

Statement on principal adverse impacts of investment decisions on sustainability factors

| VERSION HISTORY | | |
|-----------------|-------------|---|
| DATE | LAST UPDATE | MAIN CHANGES |
| 28/06/2024 | 30/06/2023 | Consideration of Principal Adverse Impacts for the period from 1 January 2023 to 31 December 2023 |

Financial Market Participant: Nord Est Asset Management S.A. (LEI: 549300RGBJ3GPNXZJR61)

Summary

Nord Est Asset Management S.A. (the “**Company**” or “**NEAM**”) [LEI: 549300RGBJ3GPNXZJR61] considers principal adverse impacts of its investment decisions on sustainability factors.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Nord Est Asset Management S.A.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

This statement applies to NEAM as management company of NEF (“**NEF**” or the “**Fund**”), [LEI of NEF: 549300TOMIVF0XGLQC75] an umbrella and multi manager fund which consists in several sub-funds (each a “**Sub-Fund**”).

The concept of principal adverse impact is described in 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**”). In particular, principal adverse impacts should be understood as those impacts of investment decisions that might result in negative effects on sustainability factors. The latter are defined in SFDR as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

NEAM considers the mandatory principal adverse impact indicators as per Commission Delegated Regulation (EU) 2022/1288, Annex 1 - Table 1 as listed under section "Description of the principal adverse impacts on sustainability factors" as well two additional Principal Adverse indicators from Annex 1 - Table 2 and 3, i.e.:

- A climate and other environment related indicator: investments in companies without carbon emission reduction initiatives, and
- Human right indicator: the share of investments in entities without human right policy.

This statement will be reviewed at least annually, or whenever needed due to regulatory or operational changes.

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 20% of the total assets)
- 1 sub-funds is classified art. 9 of the SFDR with a social sustainable objective (representing around 11% 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. Since the 10th of May 2024 other 3 Sub-Funds of NEF Fund have been converted into art. 8 Sub-Funds. Indeed NEAM engagement power is towards its delegated Investment Managers, who are the investment decision makers at issuer level. Therefore NEAM, as delegating party, leverages 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.

NEAM uses the services of ISS (ISS ESG's SFDR Principal Adverse Impact solution) to calculate PAIs. ISS changed the PAIs calculation methodology in the second half of 2023 to interpret "all investment" as all issuer types, all asset types for all PAI indicators calculations. This change was taken by ISS following client and market feedback. Furthermore, the SFDR initial Delegated Act¹ has no reference to another approach other than all investment being all assets and issuer types of the portfolio. This approach was also reflected in ESAs' April Consultation paper². With the updated calculation logic, the following changes were applied:

- There are no more distinction between Corporates and Sovereigns.
- All asset types are included in the PAI calculation denominators (including cash and derivatives).
- Issuers with no data are taken into account.

Instead the previous PAIs calculation methodology, which has been used to calculate the value published in the previous PAI statement dated June 2023, worked as follows:

¹ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

² JC 2023 09, Joint Consultation Paper on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures.

- The PAI values were calculated based on the relevant issuer type: the denominator of corporate PAIs only include corporates while those of sovereigns only include sovereigns.
- The Boolean (T/F) PAI were calculated based on the full portfolio universe of the relevant issuer type (issuer with no data would count as 0).
- The Weighted Average PAI's were calculated considering relevant issuers with data.
- The portfolio calculation excluded any asset class other than equity and bonds.

Due to this important change in the methodology PAI values and coverage might be different compared to reports generated prior to the update, e.g., with all investments being accounted for in the denominator, PAI impact figures might be lower. Therefore NEAM has decided to republish data also as of June 2023 (Column "Impact FY 2022(New methodology)") using the new methodology to make the comparison 2023-2022 meaningful.

