Eurobank Cyprus Ltd
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# SFDR Financial Product Classification

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**SFDR financial product (ie. portfolio) disclosures – investment advice service**

As per the Sustainable Finance Disclosure Regulation (**SFDR**[1]) the 3 distinguished ways to integrate ESG in a portfolio are as follows:

1. A product (portfolio) can have **no ESG characteristics** integrated or have limited characteristics to the integration of sustainability risks.
2. A product can incorporate ESG 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, therefore the portfolio is referred to as an "**Article 8 product**".
3. A portfolio could have a specific sustainable investment objective. This means, for example, that the product 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**".

In the 'Sustainability Risk Policy in Investment Services' you can find a description of how sustainability risks are addressed and what tools are used to manage them. At this stage, the Bank explains the reasons why at this stage it does **not** consider adverse impacts of investment decisions on sustainability factors *(a relevant update of this disclosure is to be available once these are to be taken into account)*. It is noted, that completely avoiding sustainability risks and negative impacts on sustainability factors is impossible, as investors cannot determine the behavior of the companies they are invested in, but only have limited influence on these.

This document provides insights on the manner in which the Bank uses the sustainability integration methods under investment advice service, for each ESG investment approach. The SFDR product (i.e. portfolio) classification is reflected into an internal classification system developed by the Bank, which incorporates the following classification criteria/information in scope of Art.8 and Art. 9 of the SFDR. Additional information per specific mandates (based on client's tailor-made solutions) can be found in the advisory agreements with clients.

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

[1] **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

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**SFDR financial product (ie. portfolio) classification**

| 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**<br><br>In the traditional investment approach ESG characteristics are neither integrated nor promoted.<br><br>• **Please note that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.** | **Sustainable investment approach***<br><br>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.<br><br>To measure how the characteristics promoted are attained, the Bank:<br>• has in place its exclusion list: excluding companies with activities in gambling, weapons, alcohol, fossil fuels that are not in transition.<br>• takes stricter stance with regard to sustainable conduct of companies, by incorporating only companies that are measured with:<br>- Morningstar Sustainability Rating: High (globe 5) by Sustainalytics or<br>- Morningstar Sustainability Rating: High (globe 4) and Low Carbon Designation by Sustainalytics<br><br>***Please note that the sustainable investment approach does not have sustainable investments as its objective.**<br><br>• **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.** | **Impact investment approach**<br><br>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.<br><br>To measure how the characteristics promoted are attained, the Bank uses all environmental and social indicators that are used in the sustainable investment approach.<br><br>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).<br><br>• **Please note that this product will also do no significant harm to the indicators reported in the Adverse Sustainability Impacts Statement.** |

Please see the section 'Bank's policies on the integration of sustainability risks in the investment decision-making process' (under the following link: https://www.eurobank.com.cy/en-us/laws-regulations/mifid), which describes the Sustainability integration tools and the different actions /thresholds the Bank uses when constructing its portfolios.