

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;
- (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.* Thomson Reuters, MSCI 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;

(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.

In such a case, 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 responsibility for the assessment and controls within NEAM is defined at several levels:

