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Wealth Management Division of Eurobank Cyprus – 'Sustainability Risk Policy in Investment Services'

Last updated: 1/1/2024

Comments on changes made on this policy:

Policy updating	Comments
March 2021	Original issue
January 2024	Changes mainly refer to: • Principal Adverse Impacts (PAIs) clauses updating, which are being considered as from 1/1/2023, whilst previously it was explained that they were not taken into consideration. • Other general changes for clarifying further the contents of this policy.

General Information and Purpose - **Sustainable Finance Disclosure Regulation (SFDR) disclosure**

This Sustainability Risk Policy outlines the approach of Wealth Management's Division (the "Division") of Eurobank Cyprus (the "Bank") in identifying and managing sustainability risk in the Investment Services[1] offered by the Division to its Clients, subject to the Sustainable Finance Disclosure Regulation (**SFDR**[2]) and other related regulatory and legislative requirements, as noted in the related MIFID Information Package - available at Bank's website at https://www.eurobank.com.cy/en-us/laws-regulations/mifid.

Sustainability Risk is defined under the SFDR as "*an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment*". Consequently, it is concerned with the risk that the value of an investment could have a material negative impact as a result of such events/conditions (e.g. environmental or social conditions).

[1] 'Investment Services', is defined in the 'General Terms for Investment Services' available at Bank's website at ttps://www.eurobank.com.cy/en-us/laws-regulations/mifid

[2] **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.

Sustainability Risk effectively refers to **e**nvironmental, **s**ocial and **g**overnance events or conditions (hereinafter '**ESG Factors'**). Some examples of such ESG risk factors are the following:

- **Environmental (E):** Pollution, climate change risk/opportunities, Ecosystem change, Unsustainable practices, Environmental remediation, Carbon Emissions (measurement and reporting, Resource depletion, Energy resources, etc.
- **Social (S):** These relate to human rights and risks in operating unethical and illegal working conditions – e.g. Data security and governance, Social cohesion and stability, Child and slave labour, Product safety, Health and safety practices, etc.
- **Governance (G):** includes transparency and integrity concerning, inter alia, Remuneration, Tax, Bribery and Corruption, lack of appropriate board oversight, etc.

The **objective** of this Policy, is for the Division to describe how it integrates certain ESG Factors within its investment services processes, and how it considers sustainability risks in investment decisions and advisory processes, providing relevant disclosures to clients (including appropriate periodic reporting where applicable), and where applicable ensuring the marketing of certain financial products is performed transparently and in line with the ESG regime for the Investment Services.

Due to the expected regulatory updates and respective internal actions, this Policy is to be reviewed and updated periodically.

Policy Statements

The Division's approach in methodologies that could be utilised to manage Sustainability Risk include, inter alia:

- the overview of the integration of Sustainability Risk in processes by Senior Management.
- the managing of sustainability risks set by the Investment Committee for the 'investment advice' service offered by the Division, subject to this policy.
- the incorporation of Sustainability Risk in Division's reports and in other internal assessments.
- the timely implementation of arrangements for conducting the SFDR reporting requirements.

The Bank has mechanisms in place, which are gradually being enhanced, implementing new/revised policies (as applicable), integrating the relevant sustainability risks.

ESG Factors are considered and integrated, where applicable, into the investment advice service (as described under section A below) via the due diligence conducted on relevant products (such as funds), using tools/methodologies of external rating companies. Although the Bank has not fully integrated sustainability risks into its investment decision-making for 'portfolio management service', offered via its affiliate company Eurobank Asset Management M.F.M.C, further actions for enhancements in progress are described under section B below.

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Overview of Division's methodologies on the integration sustainability risks on offering Investment Services[3]-:

It is noted that portfolio-based decisions of the Division for offered Investment Services are considered as these portfolios are built/offered from time to time, considering and integrating certain ESG factors as applicable from time to time. The matching of Client's ESG preference is conducted by the Division based on the pre-agreed with Client portfolio mandates or guidelines at portfolio level, based on the Client's declared answers to ESG preferences via questionnaires collected by the Division (following discussions with the Client) and subject to the applicable terms and agreements under the service offered. **It is noted that the Division may include certain financial instruments with ESG characteristics or objectives in Clients' portfolios, even if Clients declare that they do not have ESG preferences.**

Mitigation of other risks:

It is noted that the Division is dependent upon information received by third parties (external rating companies) when assessing the ESG criteria on relevant products or portfolios, therefore, the Division is reviewing the ESG frameworks of such third parties (taking into account new developments). Furthermore, the Division has already arranged the relevant training of its staff (and will continue such training based on new ESG developments) and monitoring of its own staff activities.

