ESG Policy

December 2024

Une société du groupe La Française · www.la-francaise.com

www.newalpha.net
New Alpha Asset Management, société par actions simplifiée au capital de 2 435 540 €
450 500 012 RCS Paris · N° TVA : FR 18450500012 · Société de gestion de portefeuille agréée par l'AMF sous le n° GP 05000001 du 20/01/2005 · www.amf-france.org

NEW ALPHA
ASSET MANAGEMENT

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1. About New Alpha

New Alpha Asset Management is a portfolio management company specialized in designing and implementing customized investment solutions to meet the specific requirements of its clients. As of December 31, 2023, New Alpha AM manages and advises 3.1 billion euros on behalf of its clients.

As a committed investor, New Alpha AM values long-term growth, fair distribution of generated value, and actively engages in necessary transitions related to climate and social issues. Our responsible corporate policy and sustainable investment, detailed in this document, embody these principles.

We rigorously evaluate external managers through qualitative and quantitative assessments, incorporating in-depth ESG analysis. We are dedicated to researching and evaluating the best management strategies and investment opportunities aligned with our principles of responsibility.

We leverage multiple sources of advanced research to inform our investment decisions. Non-financial research plays a central role in our decision-making process, integrated at every stage and across all asset classes.

- Sourcing: globally identifying innovative and sustainable investment opportunities.
- Analysis: comprehensive financial and non-financial evaluation according to the management mandates and sustainable guidelines preferred by our investors.
- Investment: building strong portfolios and maintaining complete transparency towards our clients.
- Monitoring and commitment: With a long-term investment perspective, we ensure rigorous monitoring of our investments and value constructive dialogue with our partners.

New Alpha AM, a long-time partner of its clients, firmly believes that integrating ESG criteria is essential for generating sustainable value for investors.

2. History: a responsible and innovative long-term approach

2009

New Alpha Asset Management has been created as a portfolio management company specializing in incubating and accelerating entrepreneurial companies.

2012

New Alpha becomes the delegated manager of the SICAV Emergence, the first fund dedicated to accelerating French entrepreneurial management companies.

2014

ESG is integrated into the investment process during the due diligence phase for potential partners.

2017

New Alpha becomes a signatory of the UN PRI.

2019

Partnership begins with Ethifinance.

Development of a proprietary ESG rating methodology for listed equity managers.

2020

Launch of Emergence Europe, an article 8 SFDR fund.

2021

NewAlpha has established the ESG Committee.

2022

Introduction of Emergence Techs for Good, 2nd fund article 8 SFDR.

2024

New Alpha AM has become one of the first investors to support the SPRING biodiversity initiative as part of the UN PRI.

The first mapping of sustainable French fintechs has been published.

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3. Governance

The company's approaches to social responsibility and responsible investment are overseen by the ESG committee, which meets every quarter to review progress and set new goals.

Led by the ESG Manager of New Alpha, this committee consists of the organization's key stakeholders: the president, the general manager, the heads of each business line, and the dedicated ESG analysts.

However, ESG issues are still integrated into each business line and the investment teams are directly responsible for analyzing and monitoring the non-financial aspects of the companies and funds in which they invest.

4. Responsible Investment Policy

New Alpha is convinced that ESG criteria are sustainable drivers of value creation. We firmly believe that companies with high environmental, social, and governance standards are generally better managed, both at the company and fund level. These companies can grow by balancing profitability and sustainability.

PRI Principles for Responsible Investment

New Alpha has been a signatory of the United Nations Principles for Responsible Investment (PRI) since 2017. This commitment highlights the importance we place on long-term growth and sharing value creation within a framework defined by top-notch governance and transparency. New Alpha is committed to upholding the following six principles:

- We will incorporate ESG considerations into the investment analysis and decision-making processes.
- We will be active managers and will integrate ESG issues into our management policies and practices.
- We will seek to obtain relevant information on ESG issues from the entities in which we invest.
- We will promote the acceptance and implementation of principles within the investment sector.
- We will work together to improve our efficiency in implementing the principles.
- We will report on our activities and progress in implementing the principles.

New Alpha also uses the PRI reporting and assessment tool to transparently report on its responsible investment practices and measure its progress. The evaluation results can be viewed on the UN PRI website.

