

Dichiarazione concernente gli effetti negativi più significativi delle decisioni di investimento sui fattori di sostenibilità

Nord Est Asset Management S.A.

VERSION HISTORY		
PUBLICATION DATE	LAST UPDATE	MAIN CHANGES
30/06/2023	01/01/2023	Consideration of Principal Adverse Impacts for the period from 1 January 2022 to 31 December 2022

1. Riepilogo

Nord Est Asset Management S.A. (la “**Società**” o “**NEAM**”) [LEI: 549300RBJ3GPNXZJR61] considera gli effetti negativi più significativi delle sue decisioni di investimento sui fattori di sostenibilità. I fattori di sostenibilità considerati materiali sono nell’ambito delle tematiche ambientali, sociali e di governance. Per effetti negativi più significativi si dovrebbero intendere gli effetti delle decisioni di investimento in materia di investimenti che determinano incidenze negative sui fattori di sostenibilità.

Questa dichiarazione si applica a NEAM in qualità di società di gestione del fondo NEF (“**NEF**” o il “**Fondo**”), [LEI of NEF: 549300T0MIVF0XGLQC75] un fondo multicomparto che comprende diversi comparti (ognuno il “**Comparto**”).

Il concetto di effetto negativo più significativo è descritto nel Regolamento (UE) 2019/2088 del Parlamento Europeo e del Consiglio del 27 Novembre 2019 relativo all’informativa sulla sostenibilità nel settore dei servizi finanziari (“**SFDR**”).

La presente dichiarazione concernente gli effetti negative più significativi delle decisioni di investimento sui fattori di sostenibilità si riferisce al periodo che va dal 1 Gennaio 2022 al 31 Dicembre 2022. Questa dichiarazione sarà rivista almeno una volta l'anno o ogni volta che sia necessario a causa di modifiche normative o operative.

2. Description of the principal adverse impacts on sustainability factors

The table below takes into consideration the impact derived from the investments of NEF fund. NEF fund is an umbrella fund composed of 18 different sub-funds. The investment management activity of each Sub-Fund has been delegated to external investment managers (the “delegated Investment Manager”) according to defined investment guidelines. Amongst those 18 sub-funds, three are classified as article 8 under SFDR and one as article 9 and they represent around 30% of the total assets, as follows:

- 3 sub-funds are classified art. 8 of the SFDR with a minimum of sustainable investments and considerations of PAI indicators (representing around 21% of the total assets)
- 1 sub-funds is classified art. 9 of the SFDR with a sustainable objective (representing around 9% of the total assets)

The Management Company selects its delegated investment managers through a process which takes into account, in addition to financial criteria, how the sustainability risk is integrated in the investment and risk management process of the delegated investment manager.

NEAM intention is to move towards a wider range of Art 8 SFDR NEF sub-funds. NEAM engagement power is towards its delegated Investment Managers, who are the investment decision makers at issuer level. Therefore NEAM, as delegating party, leverage towards its delegated Investment managers on the importance of PAI indicators and the need for them to engage with the invested companies in order to plan implementation activities for better disclosure and better management of these adverse impacts.

