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

FEATURES	
TYPE OF DOCUMENT	Extract of Policy
CLASSIFICATION	Public

VERSION HISTORY		
PUBLICATION DATE	**LAST UPDATE**	**MAIN CHANGES**
18/02/2026	01/09/2025	Accountability shift toward PRMF for Exclusion lists, exclusion and ESG ratings. Spun-off companies consideration. General consistency adjustments.
24/04/2026	18/02/2026	Update to the section on the Management Company's responsibilities in relation to the delegation of investment management activities. Climate Risk Stewardship and Engagement General consistency adjustments.

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. Furthermore, NEAM identifies, measures and manages greenwashing risk.

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 sustainability 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;

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 Permanent Risk Management Function (the "**PRMF**") through Refinitiv or through PRMF internal research.

No investment is allowed in controversial weapons, as defined by NEAM, including prohibited weapons (i.e. anti-personnel mines, cluster munitions, chemical and biological weapons) and nuclear weapons. Those weapons are considered unacceptable by the international community and banned by relevant international norms such as, among others, the *Mine Ban Treaty (**MBT**)* and the *Convention on Cluster Munitions (**CCM**)* due to the severe harm they can cause to civilians, both during and after conflicts.

To ensure compliance with these regulations, NEAM relies on data from ISS ESG to identify companies involved in these *controversial weapons*. ISS evaluates corporate

involvement based on international regulatory criteria, assessing the extent to which a company participates in the development, production, stockpiling, transfer, or supply of essential components and enabling equipment for such weapons.

Additionally, NEAM PRMF integrates assessments from the *Refinitiv Flag on Cluster Bombs* and *Anti-Personnel landmines* to identify additional companies suspected of producing cluster munitions or having involvement in anti-personnel landmines. If an alert emerges, a more in-depth analysis is conducted and a decision is issued by NEAM on whether to include the relevant company on the exclusion list.

In this regard, NEAM adopts a zero-tolerance approach: meaning that no exemptions based on revenue thresholds from controversial weapons (e.g. 5% or 10%) from involvement in controversial weapons are allowed. As with all screening, NEAM maintains the right to utilise its in-house exceptions process where there may be disagreement with a data point triggering exclusion.

Furthermore, NEAM also excludes companies involved in the cultivation and production of tobacco from Article 8 and Article 9 Sub-Funds. NEAM follows a zero-tolerance approach meaning exemption based on revenue thresholds, such as 5% or 10% of total annual revenue derived from involvement in the cultivation and production of tobacco, is not considered. However, companies with only indirect involvement are not subject to this exclusion.

For sub-funds promoting environmental or social characteristics or having a sustainable objective it is required to further promote ethicality by excluding other controversial sector such as gambling, pornography, alcohol and fossil fuel business (Coal, Unconventional oil & gas, Integrated oil & gas, Oil & gas exploration and production, Oil & gas drilling, Oil-related services and equipment). Such exclusion/limitation may differ from one Sub-Fund to another according to the objective, the strategy and the investible universe of the Sub-Fund.

Additionally, NEAM is willing to avoid as much as possible investing in Sovereign issuers of countries that apply the death penalty and countries having a significant level of corruption or other predicate offences to money laundering and terrorism financing (ML/TF). Therefore, such countries are usually excluded from sub-funds promoting environmental or social characteristics or having a sustainable objective. Regarding the death penalty, in case of a Federation, the exclusion is implemented only to the individual Federal State that applies the death penalty.

The NEAM PRMF conducts daily ex-post controls based on its exclusion criteria and maintains an additional exclusion list which records divestment decisions taken over time in relation to controversial sectors to ensure that all delegated investment managers are informed of issuers that have been reviewed and excluded in the past. This list is updated when needed and reported also to the Management Committee.

NEAM reserves the right to apply its in-house exceptions process where a data point triggering is disputed and, when necessary, the matter shall be escalated to the Management Committee for final review and decision.

Companies violating United Nations Global Compact (**UNGC**) principles or the Organisation for Economic Cooperation and Development (**OECD**) Guidelines for Multinational Enterprises are excluded from Article 8 and Article 9 Sub-Funds. NEAM identifies these issuers using ISS ESG data. The field used in ISS is "NBR – Overall Score" that could have a value from 0 to 10. Issuers with value 10, which corresponds to Very Severe Violation, are automatically inserted in the OECD-UNGC Violation List. Issuers with a score from 6 to 9 are not automatically inserted in the OECD-UNGC Violation List but are analysed at controversy case level. The PRMF has created a framework (Dynamic Exclusion Score, DES) to assess a score from 0 to 10 at each controversy case. If the issuer has any case with score exceeding the predefined threshold of 8.5 and there is no ongoing engagement process by ISS ESG at the time of assessment, the issuer is analysed to evaluate the insertion in the OECD-UNGC Violation List.
The OECD-UNGC Violation List is reported to the attention of the Management Committee whenever update and stored in due course.