| Indicators applicable to investments in investee companies | | | | | | | |
|--|----------------------|--|----------------------------------|--|-------------|--|---|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | |
| Adverse sustainability indicator | Metric | Impact FY 2023 | Impact FY 2022 (New methodology) | Impact FY 2022 (as published in June 2023) | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions (tons of CO2) | 251,232 | 250,636 | 251,146 | 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 40% 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. Despite a large increase of the assets under management compare to last year (+1.1 bln €, 19.5% of increase of assets under management), this indicators remain stable, proving that issuers have reduced their impact. | <p>Actions taken: NEAM analyzed the contribution of each Sub-Fund to GHG emission numbers and identified at the end of Q4 2023 issuers that have deteriorated in terms of either Carbon Footprint and/or GHG intensity compared to previous year. These issuers, and their GHG emission numbers, are 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. 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 (tons of CO2) | 64,157 | 61,116 | 61,144 | 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. The slight increase in the indicator is mainly due to the increase of the asset under management compared to last year (+1.1 bln €, 19.5% of increase of assets under management). | |
| | | Scope 3 GHG emissions (tons of CO2) | 4,213,897 | 3,020,643 | 2,934,009 | The Greenhouse Gas Protocol defines Scope 3 emissions as those in a company's value chain that are beyond the direct control of its operational and financial authority (also called "other indirect emissions"). The rate of corporate disclosure for Scope 3 emissions has been very low in comparison to Scope 1 and Scope 2 reported emissions, for a variety of reasons, including the availability of data from corporate value chains. This limited disclosure poses a challenge. ISS ESG applies estimated emissions models to generate emissions data, when the issuer does not report emissions or an issuer's reported emissions data does not meet quality standards. The percentage of corporate issuer with estimated data on NEF Fund is 40%. The percentage of issuer who experience an evolution above 100% of this indicator from previous year is 15%. The indicator increased from previous year is due to a sum of factors. Important role played the increase of the asset under management compared to last year (+1.1 bln €, 19.5% of increase of assets under management) but the challenges in reporting this indicator by corporate issuers contribute importantly too. Indeed for example the percentage of corporate issuer who experience an evolution above 100% of this indicator from previous year is 15%. As companies continue to refine and broaden their reporting methods, a rise in the reported Scope 3 emissions is anticipated despite the efforts made by investee companies to curtail their emissions. At year end around 69% of NEF Scope 3 emissions is coming from Manufacturing sector and around 13% is coming from the Financial and Insurance Activities sector. Additionally both the sectors experienced the most relevant increase in absolute value from previous year. Investments in these sectors accounts to around 53% of the total assets of NEF Sub-Funds. | |
| | | Total GHG emissions (tons of CO2) | 4,529,287 | 3,332,394 | 3,246,298 | Between 2022 and 2023, there was an important increase in total GHG emissions. This rise aligns mostly with the increase in Scope 3 emissions, which constitute 93% of the portfolio's emissions. Therefore, the reasons for this overall increase are consistent with those previously outlined for Scope 3 emissions. At year end around 67% 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. | |
| | 2. Carbon footprint* | Carbon footprint (tons of CO2/ Mios EUR) | 698.84 | 594.30 | 805.34 | The worst contributor to NEF Carbon footprint for 2023 in terms of sectors are Manufacturing and Financials and Insurance sectors, representing 53% of NEF total net assets and account for about 80% of the total NEF Carbon footprint. The NEF Carbon footprint decreased from previous year published data. However the decrease is mainly due to the change in methodology applied by ISS. Using the recalculated data for 2022 with the new methodology the indicator shows an increase of around 17.6% from 2023 to 2022. The increase is mainly due to the worsening of total GHG emission on the Manufacturing and Financial and Insurance sectors. | |
| | | | | | | 3. GHG intensity of investee companies | |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|---|--|---------------|--------|--------|---|---|---|---|------|-----------|------|------|------|------------------|------|------|------|----------------|------|------|------|----------------|---|---|---------------|-----------------|------|---|------|--------------------------------------|---|---|------|-----------------------------|------|------|------|-------------------------|---|---|------|