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact	Coverage	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions 1. GHG emissions	Scope 1 GHG emissions	251,146 tCO ₂ e*	97%	GHG scope 1 are direct emissions from the company's owned or controlled sources that are released during industrial processes and on-site manufacturing. At year end around 38% of NEF Scope 1 emissions was coming from the Manufacturing sector. Investment in this sectors amounts to around 26% of NEF total assets at year end.	<p>Actions taken: NEAM analysed each security invested in NEF Fund and identified at the end of Q4 2022 issuers that perform worse than their peers and that have significant Carbon Footprint and GHG emission. These issuers, and their GHG emission numbers, were discussed with delegated Investment managers of the Art 8 and art 9 NEF Sub Funds, in order to understand their dynamic in term of GHG reduction and if any engagement was taken to reduce their emissions.</p> <p>Actions planned and Target Set: NEAM intention is to monitor to what extent the PAIs of the companies in the portfolio have improved or deteriorated compared to the previous year on a homogeneous basis (e.g., assuming that the actual portfolio has not changed compared to the same period the previous year). This to highlight how much of the portfolio is made of companies that are reducing their negative impact year-over-year. Where there is evidence of a relevant worsening of any material PAI, NEAM intention is to engage in a discussion with the delegated Investment manager. NEAM believes that the most relevant check to be conducted on PAIs, as of today, is to determine whether a company is in an upward trends to reduce its negative impacts rather than fixing absolute thresholds and not considering the evolution.</p> <p>This is particularly true for high emitting sectors like Manufacturing - Mining and Quarrying - Electricity, Gas, Steam and Air Conditioning sectors which are known to be large emitters of GHG in order to perform their daily activities but their business is also pivotal to the world economy and could not simply disappear but should rather improve. Therefore NEAM will challenge its delegated investment managers throughout its oversight process to consider such evolution.</p>
	Scope 2 GHG emissions	61,144 tCO ₂ e	97%	GHG scope 2 is based on GHG emissions linked to the acquisition of energy. Naturally the sectors that make the most use of energy are top contributors. At year end around half of NEF Sub-Funds Scope 2 emissions was coming from the Manufacturing sector. Investment in these sector amount to around 26% of NEF total assets at year end.	
	Scope 3 GHG emissions	2,934,009 tCO ₂ e	97%	The measurement of Scope 3 emissions is an inexact science, with limited data and different methodologies that generate sometimes very different results on data published by invested companies. Due to these challenges reported Scope 3 emissions are often not capturing the full scope of emission (Upstream and Downstream) activities for all issuers. Therefore companies that have better transparency and accuracy in their reporting might be penalized compared to the other that provide a partial number. At year end around 64% of NEF Scope 3 emissions is coming from Manufacturing sector. Investments in these sectors accounts to around 26% of the total assets of NEF Sub-Funds.	
	Total GHG emissions	3,246,298 tCO ₂ e	97%	In the Total GHG emissions, NEAM have considered Scope 3 emissions despite the fact that some reporting numbers might be not highly reliable for the reason explained above. The result presented this year might therefore not be fully representative of the real situation due to the problem linked to Scope 3 emission reporting. At year end around 62% of Total GHG Emission was coming from the Manufacturing sector. Investment in this sectors amounts to around 26% of NEF total assets at year end. At Issuers level the Top 10 worst	

				<p>contributors account for around 50% of the total GHG emissions and around 2% of the NEF total net assets. Top 10 worst contributors to total GHG emission are not the worst companies in terms of carbon footprint but some of them are largely invested.</p>	
2. Carbon footprint*	Carbon footprint	805.34 tCO2e/million EUR invested	97%	<p>The worst contributors to Carbon footprint of NEF Fund in terms of sector is Mining and Quarrying following by Manufacturing. At year end these two sectors represented around 28% of NEF total net assets and account for about 44% of the Carbon footprint. At Issuers level the Top 10 worst contributors account for around 32 % of the carbon footprint and around 1% of the NEF total net assets.</p>	
3. GHG intensity of investee companies	GHG intensity of investee companies	1,210.78 tCO2e/million EUR of revenue	98%	<p>Most of NEAM carbon intensity is attributed to the same sectors mentioned above which are Manufacturing - Electricity, Gas, Steam and Air Conditioning sector - Mining and Quarrying sector. These sectors represent around 1/3 of NEF total assets and account for about half of the total GHG intensity of NEF Fund. At Issuer level the Top 10 worst contributors account for around 31 % of the carbon intensity and around 3% of NEF total net assets.</p>	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	9%	98%	<p>The fossil fuel involvement flag used to complete this indicator capture any revenues of a company deriving from fossil fuel activities. It doesn't distinguish the sub-sector where the issuer is operating and neither the fact that it could be only a very small part of a company activities. Around 60% of the companies flagged for having some fossil fuel activities have adopted carbon reduction initiatives.</p>	<p>Actions taken: Currently there is an exclusion policy in place for some of NEF Sub-Funds which cover some of the worst fossil fuel sub-sectors. NEAM monitors, on a regular basis, companies invested linked to fossil fuel sector such as : Coal, Oil & gas exploration and production, drilling, services and equipment, integrated Oil & Gas. Actions planned and Target Set: NEAM will continue to engage with the delegated investment managers of the art 8 and art 9 NEF Sub Fund to reduce the exposure to fossil fuel sector with a focus on companies for which it is the main activity. Additionally NEAM intention is to move towards a wider range of Art 8 NEF Sub Funds. Therefore NEAM has already started discussing also with delegated Investment Managers of art. 6 NEF Sub Funds in order to understand the feasibility of the conversion and of extending the exclusion policy in terms of fossil fuel subsector to other NEF Sub- Funds.</p>

