



NBG AM Luxembourg

# Sustainability Risk Policy

Policy implementing the requirements of Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector to take account of sustainability risks

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# 1. Introduction

## 1.1 Definitions

| Abbreviation                        | Definition  |
|-------------------------------------|---|
| <b>Board of Directors</b>           | The board of Directors of NBG AM Luxembourg.  |
| <b>Executive Committee</b>          | The management committee of NBG AM Luxembourg made of the Conducting Officers that is responsible of managing NBG AM Luxembourg on a day-to-day basis.  |
| <b>Delegate</b>                     | Any third party entity (belonging to the same group of companies or not) that performs an activity on the behalf of NBG Asset Management Luxembourg.  |
| <b>Sustainable Investment</b>       | An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. |
| <b>Financial Market Participant</b> | An investment firm which provides portfolio management.   |
| <b>Sustainability Factors</b>       | The environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.   |
| <b>Sustainability Risk</b>          | The environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.  |



## 1.2 The Management Company

NBG Asset Management Luxembourg, S.A (also named “NBG AM Luxembourg” or “the ManCo”) is a public limited company (*Société Anonyme*) authorised by the Luxembourg supervisory authority Commission de Surveillance du Secteur Financier (hereinafter “CSSF”) pursuant to chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment as amended from time to time (*loi concernant les organismes de placement collectif*) (the “2010 Law”) which implemented into the Luxembourg law (i) the Directive 2009/65/EC of the Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to UCITS, as amended from time to time (the “Directive 2009/65/EC”) and (ii) the implementation measures of the Directive 2009/65/EC. The ManCo is a subsidiary of National Bank of Greece S.A. (NBG S.A.).

NBG AM Luxembourg is committed to conducting its business in accordance with applicable laws and regulations, and in a way which protects its reputation in the market. It is crucial that each employee shares in this commitment.

This Policy has been developed with respect to NBG AM Luxembourg activities as Management Company for investment funds.

## 1.3 Legal framework

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter “SFDR”) was published and entered into force on 10 March 2021. The main objective of the SFDR is to create transparency on how sustainability risks are taken into account in the management of investment funds. These transparency requirements apply to both the NBG AM Luxembourg and the managed investment funds.

## 2. Purpose of the policy

This policy describes how the NBG AM Luxembourg manages sustainability risks that may arise during the management of the investment funds as required by article 3 SFDR:

- ex-ante, as part of the investment decision-making process; and
- ex-post, as part of the ongoing monitoring.

The NBG AM Luxembourg is aware of the potential impact that sustainability risks may have on the managed investment funds. The procedure described in this guideline for the integration of sustainability risks as part of the investment decision-making process and the ongoing consideration of these risks also serves to document the fulfilment of the extended fiduciary duties of the NBG AM Luxembourg towards the investors of the managed investment funds in accordance with the SFDR.

## 3. Regulatory framework

### 3.1 Definition of the SFDR

According to article 2 (22) SFDR sustainability risk means an environmental, social or governance (hereinafter “ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.



### 3.1.1 Interaction with traditional risk categories

The UCI Law is based on the relevant European Directives (i.e. UCITS Directive,) and further supplement by delegated regulations. These regulatory requirements also define the relevant risk categories to be considered by the NBG AM Luxembourg for the managed investment funds, namely (i) market risk, (ii) liquidity risk, (iii) counterparty risk, (iv) credit risk and (v) operational risk. Sustainability risk does not currently form a separate risk category and is introduced as an additional element by the SFDR. The NBG AM Luxembourg is considering sustainability risk as an individual risk category.

### 3.1.2 Relationship with "Principal adverse impacts"

Article 4 of the SFDR establishes the principle of "Principal adverse impacts" (hereinafter "PAIs") of investment decisions on sustainability factors. Sustainability factors are relevant risk indicators that can manifest themselves as sustainability risks. The consideration of PAIs is specifically relevant for investment funds that are following a sustainable investment strategy. The NBG AM Luxembourg's handling of PAIs in accordance with the requirements of article 4 of the SFDR is disclosed separately on the website.