Remuneration policy:

The Bank's Remuneration Policy (which is followed by the Division) promotes sound and effective risk management and is consistent with the objectives of the Bank's business and risk strategy, corporate culture and values, risk culture including with regard to management risks and ESG Factors, long term interests of the Bank and the measures used to avoid conflicts of interest and should not encourage excessive risk-taking on behalf of the Bank. Changes to such objectives and measures are taken into account when updating the Bank's Remuneration Policy. The Bank ensures that remuneration practices are aligned with the overall Bank risk appetite, taking into account all risks, including reputational risks and risks resulting from the mis-selling of products. The Bank also takes into account the long-term interests of its shareholders. Currently, the Bank's Remuneration Policy is not linked to specific sustainability performance indicators, however the Bank may introduce such elements in the future.

[3] 'Investment Services', as defined under the 'General Terms for Investment Services' available at Bank's website at https://www.eurobank.com.cy/en-us/laws-regulations/mifid

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For further information on Division's investment services and products please refer to the MiFID Information Package at Bank's website, available at https://www.eurobank.com.cy/en-us/laws-regulations/mifid

Principle Adverse Impacts (PAIs) disclosure: Sustainability Impacts Note

The Bank takes into account adverse impacts of its investment decisions, considering sustainability factors for Investment Services, as described under the Division's **'PAIs Framework for Investment Services'** (available for downloading at https://www.eurobank.com.cy/en-us/laws-regulations/mifid). Some of the likely impacts to be addressed and monitored by the Bank in conjunction with the relevant regulatory updates or guidelines include the fact that the sustainability risks are complex, they are based on ESG data which is not standardized yet and there is a potential impact of ESG criteria on the performance (i.e. ESG focus investing may perform differently than non-ESG focus investing). Another potential impact that needs to be addressed is that the sustainability risks may not correspond directly to the own ethical views of investors.

The reference period for this first PAI Statement is 1st January 2023 to 31st December 2023 (the "Reference Period") and the results will be disclosed by the end of June 2024.

This Policy captures the following Investment Services offered by the Division : **(A)** Investment Advice and **(B)** Portfolio Management.

A. Investment Advice service:

The Division uses the following main approaches for its Investment Advice Strategies in its Investment Advice process:

- ESG related exclusions: Negative/exclusion screening and norms-based screening. That is, exclusion of instruments based on certain ESG-related activities, business practices or business segments (such as excluding instruments related to gambling, weapons, alcohol, fossil fuels that are not in transition etc.).
- ESG integration: Consideration of related ESG- Factors (via pre-selected ESG indicators of external rating companies) based on its internal procedures, alongside traditional financial factors, when making investment proposals.

The ESG Factors that are taken into consideration may include, inter alia, overall ESG rating based on external rating companies' models, Low Carbon Designations, SFDR Article 9 & Article 8 products (as described in below table: SFDR Financial Product Disclosure) and also as explained in the ESG Explanatory Document (a document provided separately to Clients who declare ESG Preferences) . Also, other ESG Factors that may be applicable include if the investee companies are signatories to responsible business codes and standards (such as 'UN Global Compact' signatories – relevant link: https://unglobalcompact.org/).

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B. Portfolio Management service:

The Bank's Portfolio Management services as defined under the MiFID Information Package and the 'General Discretionary Asset Management Terms' available at Bank's website at https://www.eurobank.com.cy/en-us/laws-regulations/mifid, are offered by the Bank in collaboration with its affiliate company Eurobank Asset Management MFMC (member of Eurobank Group), licensed by the Hellenic Capital Market Commission (License number: 79/5/09.07.1996, 6/600/11.10.2011 & 8/695/15.10.2014 (http://www.eurobankam.gr).