5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	67%	23%	The current level of this indicators is acceptable but the coverage is very low. NEAM expects slight improvement over the next years as renewable energies become more and more accessible. Indeed the cost of wind and solar energy power plants have fall over the recent years. However, due to their dependency on factors like weather and/or time of day they might not always be a viable option for certain companies. Consequently non renewable energies will still be a part of the global energy consumption in the next near future.	<p>Actions taken: This PAI is currently used as an added information due to lack of reliable data linked mainly to lack of data published. But it is subject to discussions between NEAM and the delegated investment managers of art. 8 and art. 9 sub-funds</p> <p>Actions planned and Target Set: NEAM will also continue to point out to the delegated investment managers of NEF art 8. and art 9. Sub-Funds the importance of these indicators and will stress the need to engage with the invested companies in order to plan implementation activities for their calculation and disclosure. Additionally NEAM intends to engage in discussions with the delegated Investment Managers of art. 8 and art. 9 Sub-Funds in case there is large degradation of this indicators at issuers or sub-fund level.</p>
	Share of non-renewable energy production of investee companies from non renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	44%	45%	This indicator current level is acceptable but the coverage is very low. The low coverage is due to methodology limitation in defining the effective energy producers and therefore the renewable energy producers. NEAM expects the number to be slightly higher as the coverage will increase over time and the scope of energy producers will be refine. Also renewable energy production can be affected quite negatively based on weather conditions based on the technology used such as wind, solar, hydroelectric, which will lead to some volatility year on year of this indicator.	
6. Energy Consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	GWh/ million EUR of revenue	16%	<p>Most of the consumption of the Energy is coming from the Electricity sector, which is a normal behaviour as this sector is using Energy to provide electricity to all the other sector. The current level of coverage is however low.</p> <p>At year end around 40% of NEF total assets are invested in Energy intensive sectors.</p>	<p>Actions taken: NEAM have monitored the issuers publishing this indicators and have discussed with delegated investment managers of art. 8 and art. 9 sub-funds for the worst performers. During these discussions NEAM found an inconsistency for one issuer and made it corrected by his data provider.</p> <p>Actions planned and Target Set: NEAM will continue to point out to the delegated investment managers of NEF art 8. and art 9. Sub-Funds the importance of these indicators. NEAM will stress the need to engage with the invested companies in order to plan implementation activities for their calculation and disclosure. Additionally NEAM will continue its monitoring and engage in discussions for issuers in a degrading path.</p>
	Agriculture, forestry and fishing	0.06			
	Mining and quarrying	0.95			
	Manufacturing	0.58			
	Electricity gas, steam and air conditioning	2.87			
	Water Supply, sewerage, waste management	No Information			
	Construction	0.07			
	Wholesale Retail Motor & Vehicle Repair	0.05			
	Transportation And Storage	0.56			

		Real Estate Activities	0.00			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.14%	98%	The current percentage of companies affecting negatively the biodiversity-sensitive areas is very low and is concentrated around the chemicals and construction sectors. It is composed of 4 different issuers and the amount invested inside those issuers remains very low. Despite high coverage of this indicator, the methodology used to assess Biodiversity impacts is not widely standardized yet and interpretation could differ between data providers. The numbers published could be subject to revision and large volatility over time, due to evolution of the methodology.	Actions planned and targets set: Despite not being located on NEF sub funds that are classified as art.8 or 9 according to SFDR, NEAM will continue to monitors these investments and try to understand what are the impacts on Biodiversity. In case of evidences of material impacts engagement will be taken with delegated investment managers of concerned NEF sub-funds to find solutions.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.14	4%	For what regards water emission and hazardous waste, there is limited information reported. These indicators are not widely reported even within the European Community, also due to the difficulty in calculating them, especially regarding emissions to water. It is also important to note that at year end around 26% of NEF total assets was allocated to companies in the financial sector which historically does not produce any or very little hazardous waste or water pollutant emissions as a nature of their business industry and around 20% to Sovereign issuers which are not in scope of such reporting. NEAM expects these numbers to be higher in the upcoming years when the global publication of these two indicators will improve, as they are the least reported worldwide. Also hazardous waste reporting is not yet standardised across the globe and companies are still evaluating which waste might fall under the scope of hazardous waste (apart from radioactive and some chemicals waste). The emissions to water and hazardous waste at year end were coming from Manufacturing sector and Mining sectors as part of their production processes. Investments in this sector amounts to around 28% of NEF total net assets.	Actions taken: These indicators are analyzed on a quantitative basis whenever an issuer is publishing it. NEAM have reached the investment managers of Art 8 and 9 in order to discuss the issuers for which the emissions to water and/or hazardous waste were really important or that had degradation in the numbers published from previous years. Actions planned and targets set: NEAM will continue to analyse these indicators on a quantitative basis, when available, and will also continue to point out to the delegated investment managers of NEF art 8. and art 9. Sub-Funds the importance of these indicators. NEAM will stress the need to engage with the invested companies in order to plan implementation activities for their calculation and disclosure. Additionally NEAM intention is to move towards a wider range of Art 8 Sub Funds in order to be able to better engage with the investment managers for better disclosure and, over time, better management of these adverse impacts.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2.18	9%		