Finance should support the private sector in addressing the challenges of the ESG transition. As asset managers, we have a key role to play. At New Alpha, we are committed to contributing to these goals by being a major player in two main areas: the development of our industry through innovation, and the fight against climate change.

Innovation is at the core of New Alpha's activities. Recognized globally as a key player in the sphere of "Emerging Managers", New Alpha AM identifies, selects, and supports innovative investment funds offered by competent and motivated teams. One of the most recent initiatives is the Emergence Techs for Good fund, launched in 2022, which accelerates funds approved by the Tibi initiative. Drawing on its experience in identifying high-potential entrepreneurial projects, New Alpha launched a Venture Capital investment activity in technology-driven sectors in 2015.

New Alpha's investment decision-making process is centered around the fight to mitigate climate change. Our approach focuses on supporting funds and companies that identify and mitigate climate risks while also positioning themselves to take advantage of climate-related opportunities. We integrate climate-related issues into our investment process in three ways:

1. During the due diligence phase, environmental criteria are integrated into our research process. If a fund's exclusion policy applies, targeted investments must be compliant. Other aspects to analyze include the presence of a climate policy, commitment to "Net Zero," setting emission reduction targets, and how climate risk is measured. An analysis of exposure to fossil fuels may also be conducted.

2. Throughout the lifespan of the investments, we will actively monitor key performance indicators (including carbon intensity and the percentage of companies that have set emission reduction targets with SBTi) and engage with managers on their climate approach. Engagement topics include strengthening exclusion policies, high carbon intensity companies, and emission trajectories.

3. New Alpha will publish a report on the emissions of its portfolios for asset classes for which data is available. New Alpha will also prepare an LEC report under Article 29, as well as a PAI report.

5. Indirect Investments

As a manager of managers, it is important to note that our ESG considerations depend on both specific mandates and investor requirements, as well as the capabilities of each external management team, which limits our direct control over the selection of individual securities.

Exclusion Policy

The following exclusion policy applies to the relevant portfolios. The data sources to ensure that the portfolios comply with the exclusion policy are Morningstar/Sustainalytics.

<u>Normative exclusions</u>

Companies that violate fundamental human rights are excluded from the investment universe. This includes companies that clearly and repeatedly violate one or more of the ten principles of the United Nations Global Compact (UNGC). These principles encompass the fundamental values of human rights, labor standards, environmental protection, and anti-corruption. Asset management companies must have the means to assess these violation situations.

Asset managers using a controversy assessment system will exclude, at a minimum, companies identified at the highest controversy level (5/5 according to Morningstar/Sustainalytics criteria).

Companies or countries subject to an embargo or financial sanction are also excluded.

- Controversial weapons

This applies to companies involved in the manufacturing, trading, storage, or provision of services for weapons prohibited by international conventions: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium ammunition, nuclear weapons, and white phosphorus weapons. The exclusion of companies engaged in these activities is effective from the first euro of revenue.

Sector exclusions

- Tobacco

Companies that derive at least 5% of their revenue from the manufacturing or distribution of tobacco products are excluded from the investment universe.

- Fossil Fuels - Coal

The thermal coal exclusion policy is based on three criteria, depending on the scope of the activities considered.

Area of activity	**Exclusion criteria***
Electricity production from thermal coal	Companies that derive more than 10% of their revenue from coal energy production are excluded.
Extraction of thermal coal	Companies with more than 10% of their revenue coming from coal extraction or exploitation are excluded.
New projects	Exclusion of companies that are developing new projects and expanding their operations in the coal sector.

Asset management companies invested by New Alpha can benefit from a 12-month period to adjust their strategy to these thresholds.

By 2030, asset management companies with remaining exposure to thermal coal will no longer be eligible for investment.

- Fossil Fuels - Oil and Gas

While oil and gas are not currently excluded from the investment universe, asset managers are encouraged to define a policy for gradually phasing out fossil fuels within 24 months of the investment. This specifically applies to unconventional oil and gas, as well as projects for exploring fossil fuel reserves.

New Alpha monitors the exposure of portfolios to companies in the coal, oil, and gas sector through Morningstar/Sustainalytics, as well as the Global Coal Exit List and Urgewald's Global Oil Exit List.

In order to ensure that our investments comply with our exclusion policy, compliance checks have been implemented at three levels.