| Greenhouse gas emissions | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 6.90% | 6.70% | 9.05% | <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. The worst contributor to this indicator comes from the Electricity, Gas, Steam and Air Conditioning sector. Around 55% of the companies flagged for having some fossil fuel activities have adopted carbon reduction initiatives.</p> <p>There is a slightly increased in this indicator compared to previous year recalculated with the new methodology.</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.</p> <p>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 | 27.87% | 23.96% | 66.87% | <p>The current level of this indicator is good and the coverage increase importantly from previous year (currently around 50%). 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> <p>This indicator worsened if compared to previous year recalculated with the new methodology. However to be noted that the coverage improved importantly from previous year.</p> | <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 Sub-Funds in case there is large degradation of this indicators at issuers or sub-fund level.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 6. Energy Consumption intensity per high impact climate sector | renewable energy production of investee companies from non renewable energy sources compared to renewable energy | 2.25% | 2.04% | 44.24% | <p>This indicator current level is low and quite in line with previous year. The current methodology includes any issuer. If we calculate the same indicators but only for issuer in the Electricity, Gas, Steam and Air Conditioning sector, the impact would be almost 40%. This is telling us that, among issuers producing energy (as belonging to Electricity, Gas, Steam and Air Conditioning sector), on average 40% of this energy produced comes from non renewable sources. 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.</p> | <p>Actions taken: NEAM monitored the issuers publishing this indicators However this PAI is currently used as an added information due to lack of reliable data linked mainly to lack of data published.</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> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | | | | <table border="1"> <tbody> <tr> <td>Agriculture_WA</td> <td>-</td> <td>-</td> <td>0.06</td> </tr> <tr> <td>Mining_WA</td> <td>0.01</td> <td>0.01</td> <td>0.95</td> </tr> <tr> <td>Manufacturing_WA</td> <td>0.09</td> <td>0.07</td> <td>0.58</td> </tr> <tr> <td>Electricity_WA</td> <td>0.04</td> <td>0.09</td> <td>2.87</td> </tr> <tr> <td>WaterSupply_WA</td> <td>-</td> <td>-</td> <td>NoInformation</td> </tr> <tr> <td>Construction_WA</td> <td>0.04</td> <td>-</td> <td>0.07</td> </tr> <tr> <td>WholesaleRetailMotorVehicleRepair_WA</td> <td>-</td> <td>-</td> <td>0.05</td> </tr> <tr> <td>TransportationAndStorage_WA</td> <td>0.04</td> <td>0.02</td> <td>0.56</td> </tr> <tr> <td>RealEstateActivities_WA</td> <td>-</td> <td>-</td> <td>0.00</td> </tr> </tbody> </table> <p>There was an impact due to the change of methodology which make difficult to compare the result with the previous year. Most of the consumption of the Energy is coming from Manufacturing and Electricity sector, which is a normal behavior as these sector are using Energy to provide electricity to all the other sector. The current level of coverage is however low.</p> <p>At year end around 38% of Nef total assets are invested in Energy intensive sectors.</p> | Agriculture_WA | - | - | 0.06 | Mining_WA | 0.01 | 0.01 | 0.95 | Manufacturing_WA | 0.09 | 0.07 | 0.58 | Electricity_WA | 0.04 | 0.09 | 2.87 | WaterSupply_WA | - | - | NoInformation | Construction_WA | 0.04 | - | 0.07 | WholesaleRetailMotorVehicleRepair_WA | - | - | 0.05 | TransportationAndStorage_WA | 0.04 | 0.02 | 0.56 | RealEstateActivities_WA | - | - | 0.00 |
| Agriculture_WA | - | - | 0.06 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mining_WA | 0.01 | 0.01 | 0.95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Manufacturing_WA | 0.09 | 0.07 | 0.58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity_WA | 0.04 | 0.09 | 2.87 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WaterSupply_WA | - | - | NoInformation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction_WA | 0.04 | - | 0.07 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WholesaleRetailMotorVehicleRepair_WA | - | - | 0.05 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TransportationAndStorage_WA | 0.04 | 0.02 | 0.56 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| RealEstateActivities_WA | - | - | 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 | 0.11% | 0.10% | 0.14% | <p>The current percentage of companies affecting negatively the biodiversity-sensitive areas is very low and is concentrated around the chemicals, agriculture 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.</p> | <p>Actions taken: This indicator is analyzed whenever an issuer is publishing it. NEAM have reached the investment managers in order to discuss the issuers for which the the flag "affecting biodiversity" was true.</p> <p>Actions planned and targets set: Despite not being located on NEF subfunds 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.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0.01 | 0.00 | 0.14 | <p>For what regards water emission there is limited information reported (coverage less than 4%). This indicator is not widely reported even within the European Community, also due to the difficulty in calculating it. It is also important to note that at year end around 27% of NEF total assets was allocated to companies in the financial sector which historically does not produce any or very little water pollutant emissions as a nature of their business industry and around 20% to Sovereign issuers which are not in scope of such reporting.</p> <p>NEAM expects this number to be higher in the upcoming years when the global publication of this indicator will improve, as it is the least reported worldwide.</p> <p>The emissions to water at year end were coming from Manufacturing sector as part of their production processes. Investments in this sector amounts to around 26% of NEF total net assets.</p> | <p>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.</p> <p>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.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 | 2.32 | 0.77 | 2.18 | <p>For what regards Waste emission there was a 26% increase of coverage compared to the previous year. However the coverage is still low (around 35%). The emission of waste was coming from the Manufacturing sector as part of the production process of Pharmaceuticals & Biotechnology, paper and Chemicals 'Industry. Investment in this sector amount to around 26% of NEF total net assets.</p> | <p>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.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY | | | | | | |
