

## **Wealth Management: Taxonomy Disclosure for Investment Services<sup>1</sup>**

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The European Taxonomy Regulation (EU Regulation 2020/852) is an EU-wide classification system which provides a common language to identify whether or not a given economic activity should be considered “environmentally sustainable” (the “**Taxonomy Regulation**”). The EU taxonomy is an EU’s sustainable finance framework and an important market transparency tool. It helps direct investments to the economic activities most needed for the transition, in line with the European Green Deal objectives. The main aim of the Taxonomy Regulation is to help investors making conscious, environmental-friendly choices, promote investments into sustainable products and at the same time, reduce the risk of greenwashing.

The EU taxonomy allows financial and non-financial companies to share a common definition of economic activities that can be considered environmentally sustainable. The Taxonomy Regulation is integrated into 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 (SFDR)<sup>2</sup> and specifically for the Investment Services<sup>1</sup> as noted in the Wealth Management Division’s ‘**Sustainability Risk Policy for Investment Services**’, available at Bank’s website at <https://www.eurobank.com.cy/en-us/laws-regulations/mifid>. Related information is also included in the MiFID Information Package and periodic reports applicable from time to time (also available, at Bank’s website at <https://www.eurobank.com.cy/en-us/laws-regulations/mifid>) – it is noted that Wealth Management provides information on the minimum alignment to the Taxonomy Regulation conditions.

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The Taxonomy states that only activities which substantially contribute to one or more of the environmental objectives should be defined as being environmentally sustainable.

<sup>1</sup> ‘Investment Services’, is defined in the ‘General Terms for Investment Services’ available at Bank’s website at <https://www.eurobank.com.cy/en-us/laws-regulations/mifid>

<sup>2</sup> **SFDR**: 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 EU Taxonomy specifies six (6) environmentally sustainable objectives:

- climate change mitigation
- climate change adaptation
- protecting marine and water resources
- transitioning to a circular economy
- preventing pollution
- protecting or restoring biodiversity and ecosystems

For the purposes of establishing the degree to which an investment is environmentally sustainable, an economic activity shall qualify as environmentally sustainable where that economic activity:

- contributes substantially to one or more of six (6) environmental objectives
- does not significantly harm any of the environmental objectives
- is carried out in compliance with the minimum safeguards such as social and labour criteria
- complies with technical screening criteria for determining “Substantial contribution” and “Do No Significant Harm” (DNSH)

As notified in the Wealth Management Division’s **“Sustainable Risk Policy for Investment Services”**, if the client elects SFDR Art.8 or Art.9 products, both products must disclose minimum sustainable investments which are shown in detail in the product disclosure, presented in the reports as a minimum percentage of Taxonomy Regulation alignment. The classification provides transparency on environmental performance and supports investors in making decisions on their future investments.

The Division considered the sustainability integration methods under **Investment Advice (non-independent) service** offered by the Division by using Taxonomy classification provided by third party data providers (such as Bloomberg and MorningStar Direct). It is clarified that the Taxonomy Regulation classification used by the Division when offering the aforesaid Investment Advice service is based on Sustainability Preferences collected via Sustainability questionnaires from Clients and is reflected into the internal processes developed by the Division. 1 ‘Investment Services’, is defined in the ‘General Terms for Investment Services’ available at Bank’s website at <https://www.eurobank.com.cy/en-us/laws-regulations/mifid>

<sup>2</sup> **SDFR**: 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.

Additional information per specific mandates (based on client's tailor-made solutions) can be found in the Investment Advisory Agreement with clients as valid from time to time.

At this stage the Division takes into consideration bonds that are Taxonomy compliant (using, inter alia, relevant "Green Instrument Indicator" from data providers, which refers to bonds specifically earmarked to raise funds for projects/activities that qualify as environmentally sustainable. These instruments are also known as "climate bonds" and such other products that are assessed by the Bank in its capacity as financial instruments products distributor and/or as may be requested by the client.

For more information, please conduct your Relationship Manager or refer to Wealth Management Division's **'Sustainability Risk Policy in Investment Services'** under the following link: <https://www.eurobank.com.cy/en-us/laws-regulations/mifid>

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