- Before making an investment, we compare the exclusion policy of the fund in question to our own exclusion policy, and also conduct a thorough evaluation during the due diligence phase.
- On a quarterly basis, all relevant portfolios are reviewed to ensure compliance with the exclusion policy. A meeting is held within the investment team to analyze any potential violations.
- Annually, during the annual update of ESG dashboards, the exclusion policies of the underlying funds are analyzed to ensure compliance with New Alpha's exclusion policy, and to check for any changes or enhancements.

ESG Analysis

Prior to any investment, the considered funds must complete a detailed ESG questionnaire. The responses are associated with a detailed analysis of all ESG policies and reports, as well as a meeting with portfolio managers to establish an internal dashboard.

This internal rating system is applied at two levels: the management company and the investment strategy. In total, 20 general criteria are used, both qualitative and quantitative, each covering several key performance indicators. Specific E, S, and G themes are covered, such as gender parity in management teams, the fund's carbon footprint compared to its peers, alignment with the Paris Agreement, whether or not funds have obtained ESG labels, voting and engagement practices, participation in ESG coalitions and initiatives, etc.

After the investment, the funds are asked to complete an annual ESG questionnaire and report on their progress. The ESG profiles will then be updated. This allows New Alpha to track the ESG progress of the underlying investments and highlight areas for improvement. The detailed methodology is available upon request.

Engagement (voting and dialogue)

Throughout the investment process, New Alpha AM engages in dialogue with asset managers. As a long-term partner, New Alpha takes responsibility for promoting and disseminating the best ESG practices expected by our institutional clients. This approach is especially necessary when it comes to emerging managers.

New Alpha also aims to involve its partners in its goal of transitioning towards responsible and sustainable investments. The dialogue is tailored to the requirements of our clients and the profile of external asset managers, taking into account factors such as their size, investment strategy, and long-term goals. When certain ESG progress has been agreed upon but not adhered to, measures can be taken progressively, up to considering divestment.

Although our investment strategy as a fund of funds limits our direct engagement with individual companies and exercising voting rights, we are committed to actively participating in the financial markets ecosystem. Our approach emphasizes collaboration and dialogue with various stakeholders, including asset managers, sector associations, and other market players. By engaging with these stakeholders, we aim to advocate for sustainable practices, influence market standards, and promote responsible investment behavior across the financial landscape. New Alpha works closely with the ESG Commission task force of Emergence. We are also members of the PRI Hedge Fund group, where different managers discuss how to improve carbon emission disclosure for alternative investment strategies; and we participate in the PRI Francophone program, which brings together investors and asset managers from French-speaking countries to exchange ideas.

Report Please submit your report.

In order to provide our clients with the greatest transparency on their investments, we are constantly working on improving the non-financial indicators included in our reports. Having relevant ESG data and being able to effectively aggregate them across all asset classes is a major challenge, especially for indirect management activities. This work is based on internal research and data from external sources (namely Sustainalytics/Morningstar and Bloomberg). Every year, New Alpha will update the ESG dashboards for each of its underlying investments and communicate them to investors, as well as carbon data and gender parity indicators for asset management teams. New Alpha also complies with regulatory reporting requirements and prepares a report under Article 29, an annual PAI report, and periodic reports for its funds subject to Article 8 SFDR.

6. Direct Investments

Due to the early stage nature of the entities we typically invest in and the challenges they face, integrating robust ESG practices can be difficult or have inherent limitations. As minority shareholders, we actively encourage and support our portfolio companies in adopting sustainable practices while addressing the challenges of their development stages.

Exclusion Policy

New Alpha AM's venture capital funds exclude from their investment universe: oil, gas, coal, controversial weapons, tobacco, palm oil, pornography, and gambling.

In addition to the aforementioned exclusions, New Alpha has also drawn up a watchlist of business sectors that it considers relevant to its lines of activity:

- Consumer loans and installment payments
- Corporate loans, revenue-based financing, factoring
- Cryptocurrency
- Banking, payment, and investment services
- Artificial intelligence

While these investments are not automatically excluded, they would require thorough analysis and special attention if New Alpha decided to continue in the investment process.

Preliminary document

During the first stage of the investment process, the teams will ensure that the targeted company aligns with their investment thesis, exclusion policy, and watchlist. The identity and quality of the founders and current investors, their potential involvement in controversies or sanctions, as well as understanding regulatory requirements, are also key points of analysis.

The term sheet will include key ESG aspects: a pre-investment and annual ESG assessment by a third party; the founder's commitment to advancing ESG practices in their company; regular ESG review and reporting; and a commitment to implement a 100-day action plan.

After the term sheet is finalized

After the contract is signed, the target company will undergo an independent evaluation of its current ESG practices by a third party.

The assessment covers 60 different indicators, covering various E, S, and G themes, such as:

In terms of carbon footprint, energy consumption, water and waste management

Work conditions, health and safety measures, and equal opportunities are important.

Governing bodies, business management

The obtained score places the company in relation to a benchmark of French technology companies with less than 300 employees. The result is communicated to investors at least once a year. Investors are also promptly contacted in case of a specific event.

This assessment will also help identify areas for improvement, which will inform the ESG component of the 100-day action plan.

Detention period

During the detention period, New Alpha will control the following aspects:

Sustainability measures: the company's carbon footprint, gender equality in leadership teams, and the number of stable jobs created.

Achieving sustainable development goals: appointing a sustainable development manager at the management level, publishing a sustainability report, ensuring a work-life balance, conducting a GDPR audit, performing a cybersecurity test, and developing a digital sobriety policy.

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[6]. The evaluation is carried out by *Ethifinance*.

New Alpha will provide an annual report at the company and portfolio level on the E, S, and G scores, as well as on the annual progress made since the investment.

Voting/Participation

New Alpha's direct investment team is committed to raising awareness among the leaders of the companies in which the fund is a minority shareholder, in order to promote best ESG practices. The teams will work with partners to structure the companies' ESG approach, facilitate the sharing of experiences among different portfolio companies, vote in favor of improving ESG practices, and in case of confirmed significant controversy, they will be proactive and transparent with LPs.

New Alpha will exercise its voting rights on behalf of its funds at the ordinary, extraordinary, and mixed general meetings held by the portfolio companies. New Alpha will represent the interests of its investors through a formal vote, either in person or by proxy.

New Alpha's venture capital investment team also participates in the supervisory bodies of most portfolio companies, in accordance with the provisions of applicable shareholders' agreements. They play an active and ongoing role in the governance of these companies, using their business and sector expertise to promote the interests of the fund's investors and the interests of the company in question.

Exit Period

During the exit period, New Alpha can show the progress of the fund's companies in terms of ESG, based on the KPIs tracked during the investment period and the dialogues held with the company's management.

7. Current Topics

Biodiversity

New Alpha acknowledges that biodiversity erosion poses major risks, just like climate change. The financial sector needs to redirect financial flows towards companies that reduce negative pressure on biodiversity, consume natural resources responsibly, and contribute to the regeneration of ecosystems, habitats, and species.

As a company and investor, New Alpha is committed to upholding the biodiversity goals established in the Convention on Biological Diversity, ratified on June 5, 1992, and more recently, those approved at the United Nations Conference on Biodiversity, COP15, in December 2022.

New Alpha currently has 4 objectives:

- Improving one's knowledge and understanding of biodiversity concepts and methodologies.
    - Through internal training and keeping up with regulations, publications, and advancements in the asset management sector.
- Engaging with the underlying asset managers to develop their biodiversity approaches.

- As a long-term partner, New Alpha encourages and supports asset managers in developing their approach and policy on biodiversity. Currently, for our listed equity mandates, we are analyzing whether asset managers have implemented a biodiversity policy, or exclusion policies related to it, and if they report biodiversity indicators in their portfolio. New Alpha has added biodiversity as a category in its ESG questionnaires and included it in its ESG rating process.

- Assessing the materiality, impact on biodiversity, and dependencies of portfolios
  - While standardized measures and reporting frameworks on biodiversity are being developed, New Alpha closely monitors the ecosystem and engages with portfolio managers on this issue. Morningstar/Sustainalytics are also used to monitor the percentage of companies with a negative impact on biodiversity-sensitive areas (PAI 7), exposure to pesticides, palm oil, GMOs, or leather, and to determine if portfolio companies have been involved in biodiversity-related controversies.

- Collaborating with like-minded investors
  - In early 2024, New Alpha joined the PRI's Spring initiative, which aims to generate positive outcomes for nature through stewardship, to collaborate with other initiative members to define a common approach.