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	<p>10. Violations of UN Global Compact (UNGC) principles & Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	2%	98%	<p>The level of companies in violations of the UNGC or the OECD guidelines according to our data provider remains very low and is almost only concentrated around sub funds classified article 6.</p>	<p>Actions taken: NEAM have engaged in discussions with delegated Investments managers of Sub-Funds classified as art 8 and 9 in regards to issuers for which, according to NEAM service provider of data, UNGC and OECD guidelines were violated. The goal was to understand if the delegated investment managers had the same evidences as NEAM (as these fields can be subject to different interpretation according to different data providers) and, eventually the strategy to be applied, either through engagement or divestment. To give a concrete example during the period under review (January-December), 4 material issues / controversy emerged in NEF art. 9 Sub-Fund. The stocks were frozen to prevent further purchase until NicheAM (the delegated Investment Manager) was able to contact the company to understand the materiality of the issue. If the issue was not understood to be resolved or immaterial, the stock remains frozen until further action is taken by the firm to resolve the issue, such as through a change in management. One of the companies was unfrozen after a short period of time, as elements of concerns had ceased to exist. Early 2023, two of the three remaining stocks were also removed from the list of frozen securities following a series of measures taken by the company. For the remaining stock, however, further remedies are still envisaged and engagement actions considered. Should these actions fail to yield the desired results, a liquidation procedure for the investment will be enacted.</p>
	<p>11. Lack of processes and compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	15%	85%	<p>The companies that does not apply the principles of the UNGC or the OECD guidelines remain at a low level overall, it is mainly concentrated around investments in developing countries and non european countries. As the SFDR and other local sustainability regulations spread around the world, more and more companies are expected to adopt these standards.</p>	<p>Actions planned and targets set: NEAM will continue to engage with delegated investment managers of the art 8 and art 9 NEF Sub Fund whenever some issuers are flagged. Additionally NEAM intention is to move towards a wider range of Art 8 NEF Sub Funds in order to have more engagement power towards more delegated Investment Managers of NEF Sub-Funds.</p>

12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	5%	9%	<p>The gender pay gap as a concept is now starting to receive wide interest globally, but a standardised style of reporting a mean gender pay gap percentage has still not diffused across the globe. As a result, only a low percentage of the portfolio has coverage on this indicator. The majority of reporting for gender pay-gap on NEF Sub-Fund is from Europe where the gender pay gap is more enforced by national governments.</p>	<p>Actions taken: No specific action have been taken in 2022 for this indicator due to the low coverage. This indicator is however monitored when an issuer is publishing it.</p> <p>Actions planned and targets set: NEAM will continue to analyse this indicator when available and will point out to the delegated investment managers of NEF art 8. and art 9. Sub-Funds the importance of this indicator and the need to engage with the invested companies in order to plan implementation activities for their calculation and disclosure. Additionally NEAM intention is to move towards a wider range of Art 8 Sub Funds in order to have more engagement power towards more delegated Investment Managers of NEF Sub-Funds.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35%	44%	<p>The average ratio of female to male board members in investee companies, expressed as a percentage of all board members is 35.12%. The level of coverage is however limited. The highest percentage are concentrated in developed countries investments while emerging market issuer have usually lower percentage and lower coverage.</p>	<p>Actions taken: No specific action have been taken in 2022 for this indicator due to the low coverage. This indicator is however monitored when an issuer is publishing it.</p> <p>Actions planned and targets set: NEAM will continue to analyse this indicator when available and point out to the delegated investment managers of NEF art 8. and art 9. Sub-Funds the importance of this indicator and the need to engage with the invested companies in order to plan implementation activities for their calculation and disclosure and emphasise the importance of greater diversity within the BoD. Additionally NEAM intention is to move towards a wider range of Art 8 Sub Funds in order to have more engagement power towards more delegated Investment Managers of NEF Sub-Funds.</p>
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	98%	<p>NEF Sub-Funds have no exposure controversial weapons. This is consistent with the fund's exclusion policy. Investment in the armament sector is forbidden for all NEF Sub-Funds.</p>	<p>Action taken : NEAM monitors daily the respect of the exclusion policy which foreseen no tolerance for controversial weapons as well as investment in the armament sector.</p> <p>Actions planned and targets set: No actions or targets are envisaged as a component of the fund's exclusion strategy</p>

