

TRANSPARENCY OF SUSTAINABILITY RISK POLICY PURSUANT TO EU REGULATION 2019/2088

Following the entry into force of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “**SFDR**”), which forms part of the EU’s package of measures relating to environmental, social and governance issues, NEAM (hereafter referred to as “**NEAM**” or the “**Management Company**”) is committed, *inter alia*, to publish on its website information about its policies on the integration of sustainability risks in its sub-funds’ investment and risk management process.

Moreover, NEAM should disclose whether or not it considers principal adverse impacts of investment decisions on sustainability factors by mean of a statement on due diligence policies with respect to those impacts, taking due account of its size, the nature and scale of their activities and the types of financial products it makes available, in accordance with the regulatory deadline.

NEAM effectively adopted a sustainability risk policy (the “**Policy**”) compliant with the applicable legislative and regulatory requirements and considers the principal adverse impacts of investment decision on sustainability risk factors. NEAM publishes the principal adverse impacts statement on its website and updates it periodically, according to the legal deadlines.

In this respect, the Management Company takes sustainability risks into account when defines the investment policy of the NEF sub-funds (each a “**Sub-Fund**”). In order to identify sustainable risks, which may negatively impact the performance of each Sub-Fund, the Management Company:

- (i) excludes or limits investments in certain controversial sectors of activities such as armaments, cluster bombs, gambling, tobacco or pornography, alcohol and fossil fuel business (Coal, Integrated oil & gas, Oil & gas exploration and production, Oil & gas drilling, Oil-related services and equipment). Such exclusions/limitations may differ from one Sub-Fund to another according to the objective, the strategy and the investible universe of the Sub-Fund. No investment is allowed in companies that produce cluster bombs. In addition, NEAM’s goal is to avoid as much as possible the financing of the armaments production and investments in such type of companies are strongly discouraged. Such restriction has been communicated to the delegated investment managers and is checked ex-post by NEAM;
- (ii) considers several criteria depending on different asset classes. The ESG data sources used to assess and monitor the sustainability risks are mainly companies’ public information, direct engagement with delegated investment managers, financial press as well as external ESG data providers (i.e. Refinitiv, MSCI, ISS and internal ESG research from delegated investment managers).

However, the management of each Sub-Fund has been delegated to external investment managers. Hence, as long as the investment management function is completely delegated, NEAM shall:

- (i) define the investment policies of each Sub-Fund according to the principles expressed above;
- (ii) select the delegated investment managers through a process which takes into account a series of principles, among others: the ability, capacity, and the fulfilment of any

- conditions required by law, the reputation, service commitment, ethics, financial conditions and reliability; and
- (iii) oversight its delegates.

In this respect, the Management Company carefully assesses ex-ante the profile of the delegated investment manager through a request for proposal (“RFP”) and an initial due diligence questionnaire.

The Management Company considers, in addition to financial criteria, how the sustainability risk is integrated in the investment and risk management process of the delegated investment manager.

Sustainability risk integration criteria becomes more important when delegating the investment management activity of a Sub-Fund under article 8 and 9 SFDR. NEAM conducts a more in depth yearly analysis on sustainable matters for such sub-funds by requesting the delegated investment managers to share relevant documents and evidences as ESG analysis, SDG Analysis, Controversial Analysis, PAI analysis etc...

In this respect, NEAM requests to the investment managers their sustainability risk policy and discusses in detail their approach to identify, measure and manage sustainability risks in general and for the specific mandate.

The sustainability risk monitored mainly rely on the ESG score provided by Refinitiv and ISS. NEAM daily checks, for the Sub-Funds, different statistics like the minimum ESG rating, the average ESG rating, the coverage, the NAV percentage invested in securities with a low ESG score, the percentage invested in Green/Social/Sustainable and others ESG Bonds, etc. In relation to sub-funds classified as art 8 and 9, NEAM usually imposes to the delegated investment managers a minimum ESG score at issuer level and at portfolio level.

PAIs consideration

NEAM asks delegated investment managers of sub-funds classified as article 8 and 9 SFDR whether they consider principal adverse impacts of their investment decisions on sustainability factors. In case they do, NEAM asks them to give details on the way they do consider PAIs and inserts it in the Investment Guidelines which will serve as a base of NEAM’s oversight. In addition delegated investment managers shall produce on a yearly basis the PAI table in accordance with Annex I of the Commission Delegated Regulation 2022/1288 and shall fill in the periodic disclosure template as per Annex IV or V (as amended by Commission Delegated Regulation (EU) 2023/363).

NEAM on its side considers the PAIs indicators through various process, in which parts of the indicators or all of them are already included, such as ESG score, Exclusion strategy and Engagement with delegated investment managers.

Additionally NEAM will 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 and when there is a deterioration it will request the delegated Investment manager to explain the dynamics, the action taken or planned and eventually the related engagement activity.

Sustainable Investment Definition

The Management Company asks delegated investment managers to explain their interpretation of the Sustainable Investment definition which is then inserted into the Investment Guidelines (Annex to the Investment Management Agreement or IMA) together with a minimum commitment % of sustainable investment.

The Management Company has adopted its own definition according to its own interpretation and has set-up its operational checks accordingly. Therefore discrepancies in the percentage invested in sustainability investments between the delegated investment managers and the Management Company are possible.

Periodically, NEAM will determine the percentage of sustainable investment in all the concern sub-funds to confirm that the minimum % of sustainable investment committed by sub-funds has been indeed achieved.

In order to define sustainable investments, NEAM considers that an investment should imperatively:

- contribute positively to any of the SDG principles which is meant to contribute to a social objective or
- be a Green Bonds, Social Bonds, Sustainable Bonds, or bonds linked to Sustainable / ESG / SDGs projects which is meant to contribute to a social or environmental objective depending on the nature of the bond

AND (pass/fail approach)

- Issuer minimum Governance ESG rating should not be below 25 according to Refinitiv. In case the rating is not available or if the delegated investment manager disagrees with the Refinitiv score he should submit to the Management Company a detailed analysis, that will be reviewed and potentially accepted by the Management Committee;
- Issuer minimum ESG rating should not be below 41.67 according to Refinitiv (or equivalent as per other ESG score providers);
- The DNSH principle is respected.

Governance

The responsibility for the assessment and controls within NEAM is defined at several levels:

