall comprise such procedures as are necessary to enable Waystone to assess for each Fund it manages the exposure of that Fund to sustainability risks which may be material for each Fund it manages.

5. Policy

Waystone typically delegates the portfolio management function to the Delegated Investment Manager. In certain instances, Waystone may retain the portfolio management function. In both cases, the degree to which sustainability risks are integrated into the investment decision making process shall be appropriately detailed within the precontractual documents of each Fund in accordance with Article 6 of SFDR, Transparency of the integration of sustainability risks. This shall be determined in conjunction with the Delegated Investment Manager and monitored on an ongoing basis.

Waystone's documented due diligence and oversight processes seek to ensure that the sustainability risk disclosures made in the precontractual documents of each Fund are consistent with how sustainability risks are managed by the Delegated Investment Manager. The oversight processes summarized below also seek to ensure that sustainability risk disclosures are consistent with the investment objectives of the Fund.

The Delegated Investment Manager typically determines the manner in which sustainability risks are integrated into the investment decision making process. Sustainability risk integration approaches will differ between the Delegated Investment Managers, asset classes, market liquidity (or lack thereof), strategies, availability of data and look through capabilities. Specific sectors might be more impacted than others. All of these considerations impact the level of sustainability risk oversight that can be carried out by the Management Company.

Monitoring of sustainability risks is conducted using a range of methodologies depending on the nature of the Fund in the documents referred to below.

As ESG data is not always readily available for certain asset classes and markets and in such instances, Waystone relies heavily on the Delegated Investment Manager to disclose sustainability risks which the Fund(s) are exposed to and manage such risks as part of their pre-trade investment due diligence process. In all circumstances, Waystone is reliant on the Delegated Investment Manager to provide the relevant ESG data and regular information on the Delegate's integration of sustainable risks into their investment process (as further detailed below).

Various functions within Waystone support the oversight of sustainability risk for each Fund managed. The internal Risk Management function is responsible for ensuring that sustainability risks are

monitored, and where possible, tested on an ongoing basis to ensure that sustainability risks are managed appropriately by the Delegated Investment Manager.

In order to support the oversight of sustainability risk, Waystone expect our Delegated Investment 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 (where appropriate) 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, the Delegated Investment Manager may be unable to integrate sustainable risk into their process (in such circumstances, the Management Company expects the Delegated Investment Manager to disclose this);
- d) collect ESG data for regulatory reporting purposes to produce periodic ESG reporting in relation to the Fund(s). Waystone shall periodically assess the adequacy of these measures at the Delegated Investment Manager through the issuance of due diligence questionnaires, reporting templates and onsite due diligence visits and
- e) collect data to complete monthly/quarterly ESG reporting to Waystone to enable it to monitor the ESG and sustainability alignment of the Fund(s) with the stated approach and ensure that the sustainability risk profile remains in line with expectations.

6. Associated Policies & Procedures

The following are the key associated policies concerning Fund Risk management

- UCITS Risk Management Policy.
- AIFM Risk Management Policy.
- Fund Risk Management Policy.

7. Error/Incident Escalation Process

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 / relevant Conducting Officer shall escalate to Compliance and/or the Board as required under the Breaches and Escalations Procedures of Waystone.

Circumstances where Action is Required

If, following an annual (or other) review of the levels of adherence to this Policy, it transpires that the Fund and/or Management Company 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 Delegated Investment Manager for liquid investments. Where the Delegated 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 Delegated Investment Manager would be or is unable to influence remedial action, the Delegated 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 how liquid the investment is.

8. Record Keeping and Monitoring

The policies of Waystone are documented by the Company Secretary in the minutes of Board meetings where they are discussed and subsequently stored in the files maintained by the Company Secretary. Record-keeping will be maintained for all investments and decisions throughout the life of the Fund, in accordance with legal requirements.

9. Disciplinary Action

Non-compliance with either the letter or spirit of Waystone policies may result in disciplinary action against an employee or employees, including, but not limited to: mandatory retraining, reduction in or loss of contingent employee benefits, and/or termination. The level of disciplinary action that may result is dependent on a number of factors, including: the severity of the event, whether the non-compliance was willful or accidental, and the willingness of the relevant parties to engage in transparent and efficient escalation and correction of the matter.

It is the responsibility of all employees to remain aware of and follow Waystone's Policies and Procedures, and to escalate any incidents of non-compliance to their relevant supervisor and/or Risk or Compliance as the second line of defense.

10. Policy Review Frequency and Ownership

The implementation of this Policy is reviewed, periodically but at least annually, by the Board and relevant functions within the Business. 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.