Sustainability Risk Policy ("SFDR")

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New Alpha Asset Management, société par actions simplifiée au capital de 2 435 540 €
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NEW ALPHA
ASSET MANAGEMENT

Article 3 - Sustainability Risk Policy

The EU Regulation (EU) 2019/2088 of 27 November 2019 on the publication of information related to sustainable finance in the financial services sector, as amended ("SFDR"), governs transparency requirements related to integrating sustainability risks into investment decisions, considering negative effects on sustainable development, and publishing ESG information, as well as publishing information related to sustainable development.

1. Identifying sustainability risks

The concept of sustainability risk refers to the occurrence of an ESG event or condition that could have a significant negative impact on the value of the underlying investment of a fund managed by New Alpha Asset Management, as well as on stakeholders or the environment in terms of double materiality.

Sustainability risks can either (i) pose a risk in themselves, or (ii) have an impact on other risks and consequently significantly contribute to risks such as market risks, operational risks, liquidity risks, or counterparty risks. Sustainability risks can impact long-term risk-adjusted returns for investors.

NewAlpha Asset Management has identified the following ESG risks as material for its portfolios:

Governance-related risks

The main risks associated with governance are:

- Risk of non-compliance
- Reputational risks

The most likely events that could pose a reputational or non-compliance risk for the funds could be related to the failure to implement monitoring measures for issuers/companies, such as corruption or money laundering & terrorism financing, unsustainable social or societal practices, and/or governance of any of the issuers held in our funds.

Financial assets risks

When it comes to financial assets, funds promoting non-financial characteristics are monitored for two types of risks.

<u>ESG risks</u>

ESG criteria are non-financial criteria used to assess a company's approach to social and sustainable responsibility in its internal operations and activities. These criteria are a way to evaluate the ethical concern of the leaders in managing their business and to assess the associated long-term risks. For each pillar, E, S, G, different criteria are taken into account to evaluate the practices of companies and the associated risks.

- Environmental: Concerns about physical and transition risks in the climate field (air pollution, carbon intensity, greenhouse gas emissions, etc.), impact on habitat, resources (water, natural disasters, etc.) and biodiversity.
- Social: Questions about rights, the well-being of populations, and the management of human resources within companies...
- Corporate Governance (issuers): Concerns about company strategy, creating value for shareholders, corporate culture, balance of power, ...

Climate risk

When it comes to climate, NewAlpha AM identifies two types of risks:

- Physical risks result from direct damage caused by weather events, affecting the value chain (e.g. logistics) and the value of assets (e.g. operating expenses and infrastructure).
- The risks of transition related to the effects of implementing a low-carbon economic model. In order to avoid the decrease in asset value, it is necessary to identify long-term opportunities and align with low-carbon trajectories.

Assessing sustainability risks is complex and can be based on ESG data that is difficult to obtain and incomplete, estimated to be outdated, or otherwise materially inaccurate. Even when identified, there is no guarantee that this data will be properly evaluated.

To analyze these risks, NewAlpha relies on:

- The information provided by the underlying managers (ESG reports and policies, responses to the ESG questionnaire from NewAlpha).
- When available for the relevant asset class, data from Morningstar is used.

2. Managing sustainability risks in the investment process

New Alpha Asset Management incorporates sustainability risks and opportunities into its research, analysis, and investment decision-making process to enhance its ability to manage risks more comprehensively and generate sustainable long-term returns for investors.

As part of its multi-management activity, NewAlpha AM incorporates sustainability risks and opportunities into its analysis and investment process through an extra-financial analysis and ESG scoring using an internally developed methodology (the ESG Scorecard). NewAlpha AM primarily analyzes managers' internal rules, the indicators used, and the controversy monitoring process.

As part of Private Equity, an external non-financial audit is conducted annually for each investment.

When it comes to climate risk, NewAlpha AM incorporates these risks into its investment decisions using a qualitative approach. NewAlpha AM analyzes the underlying managers' exclusion policies, the climate indicators used, the alignment of temperatures or climate trajectories implemented, and the tools for evaluating climate risk.

However, in order to limit the climate risk, NewAlpha AM has implemented an exclusion policy targeting sectors that are most likely to be responsible for environmental liability risks. This policy includes a gradual phase-out plan for fossil fuels and raising awareness among selected external managers to adopt an active engagement policy on the scope of fossil fuels. The selected managers engage in regular dialogue with the companies in their portfolio to:

- Encouraging these companies to publish their "carbon" data;
- Encouraging them to commit to reducing their greenhouse gas emissions.

For more information about how New Alpha Asset Management includes ESG criteria in its investment policy, its ESG policy, climate and responsible strategy report, and engagement and exclusion policy, you can visit the company's website at the following address: https://www.newalpha.com/societe/#engagement.