(ii) considers several criteria depending on different asset classes. The ESG data sources used to assess and monitor the sustainability risks are external ESG data providers like Refinitiv, ISS and MSCI but also companies' public information as well as direct dialogue with delegated investment managers and financial press.

However, the management of each Sub-Fund has been delegated to external investment managers, while the Management Company retains full responsibility for delegated activities. 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 become more important when delegating the investment management activity of a Sub-Fund under article 8 and 9 SFDR. In this respect, NEAM requests to the investment managers their sustainability risk related policies and discusses in detail their approach to identify, measure and manage sustainability related risks in general and for the specific mandate.

Additionally, each year NEAM PRMF conducts a review on sustainable matters for sub-funds classified as Art. 8 or Art. 9 SFDR through an ongoing due diligence process with the delegated Investment Managers where points are discussed and analysed with a focus on the portfolio they are managing on NEAM behalf (ESG scoring methodologies, ESG integration in Investment Process & RMP, Exclusion Policy, Sustainable Investment Implementation, Sustainable Investment alignment, DNSH analysis, PAI consideration in the Investment process, Annex IV/V and Engagement activity). Then, a qualitative assessment is attributed to each topic (ranging from Bad to Very Good). The result of this assessment is brought to the attention of the Board of Directors.

The sustainability risk monitor mainly relies on the ESG score provided by Refinitiv and ISS. The PRMF 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, etc. In relation to sub-funds classified as article 8 and 9, NEAM usually imposes to the delegated investment managers a minimum ESG score at issuer level and at portfolio level.

Climate Risk

NEAM recognises climate-related risks as a component of sustainability risks under SFDR. These risks are generally categorised into transition risks and physical risks that may affect issuers.

The Management Company monitors climate-related risks using Sub-Fund-level indicators provided by ISS ESG, which enhance NEAM's understanding of potential climate-related exposures rather than driving short-term investment decisions. These indicators are reviewed as part of NEAM's sustainability risk oversight framework and, where necessary, NEAM may conduct further analysis within its internal risk management processes.

PAIs consideration

NEAM requests delegated investment managers of sub-funds classified as article 8 and 9 SFDR to indicate whether they consider principal adverse impacts of their investment decisions on sustainability factors. Where this is the case, NEAM requests them to provide details on how PAIs are taken into account. Such information is inserted in the Investment Guidelines and in the precontractual disclosures (in accordance with Annex II or III of the Commission Delegated Regulation 2022/1288, as amended by Commission Delegated Regulation (EU) 2023/363 (hereafter "**SFDR RTS**")), forming the basis for NEAM's oversight activities. In addition, delegated investment managers shall produce on an annual basis the PAI table in accordance with Annex I of SFDR RTS and shall fill in the periodic disclosure template as per Annex IV or V of SFDR RTS.

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, PRMF monitors to what extent the PAIs of the companies in the portfolio have improved or deteriorated compared to the previous years on a homogeneous basis and when there is a deterioration it requests the delegated Investment manager to explain how the PAI was indeed taken into consideration and there has been any action taken or planned and eventually the related engagement activity.

Among other purposes, this is considered to be also a good mitigation measure of greenwashing risk that might arise from misleading information coming from delegated Investment Managers in their statement in regard to PAI consideration as well as DNSH principles.

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) and/or in the pre-contractual disclosures (in accordance with Annex II or III of SFDR RTS) together with a minimum commitment percentage 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 PRMF will determine the percentage of sustainable investment in all the concerned sub-funds to confirm that the minimum percentage of sustainable investment committed by sub-funds has been indeed achieved.

To define sustainable investments, NEAM considers that an investment in an economic activity should imperatively either:

- Have more than 20% revenues (turnover) aligned with one or more objectives of the EU taxonomy;

Or

- Contribute positively to any of the 17 SDG goals, except goal 17 "Partnerships for goals" due to its lack of tangible impact. Despite SDGs encompass both environmental and social impacts, the ultimate target revolves around human society development in a sustainable way, therefore is meant to contribute to a social objective. This is determined by using ISS SDG impact rating (ranging from -10 to +10) for each individual SDG, on which an issuer should have a minimum score of 2, in one or more SDG goals.
  The SDG impact score is based on 3 pillars:
  - Product and services: identify contribution or obstruction to SDGs, based on revenues. The score is ranging from -10 to +10 based on the percentage of revenues contributing or obstructing with the goal, +10 imply a 100% contribution.
  - Operations management: evaluate impact along the value chain, based on corporate ESG practices and impact. The score is ranging from -10 to +10.
  - Controversies: identify alleged or verified failure to respect norms that obstruct SDG. The score range from 0 (no controversies) to -8 (large negative controversies).