## 3.2 Requirements of the SFDR relevant for this policy

The SFDR imposes transparency requirements on the NBG AM Luxembourg and the Investment Fund Manager in connection with sustainability risks. The transparency requirements require that both the NBG AM Luxembourg and the managed investment funds describe how sustainability risks are considered and integrated within the investment decision-making process.

|                        | Summary of requirements   | Level             | Implementation   |
|------------------------|---|-------------------|--|
| <b>Art. 3 (1) SFDR</b> | Description how the sustainability risks are integrated in the investment decision-making process.  | NBG AM Luxembourg | Description in this policy taking into consideration article 6 (1) SFDR  |
| <b>Art. 6 (1) SFDR</b> | <p>Description in pre-contractual disclosures with respect to</p> <ul style="list-style-type: none"> <li>(i) The manner in which sustainability risks are integrated into the investment decisions; and</li> <li>(ii) The results of the assessments of the likely impacts of sustainability risks on the managed investment funds.</li> </ul> <p>Where sustainability risks are not deemed relevant, the pre-contractual disclosures shall include a clear and concise explanation of the reasons thereof.</p> | Investment funds  | Principle description in the pre-contractual disclosures of the respective investment fund, how sustainability risks are taken into consideration within the investment decision-making process. |



## 4. Integration in the investment decision-making process

### 4.1 Organisational setup of the portfolio management function

The NBG AM Luxembourg is in principle responsible for exercising the portfolio management function for the managed investment funds. The exercise of the portfolio management function of the investment funds can in principle be structured as follows:

- the portfolio management function is performed by the Company itself (with/without the involvement of an investment advisor) ;
- the portfolio management function is delegated to a qualified third party.

NBG AM Luxembourg has systematically delegated the portfolio management function for the managed investment funds.

The following principles are relevant irrespective of which portfolio management setup is relevant for the individual investment funds:

- The NBG AM Luxembourg is aware of the potentially significant impact that sustainability risks can have on the managed investment funds and considers sustainability risks to be relevant in principle for all managed investment funds – regardless of the setup of the portfolio management function in the managed investment funds;
- the sustainability risks deemed relevant are integrated in the investment decision-making process, taking into account the disclosures in the pre-contractual information of the respective investment fund pursuant to article 6 (1) SFDR and the (potential) qualification of the respective investment fund pursuant to article 8 or 9 SFDR;
- sustainability risks can be assessed both qualitatively and quantitatively;
- the risk management function for all managed investment funds is always performed by the Company itself, thus ensuring the ongoing monitoring of the sustainability risks of the managed investment funds (cf. section 6).

#### 4.1.1 Integration in the investment decision-making process in case the portfolio management function is delegated

The NBG AM Luxembourg may delegate the portfolio management function to qualified third parties. In the event of delegation, the delegated portfolio manager shall be responsible for the investment decision-making process and the consideration of sustainability risks. Sustainability risks deemed relevant shall be integrated within the investment decision process, considering the disclosures in the prospectus of the investment fund pursuant to article 6 (1) SFDR and the qualification of the investment fund pursuant to article 8 or 9 SFDR.

NBG AM Luxembourg has delegated the portfolio management of all funds to another group affiliate NBG Asset Management M.F.M.C. NBG Asset Management M.F.M.C. is a signatory of the UN Principles of Responsible Investing (PRI) as of January 2020. Further a dedicated ESG policy has been prepared to ensure appropriate implementation of the requirements of the SFDR.

The NBG AM Luxembourg is required by law to monitor the quality of the services provided by a delegated portfolio manager on an ongoing basis. In order to fulfil its obligations, the NBG AM Luxembourg has implemented an appropriate process to verify that the investment decisions made by a delegated portfolio manager comply with regulatory and legal requirements.

The NBG AM Luxembourg will assess the integration of sustainability risks in the investment decision-making process as part of the (periodic) due diligence and ongoing monitoring of the delegated portfolio manager.