Indicators applicable to investments in sovereigns and supnationals						
Adverse sustainability indicator	Metric	Impact	Coverage	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries	279 tCO2e/million EUR of GDP	92%	<p>The current GHG intensity is at an acceptable level, mainly due to the fact that most of NEAM portfolio are invested in developed countries, that have notably ratified the Paris's agreement. The worst performers for this indicator are mainly emerging countries for which main source of energy relies on fossil fuel and coal. Due to the transition to cheaper price and more availability of renewable energy even in emerging economies, the metrics should improve overtime</p> <p>Actions taken: NEAM monitors this indicators but no specific actions have been taken so far.</p> <p>Actions planned and Targets set: NEAM intention is to monitor to what extent the countries GHG Intensity improve or deteriorate compared to the previous year. This to highlight which are the countries that are reducing their negative impact year-over-year. Where there is evidence of a relevant worsening, the Manco intention is to engage in a discussion with the delegated Investment manager. NEAM expects this indicator to decrease overtime.</p>	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law)	44.32% (Absolute number: 46)	92%	<p>Half of the exposure is due to the fact that our data provider is flagging the United States as subject to social violations and it represents around 20% of NEF Sovereign and Supnational investments.</p> <p>This flag for United State is due to some recent events including the prevalence of hate crimes, gun violence, excessive use of force by law enforcement and violence against women. Courts limited human rights protections by striking down abortion rights and gun regulations and preventing the administration from ending exclusions of asylum seekers at the US-Mexico border.</p> <p>Actions taken: NEAM monitors the sustainability risk of sovereigns issuers through an ESG scoring and through a ML/TF Geographical Risk Rating matrix which identify high risk countries mainly in terms of corruption and ML/TF risk but also by means of social violation. Investment in the highest risk countries according to these criteria is not allowed on some of the NEF Sub-Funds. NEAM monitors the application of its exclusion criteria as well as the level of risk.</p> <p>Actions planned and Targets set: NEAM will continue monitoring social issues at country level and eventually discuss with the relevant delegated investment managers.</p>	
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator	Metric	Impact	Coverage	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	N/A	N/A	Real estate assets are not part of the investment universe of NEF Sub-Funds. Therefore the impact for these indicators is nil and no action has been taken regarding these sustainability indicators.

Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0%	N/A	N/A	
Additional climate and other environment-related indicators						
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	45%	97%	<p>More than 50% of the issuers inside NEF portfolio have an initiatives to reduce their carbon emissions, which will ultimately lead to lower GHG emissions in the years to come, therefore reducing the negative impacts.</p> <p>It is also important to note that the issuers not having carbon reduction initiatives are mainly in the following sectors: Financial and Insurance Activities/Manufacturing / Information and Communication , which are notably, for the first and third sector, not known to be the largest emitters in terms of GHG.</p>	<p>Actions taken: NEAM used this PAI as an additional useful qualitative information to be used in order to assess the overall impact of an issuer in terms of GHG emission together with all the other PAIs linked to GHG emission.</p> <p>Actions planned and Targets set: NEAM will continue analysing the various GHG emission related indicators as a whole in order to gain an overall view of the impact of NEF Sub-Funds on GHG emission and to understand the impact from companies invested and whether they engage in emission reduction activities.</p>
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Indicators applicable to investments in investee companies						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	18%	85%	<p>The current level of issuers without human rights policy is at a relatively low level. It is mainly concentrated around issuers in the emerging countries which are picking up on this subject.</p>	<p>Actions taken: NEAM used this PAI as an additional useful qualitative information to be used in order to assess the overall impact of on social related indicators together with all the other PAIs linked to Social matters.</p> <p>Actions planned and Targets set: NEAM will continue analysing the various social related indicators as a whole in order to gain an overall view of the impact of NEF Sub-Funds on social matters and to understand the impact from companies invested and whether they have not satisfying metrics on social ad employees matters.</p>

*tCO2e means tons of carbon dioxide equivalents

3. Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

The Company implemented a Sustainability Risk Policy which applies for the assessment of principal adverse impacts and which has been approved on December 21, 2022. The responsibility for the implementation of this policy is allocated at several levels:

- Management Committee;
- Board of Directors;
- Risk team.