|--|---|---|--------|--------|--------|---|
| Social and employee matters | 10. Violations of UN Global Compact (UNGC) principles & Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 1.15% | 1.37% | 1.86% | <p>The level of companies in violations of the UNGC or the OECD guidelines according to our data provider remains very low and is mainly concentrated around sub funds classified article 6. Such violations remains subject to interpretation as there is no clear methodology to identify issuers violating such guidelines and the interpretation might differs depending on each data provider sensibility. Most of the contribution to violations comes from companies involved in the oil and gas sector.</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.</p> |
| | 11. Lack of processes and compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | 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 | 13.91% | 11.09% | 14.87% | <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 | 0.66% | 0.41% | 5.30% | <p>The gender pay gap as a concept is now starting to receive wide interest globally, but a standardized 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 (around 9%). The majority of reporting for gender pay-gap on NEF Sub-Fund is from Europe and United States of America where the gender pay gap is more enforced by national governments. The reduction in the average unadjusted gender pay gap compared to the figure published the previous year is mainly due to the change in methodology. Comparing the PAI over the two years by applying the same methodology, the data are fairly in line.</p> <p>Actions taken: No specific action have been taken in 2023 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 | 21.52% | 9.77% | 35.12% | <p>The average ratio of female to male board members in investee companies, expressed as a percentage of all board members is 21.52% (with a coverage around 60%). The highest percentage are concentrated in developed countries investments while emerging market issuer have usually lower percentage and lower coverage. The reduction in the average ratio of female to male board members compared to the figure published the previous year is mainly due to the change in methodology and the increase in coverage. Comparing the PAI over the two years by applying the same methodology, the average ratio of female to male board members in investee companies increased in 2023 mainly due to the increase in coverage.</p> <p>Actions taken: NEAM monitors this indicator but no specific actions have been taken so far.</p> <p>Actions planned and targets set: NEAM intention is to continue analysing 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 | 0.00% | 0.00% | 0.00% | <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 supranationals | | | | | | |
|--|---|--|----------------------------------|--|-------------|--|
| Adverse sustainability indicator | Metric | Impact FY 2023 | Impact FY 2022 (New methodology) | Impact FY 2022 (as published in June 2023) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
| Environmental | 15. GHG intensity | GHG intensity of investee countries | 69 | 77 | 279 | <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 indicator but no specific actions have been taken so far. 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 | 7.98% (42.5) | 9.86% (46) | 44.32% (46) | <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 more than 17% of NEF Sovereign and Supranational investments.</p> <p>This flag for United States 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. The reduction in the investee countries subject to social violations compared to the figure published the previous year is mainly due to the change in methodology. Comparing the PAI over the two years by applying the same methodology, the data slightly improved mostly as a result of increased assets, reduced investments in Brazil and the change of the relevant flag on Japan as a country no longer subject to social violations.</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 criterias 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. Actions planned and Targets set: NEAM will continue monitoring social issues at country level and eventually discuss with the relevant delegated investment managers.</p> |
| 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 | 33.00% | 34.42% | 44.66% | <p>More than 50% of the corporate 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>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. 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 | | | | | | |
| Human Rights | 9. Lack of a human rights policy | Share of investments in entities without a human rights policy | 33.63% | 13.67% | 18.35% | <p>The current level of issuers with a lack of a human rights policy is mainly concentrated in the Financial, Manufacturing and Information and Communication sectors.</p> <p>The increase in the impact compared to the previous year is due to a change in the source of the Management Company's provider input data.</p> <p>The new factor identifies whether the company commits in a policy to adhere to the UN Guiding Principles on Business and Human Rights. It is thus more specific than the previous datapoint, which assesses the company's commitment to internationally recognised human rights as well as the avoidance of the company's complicity in their violation.</p> <p>The new data are therefore narrower and cover a smaller number of companies.</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. 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 and employees matters.</p> |