  Once these 3 ratings are compiled for each goal, both operation management and controversies are added together and compared to the product and services score. Then, the following logic is applied: Highest positive score if only positive scores, Lowest negative score if only negative scores, sum of the positive and the negative score in case of mixed scores.

Or

- Be Green Bonds, Social Bonds, Sustainable Bonds, or bonds linked to Sustainable / ESG / SDGs projects which are meant to contribute to a social or environmental objective depending on the nature of the bond. Additionally such bonds should follow guidelines concerning the use of proceeds such as ICMA or CBI or other recognized independent party.

AND

- Issuer minimum Governance ESG rating should not be below 25 according to Refinitiv or below D according to ISS governance rating. In case the rating is not available or if the delegated investment manager disagrees with the Refinitiv

score, it should submit to the Management Company a detailed analysis, that will be reviewed and eventually accepted by the PRMF;
- Issuer minimum ESG rating should not be below 41.67 according to Refinitiv or D+ from ISS or equivalent third-party ESG rating providers;
- The DNSH principle is respected.

The case of Spun-off companies

NEAM assesses the sustainability of an investment in a recently spun-off company by reviewing its temporary ESG profile inherited from the parent company, SDG alignment, DNSH compliance and governance quality, all of which must be confirmed before any new investment are made.

SFDR-related Documentation

Pre-contractual documents, website disclosure and periodic reporting are drafted in conjunction by the PRMF and Legal departments.

The final drafts of the pre-contractual documents (which are part of the Prospectus), of the periodic reports (which are part of the Annual accounts) and of the website disclosures are approved by the Management Committee. The Annual accounts as well as the Prospectus are then brought to the attention of NEAM board of directors (the "Board") for approval.

Stewardship and Engagement

NEAM applies sustainability-related principles at entity level to ensure that sustainability risks and sustainability-related matters are addressed in a consistent and coherent manner across its activities.

Within this framework, NEAM may conduct stewardship and engagement activities that are proportionate to its role as Management Company (e.g. in investment management activities that it delegates) and relevant to the sustainability-related matters it oversees.

Furthermore, NEAM may participate, where applicable, in industry discussion or initiatives relating to sustainability matters, including those involving policy makers or standard setters, with an appropriate formal escalation and reporting process to bring to the attention to the Management Committee any relevant topic that warrants further consideration.

<u>Governance</u>

The responsibility for the implementation of the sustainability risk framework within NEAM is defined at several levels:

Board of Directors

- approves the Sustainability Risk Policy and its subsequent revisions;
- ensures sustainability risks are considered within the overall risk appetite;
- periodically verifies that the Sustainability Risk Policy has been correctly implemented and reviews sustainability risk reports regularly.

Management Committee

- coordinates sustainability risk implementation across functions and implement strategy and governance;
- provides advisory support to the Board in the definition, review and implementation of the Sustainability Risk Policy; it proposes integration and exclusion criteria to be submitted to the Board for approval;
- is responsible to approve all the SFDR framework (ESG integration, Exclusion policy, Sustainable Investments, PAI consideration) both in terms of methodology and in managing exceptions or issues that might arise. Indeed the Management Committee:
    - is responsible for the definition of the ESG score thresholds. Whenever the thresholds are crossed, it shall propose the best course of action to be taken in such cases;
    - has the final word on the sustainable nature of investments after the analysis run by the PRMF described above under section "sustainable investment definition" as well as the decision on the action to be taken in regards to the PAIs analysis.
- evaluates if escalation to the Board is required.

The Management Committee promotes and raise the awareness of the ESG criteria within the Management Company.

Permanent Risk Management Function

- identifies and monitors sustainability risks;
- integrates them into the overall risk framework;
- performs regular checks as described above (and further described in the Sustainability Risk Policy);
- evaluates and approved ESG ratings whenever a discrepancy is identified between the ESG score/s used by the Manco and the ESG score used by the delegated IMs or in case the ESG score/s used by the Manco is not available;
- approves exclusion lists updates according to methodologies described in the Exclusion Policy;

- provides risk reporting to the Management Committee and escalate to the Management Committee any issue identified on the running of the checks.

Compliance Function

Ensures compliance with SFDR, Taxonomy, CSRD and oversees the regulatory consistency of ESG disclosures.