The Company assesses and monitors, during an investment, indicators that are deemed to indicate the presence of a principal adverse impact.

The mandatory indicators related to principal adverse impacts on sustainability factors in accordance with Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 and in relation to Article 4(6) and (7) in Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector will be reported according to the legal deadlines.

NEAM selected the following optional indicator in Table 2, Annex 1 and in Table 3, Annex 1:

- Indicator 4: Investments in companies without carbon emission reduction initiatives as additional climate and other environment-related indicators. The selection of this indicator is directly linked to NEAM approach of focusing on the improvement of adverse impacts over time rather than on an absolute values. Indeed this PAI it is considered as an additional useful qualitative information to be used in order to assess the overall impact of an issuer in terms of emission together with all the other PAIs linked to GHG emission. Additionally data are becoming largely available for this indicator.
- Indicator 9: Lack of a human rights policy as additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters. This indicator was chosen because considered as an additional useful qualitative information to complete the other PAIs linked to social matters. Additionally data are largely available for this indicator.

The additional indicators selected by NEAM have also been decided in accordance with NEAM mother company, Cassacentrale Banca. NEAM considers these additional indicators in the same approach and methodology as the mandatory one, with the same data limitations mention below.

The adverse impacts can affect the underlying holdings and hence indirectly the sub-funds and the Company; that's why several controversial sectors, that are considered to have a major contributor to adverse impacts are either completely or partially excluded from the investment universe.

Our approach to assess principal adverse impacts is also based on identifying companies with poor ESG practices and performance. The ESG data sources used to assess and monitor the sustainability risks are mainly companies' public information, direct dialogue with delegated investment managers, financial press as well as external ESG data providers (i.e. Refinitiv, MSCI, ISS and internal ESG research from the delegated investment managers).

The Company identifies principal adverse impacts on sustainability factors through various means, such as data providers, our delegated investments managers research and analysis on sustainable matters and publicly available information. Where information relating to any of the indicators used is not readily available, a best effort will be used to assess the adverse impacts.

When evaluating principal adverse impacts, NEAM relies on information and data sources provided by both internal and external research, which might be incomplete or inaccurate, leading to potential risk, notably when assessing an adverse impact. This principal adverse impact report will be the result of the Company's own view on sustainable risk and eventually not assess every principal adverse impact.

4. Engagement policies

The investment management activity of NEF Sub-Fund has been delegated to external investment managers (the "delegated Investment Manager") according to defined investment guidelines.

NEAM implemented a voting rights policy which foresees the delegation of the exercise of voting rights for NEF sub-funds to the delegated investment managers who are required to comply with the provisions of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the "SRD II"). NEAM encourage his delegated investment managers to take part in the active and responsible role as shareholder in the companies the sub-funds invest in with emphasis on sustainability, activity and responsibility.

NEAM engagement power is towards its delegated Investment Managers, who are the investment decision makers at issuer level. Therefore NEAM, as delegating party, leverage towards its delegated Investment managers on the importance of PAI indicators and the need for them to engage with the invested companies in order to plan implementation activities for better disclosure and better management of these adverse impacts.

The Management Company's intention is to consider the evolution of all the mandatory PAI present in the Table 1 of Annex 1 and the selected indicators from Table 2 and 3 of the Annex 1, based on the materiality of such a PAI in relation to the industry sector of the investee companies. For sub-funds classified article 8 or article 9 of the SFDR, in case there is evidence of a relevant worsening of any material PAI, the Management Company will engage discussions with the delegated Investment manager to explain the dynamics of the worsening indicators and the action taken and/or planned notably regarding engagement activity.

Engagement activities towards invested companies on the main categories of PAI (GHG emissions, Biodiversity, Water and Waste management, Social and employees matter) is required and expected from our delegated investment managers of sub-funds classified article 8 or article 9.

5. References to international standards

The Company recognises the importance of participating in international initiatives that support businesses to operate in a more sustainable manner. In this respect, whether the delegated investment manager is a signatory of the United Nations Principles for Responsible Investment (the "UNPRI") is taken into consideration in the selection process. This is a key criteria for NEAM while assessing the commitment towards sustainability risk management of the investment managers.

NEAM's appointed investment managers, or via their parent companies, are signatories to the UNPRI.

6. Historical comparison

Data not yet available.