The Division uses mainly model-based portfolios, where investment decisions are taken at portfolio level. Due to the nature of Bank's discretionary mandate, the offering is based on providing model-based or tailor-made solutions to our Clients via Bank's affiliate company Eurobank Asset Management M.F.M.C and specific information can be found in the Discretionary Asset Management Agreement with the Client. Furthermore, information on financial products (portfolios) under discretionary portfolio management service can also be found in Eurobank Asset Management M.F.M.C's information document '**Integration of Responsible Investment Policy into Discretionary Portfolios Management Service (DPMS)'** (under **APPENDIX 1** hereto), where the SFDR Article 6, 8 & 9 products listed therein (as may be updated from time to time) are mapped as follows with the below Table 1 "**Eurobank Cyprus - Division's SFDR financial product portfolio"**:

SFDR Article 6	**Traditional investment approach**
SFDR Article 8	**Sustainable investment approach**
SFDR Article 9	**Impact investment approach**

Sustainable investing activities, including the approach to identify and address principal adverse impacts (PAIs) and the screening of products is undertaken by such asset managers, on our behalf, based on the regulatory requirements and on their related '**Responsible Investment Policy' of Eurobank Asset Management M.F.M.C** (which is available for downloading at https://www.eurobankam.gr/en/esg via the link politiki-kindinon-viosimotitas (1).pdf). The noted policy incorporates Eurobank Asset Management M.F.M.C methodologies, being ESG Integrated, Best In Class, Best In Class Plus and Sustainable Investing.

The Division works closely with **Eurobank Asset Management M.F.M.C**, particularly in respect of their policies and methodologies relating to integration of ESG factors on the aforesaid services offered by the Division, whilst applying the Division's respective SFDR financial product categorisation as further noted in below table "**Eurobank Cyprus - Division's SFDR financial product portfolio"**.

The Bank's offering at this stage under model-based portfolio management service, via Eurobank Asset Management M.F.M.C, comprises only of Article 6 SFDR products (being categorized under the 'Traditional Investment approach' per Table 1 below) and therefore it is currently collaborating with its aforesaid affiliate company for the offering of model-based solutions under the 'sustainable investment approach'. In this respect, further update is to be made on this policy accordingly, as per expected developments on this matter.

SFDR Financial Product Disclosure - under Article 10 of the SFDR

Further to the 'Policy Statements' noted above in this Policy, as per **SFDR**, three (3) ways are considered if to integrate ESG in a portfolio, as follows:

1. A product (portfolio) can have **no ESG factors/characteristics integrated or have limited characteristics** to the integration of sustainability risks. In SFDR terms, the portfolio could be referred to as an "**Article 6 product**".
2. A product can incorporate ESG Factors in various levels into the management of the portfolio, that is it can be considered as a financial product (portfolio) which has ESG characteristics. In SFDR terms, the portfolio could be referred to as an "**Article 8 product**".
3. A portfolio could have a specific sustainable investment objective. For example, a product therein could be investing in companies that have a focus on sustainable products or services, or that have a target on greenhouse gas emissions or a combination thereof. In SFDR terms the said portfolio is referred to as an "**Article 9 product**".

The SFDR product (i.e. portfolio) disclosure is reflected into the internal processes developed by the Bank, which incorporate information in scope of Article 8 and Article 9 of the SFDR. Additional information per specific mandates (based on client's tailor-made solutions) can be found in the specific agreements with clients.

For more information, please contact your Relationship Manager.

TABLE 1: Eurobank Cyprus – Division's SFDR financial product portfolio disclosure

Traditional Activities that do not meet SFDR art. 8&9 criteria	Responsible & Sustainable SFDR art.8: 'promotes specific ESG characteristics'	Impact SFDR art. 9: 'has sustainable objectives'
Traditional investment approach In the traditional investment approach ESG characteristics are neither integrated nor	**Sustainable investment approach*** With the sustainable investment approach, the Bank wants to promote investments in companies that demonstrate ethical business conduct with regard to the environment and society by only selecting companies that demonstrate sustainable conduct and preferably provide sustainable products and services.	**Impact investment approach** The impact investment approach aims to find solutions to the problems caused by undesirable behavior and activities by only investing in companies with sustainable activities.