*tCO2e means tons of carbon dioxide equivalents

Description of policies to identify and prioritise principal adverse impacts 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 18-19, 2023. 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, indicators that are deemed to indicate the presence of a principal adverse impact.

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, Cassa Centrale Banca - Credito Cooperativo Italiano. 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 statement will be the result of the Company's own view on sustainability risk and eventually not assess every principal adverse impact.

Engagement policies

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 encourages its 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 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 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 the delegated Investment Managers of sub-funds classified article 8 or article 9 of the SFDR.

References to international standards

UN Global Compact principles and OECD Guidelines for Multinational Enterprises

PAI covered: Violations of the principles of the United Nations Global Compact and the OECD (PAI10) and Lack of processes and compliance with UN Global Compact principles and OECD (PAI11).

Indicators, methodology and data:

Companies in violations of the UNGC or the OECD guidelines according are monitored through ISS ESG's Norm-Based Research. ISS ESG's Norm-Based Research identifies corporate controversies and assesses how companies manage these controversies. The scope covers controversial practices that have adverse impacts on society and the environment in line with established expectations for Responsible Business Conduct. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises (MNEs) and the UN Guiding Principles for Business and Human Rights.

Norm-Based Research identifies and evaluates allegations that companies fail to respect established norms for Responsible Business Conduct as set out in the relevant international initiatives and guidelines. The analysis results are categorised and presented according to ISS ESG's traffic-light system (Green, Amber, Red) and 10-1 rating scores.

| ASSESSMENT SIGNAL | SCORE | DESCRIPTION OF ASSESSMENT CATEGORIES |
|-------------------|-------|---|
| ● (Red) | 10 | Verified failure to respect established norms |
| ● (Amber) | 9 | Imminent failure to respect established norms |
| | 8 | Alleged failure to respect established norms |
| | 7 | Verified failure to respect established norms, undergoing remediation |
| | 6 | Fragmentary information |
| ● (Green) | 5 | Under observation |
| | 4 | Undergoing remediation |
| | 3 | Involvement beyond scope |
| | 2 | Past involvement |
| | 1 | (No allegation) |

Companies flagged in red are discussed with the delegated Investment Manager. Violations remains subject to interpretation as there is no clear methodology to identify issuers violating such guidelines and the interpretation might differs depending on each data provider sensibility. Particular attention is taken on products classified as article 8 and article 9 where we tend to avoid issuers deemed to be in breach of one or more of the principles of the United Nations Global Compact.

Controversial international weapons standards

NEAM's goal is to avoid as much as possible the financing of armaments or warfare. Therefore investments in companies which are oriented toward armaments or warfare services/products are strongly discouraged.

PAI covered: Exposure to controversial weapons (PAI14)

Indicators, methodology and data:

To identify issuers involved in controversial weapons NEAM uses ISS ESG's Controversial Weapons Research. ISS ESG's Controversial Weapons Research is based on a well-established, developed methodology from ISS that helps users make decisions regarding companies involved in any of nine categories of weapons that are seen under international humanitarian law as being particularly controversial because of their indiscriminate effects and the disproportionate harm, superfluous injury or unnecessary suffering they cause and/or because they are prohibited by specific national legislation or international arms control instruments. International humanitarian law and specific arms control instruments constitute the basis for this research. Technical definitions of weapons as given in relevant conventions are used where available, such as for anti-personnel mines and cluster munitions in the Mine Ban Treaty and in the Convention on Cluster Munitions. The following weapon categories are currently covered: antipersonnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium ammunition and armor, incendiary weapons, nuclear weapons (inside and outside the Treaty on the Non-Proliferation of Nuclear Weapons, NPT), and white phosphorus weapons.

Additionally, to identify issuers' exposure to armaments and warfare, NEAM uses Refinitiv flag. The Refinitiv flag consider if the issuers' revenue is greater than 5% generated from services/products which are oriented toward armaments or warfare - consider if the company provides products or services which are specifically designed, engineered and produced for use in weapons systems and combat materials such as military aircraft, combat vehicles, bombs, and other combat devices - includes if the company provides services such as maintaining armaments or if it involves training of personnel for combat or producing radars and surveillance equipment for the military - consider information if the company has a stake in another company involved in armaments - information is not considered related to dual-use products that are used by in both civil and military applications such as trucks, land-moving equipment, semiconductors, general communications devices, software, etc - mostly relevant for the industrial, technology as well as commodity chemicals sectors.

In relation to the financing of the armaments production, whenever the check run by NEAM risk team finds out a company where the revenue coming from the production of Armaments is above 5% of the total revenue according to the above flag from Refinitiv, NEAM engages in a discussion with the delegated investment manager concerned.

Additionally 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.

We hereby confirm that no forward-looking climate scenario is used for the time since such scenario is still very difficult to modeled.

Historical comparison

A historical comparison of the period reported on (from 1 January 2023 to 31 December 2023) with the previous period reported on (from 1 January 2022 to December 2022) has been provided in the section "Description of principal adverse impacts on sustainability factors" in Table 1 of Annex I above.