## 4.2 Integration in the investment decision-making process as required by the SFDR

In accordance with the requirements of article 6 (1) SFDR of the SFDR, each investment fund must disclose in the pre-contractual information whether and how ("comply or explain") sustainability risks are considered in the investment decision-making process.

An investment fund that meets the requirements of article 8 or 9 SFDR shall disclose in the pre-contractual information the binding ESG/sustainability criteria used in the investment decision-making process (e.g. exclusion of certain sectors/practices ("negative screening"), integration of ESG ratings, proportion of sustainable investments in accordance with the legal definition of article 2 (17) SFDR) ensuring the appropriate consideration of sustainability risks.

## 4.3 Integration in the investment decision-making process and the consideration of sustainability factors

The objective of the portfolio manager's consideration of sustainability risks is to identify the occurrence of these risks as early as possible and to take appropriate measures to minimise the impact on the affected assets or the overall portfolio of the investment fund, as sustainability risks can have a negative impact on the value or price of an asset of the investment fund.

Sustainability factors are relevant risk indicators that can manifest themselves as sustainability risks. The sustainability factors that can be responsible for a negative impact on the return of the investment fund are divided into environmental, social and corporate governance aspects. While environmental aspects include, for example, climate protection, social aspects include, for example, the consideration of internationally recognised labour law requirements. Corporate governance aspects include, for example, the consideration of anti-corruption and anti-bribery requirements as well as data protection.

The specific sustainability factors that are considered may vary between investment funds, as they depend on the respective investment strategy.

The impact of sustainability factors on an investment fund (asset, portfolio) is monitored throughout the life cycle of the investment and may therefore lead to the divestment of certain investments in the event of an increase in the sustainability risk of a specific investment or the investment fund's portfolio.

# 5. Ongoing monitoring

The ongoing monitoring of sustainability risks is ensured by the NBG AM Luxembourg by integrating the identified sustainability risks into the risk profiles of the managed investment funds by considering relevant sustainability risk indicators/factors.

The identification and selection of the relevant sustainability risk indicators/factors and their application to the investment fund and individual investments is in principle influenced by the following elements:

- Investment strategy of the investment fund (e.g. sector, geography);
- disclosure on the consideration of sustainability risks in the pre-contractual information pursuant to article 6 (1) SFDR;
- classification of the investment fund as "non-sustainable", Art. 8 or 9 according to SFDR;
- availability of adequate data and information (quantitative, qualitative).

The definition of the tolerated limits of the identified relevant sustainability risk indicators/factors is considering the overall risk classification of the respective investment fund. The risk profiles and escalation levels and measures are discussed by the risk management function of the NBG AM Luxembourg with the portfolio manager. The risk management function is responsible for the ongoing monitoring of compliance with the limits defined in the risk profile.





## 5.1 Ongoing monitoring & escalation

As described in section 5, the risk management function is responsible for the continuous monitoring of compliance with the limits defined in the risk profile of the respective investment funds. If these limits are reached and/or exceeded, the risk management function has in principle the following responsibilities:

- Escalation within the risk management function to the responsible risk manager and decision as to whether ad-hoc information is to be provided to the Conducting Officer responsible for the risk management function;
- escalation of reaching and/or exceeding the limit(s) to the portfolio manager;
- agreeing on a plan (measures, timing) to return the sustainability risk indicators/factors within the limits set in the risk profile;
- monitoring of the effective reduction of the sustainability risk indicators/factors within the limits defined in the risk profile;
- documentation and consideration in the reporting of the respective investment fund.

## 6. Reporting

The risk management function of the NBG AM Luxembourg reports periodically to the Executive Committee and the Board of Directors on the overall risk exposure of the investment funds based on the results of the risk categories as defined in the risk profile.

## 7. Policy review and update

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of the NBG AM Luxembourg, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary. Any change need to be reviewed by the Executive Committee and approved by the Board of Directors. Such approval will be documented in written minutes of the Board of Directors and kept available at the register office of NBG AM Luxembourg.