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	promoted. • **Please note that the investments underlying this financial product <u>do not take into account</u> the EU criteria for environmentally sustainable economic activities.**	a) Further to paragraph A above, to measure how the characteristics promoted are attained, specifically for the case of Investment Advice service, the Bank: • has in place its exclusion list: excluding companies with activities in gambling, weapons, alcohol, fossil fuels that are not in transition. • takes stricter stance with regard to sustainable conduct of companies, by incorporating only companies that are measured with: - Morningstar Sustainability Rating: High (globe 5) by Sustainalytics or - Morningstar Sustainability Rating: High (globe 4) <u>and</u> Low Carbon Designation by Sustainalytics. b) Relevant information regarding discretionary management portfolios is included under paragraph B above. ***Please note that the 'sustainable investment approach' <u>does not have sustainable investments as its objective.</u>** • **The "do not harm principle" applies only to those investments underlying the financial product to take into account the EU criteria for environmentally sustainable economic activities.**	a) Further to paragraph A above, to measure how the characteristics promoted are attained, specifically for the case of Investment Advice service, the Bank uses all environmental and social indicators that are used in the sustainable investment approach. On top of that, the Bank looks at the percentage of sustainable revenue measured by Sustainalytics (to be approved by the Wealth Management Investment Committee). b) Relevant information regarding discretionary management portfolios is included under paragraph B above. • **Please note that this product <u>will also do no significant harm</u> to the indicators reported in the Adverse Sustainability Impacts Statement.**

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APPENDIX 1

Information on financial products (portfolios) under discretionary portfolio management service per 'Eurobank Asset Management M.F.M.C's' information document: '**Integration of Responsible Investment Policy into Discretionary Portfolios Management Service (DPMS)'**

EUROBANK
Asset Management
MFMC

Integration of Responsible Investment Policy into Discretionary Portfolios Management Service (DPMS)

EUROBANK ASSET MANAGEMENT M.F.M.C.

Introduction

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") aims to harmonize rules for Financial Market Participants ("FMPs") and Financial Advisers ("FAs") on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability related information with respect to financial products.

Eurobank Cyprus Ltd ("the Bank") has outsourced portfolio management services to Eurobank Asset Management M.F.M.C., which is the investment arm of the Eurobank Group. Thus, due diligence, research and investment decision processes when selecting or recommending financial instruments are conducted based on the applicable policies of Eurobank Asset Management M.F.M.C.

Eurobank Asset Management M.F.M.C. was the first asset management company in Greece to join the global Principles for Responsible Investment (PRI) initiative.

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Responsible Investment Policy Overview

The Responsible Investment Policy (herein under the "Policy") specifies Eurobank Asset Management M.F.M.C. (herein under the "the Company") efforts to integrate Environmental Social Governance (ESG) information / criteria into the investment processes, and outlines the foundation, ownership, and oversight mechanisms which supports Company's approach. ESG integration is the practice of incorporating material ESG information / criteria into the investment process with the objective of improving financial outcomes and /or mitigate risks over the long-term for Portfolios under management.

According to the Policy the Company integrates ESG factors into the investment process. In particular, the ESG analysis includes the assessment of environmental criteria (e.g. emissions of greenhouse gases, exposure to fossil fuel and water emissions) at the level of the Portfolios' investments. Moreover, integration of ESG factors allows for a more holistic approach to value creation for all stakeholders and assists in identifying reputational risks that may negatively affect investee companies / funds.

The Company has delineated specific procedures for selecting and monitoring financial instruments in order to consider sustainability risks within the investment process, integrating material ESG criteria into traditional financial valuation framework regarding investments. The specific sustainability factors considered may vary, as they depend on the specific investment strategy followed by each Portfolio. The Company's Responsible Investment Policy is available at: www.eurobankam.gr

The below table summarizes the offered by the Bank Discretionary Portfolio Management Service strategies (DPMS strategies / Portfolios) per SFDR category:

TABLE A

nbr	Strategy Name	SFDR art. 6	SFDR art. 8 (ESG characteristics)	SFDR art. 9 (Sustainable investments)
1	DAM EUR Defensive	✔		
2	DAM USD Defensive	✔		
3	DAM EUR Flexible	✔		
4	DAM USD Flexible	✔		
5	DAM EUR Dynamic	✔		
6	DAM USD Dynamic	✔		