# Environmental, Social and Governance (ESG) Promotion Policy

# 1. Introduction

The information contained in this document, together with the information on Environmental, Social and Governance (ESG) issues detailed in our Sustainable Risk Policy, allows us to be transparent with all our stakeholders.

With this ESG Promotion Policy (Article 10 of EU Regulation on Sustainable Finance Disclosure Regulation (SFDR)), EFG provides information on:

- The description of the environmental or social characteristics;
- The methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product;
- The data sources, the criteria for selecting the assets underlying the products and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product.

For the avoidance of doubt, none of the following information is intended to suggest that EFG complies with the Principal Adverse Impact (PAI) Statement.

In particular, the document provides information on how EFG considers and tries to minimize the negative effect of its investments in relation to climate and environment, social and employee issues, respect for human rights and anti-corruption and anti-bribery.

This policy outlines the measures we are taking to live up to our responsibilities today and illustrates our ongoing commitment to be transparent, responsible and good corporate citizens.

In this document EFG defines the attribution of responsibility for the implementation of the policy within the organizational strategies and procedures; the description of the methodologies to assess each major adverse impact and, specifically, how these methodologies take into account the probability of occurrence and the severity of the adverse impacts, including their potentially irreversible nature and the explanation of any margin of error associated with such methodologies.

EFG believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. As such EFG is also committed to consider the externalities produced by companies and investments on the environment and society. An improved control will reward long-term, responsible investment and benefit the environment and Society as a whole. EFG already applies this additional analysis to most of its equity funds and plans to expand this approach further.

ESG activities of EFG are conducted in collaboration with EFG Asset management (EFGAM).

The financial products classified Article 8 SFDR do not consider EU criteria for environmentally sustainable economic activities, and they do not incorporate the “*do not significant harm principle*” (“DNSH”) as defined in the Taxonomy Regulation.

# 2. Approach to sustainability

Currently even if EFG considers the impact of externalities in the management of product promoting Environmental and Social (E&S) characteristics (see below), **EFG decided to opt-out to PAI reporting (please see PAI Opt-out document). However, EFG reserves the right to change its position in the future.**

### 2.1 The internal and external sources used by EFG to monitor the negative externalities of its investment decisions.

The following process describes the EFG approach to assess ESG and manage discretionary mandates.

ESG integration refers to the inclusion of ESG and sustainability risks and opportunities in traditional financial analysis and investment decisions based on a systematic process. This is key to us as we believe these aspects are needed in order to achieve a well-founded investment decision. While the availability and quality of data in the ESG domain is still below the standard EFG would like to see, EFG uses various internal and external sources to obtain a more complete assessment. In addition to internal analysis EFG uses Refinitiv, RepRisk and CDP (Data Providers) data and other are under discussion. These data play a central role when it comes to implementing a sustainable investment policy as they are used to:

- Assess ESG risks companies are exposed to;
- Evaluate negative externalities;
- Drive engagement activities with invested companies;
- Monitor our risks in the sustainability field;
- Report to stakeholders.

EFG is aware that the set of data that exist worldwide is definitely suboptimal due to many reasons:

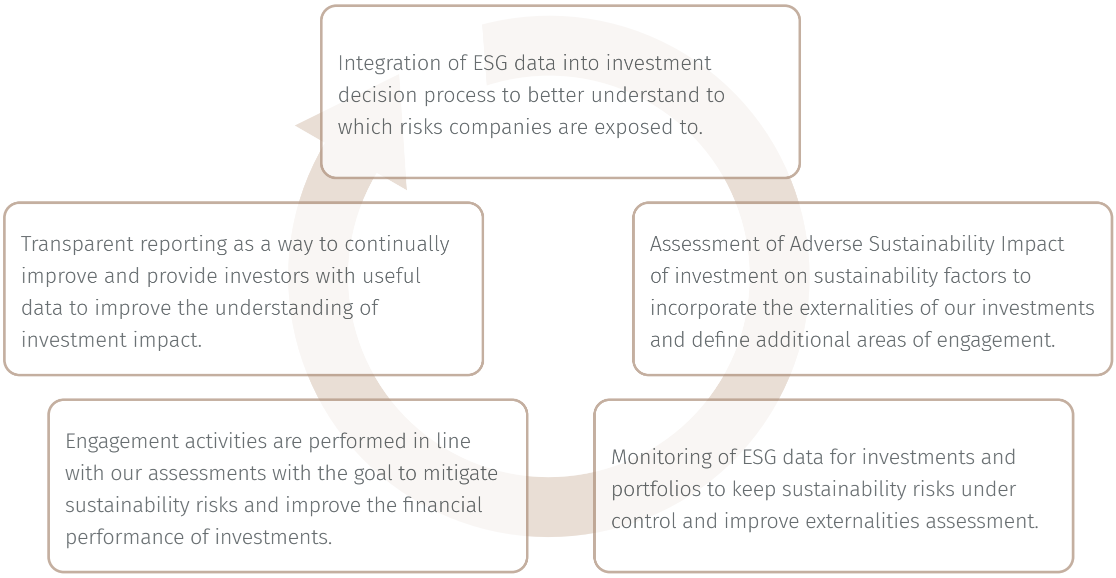
- Lack of coherent reporting standard among countries and companies;
- Unclear data publication pattern by companies;
- Weak reporting practices in many countries, particularly the emerging ones;
- Errors and misalignment in data reported by companies;
- Errors in data reported by data providers .

EFG is committed to manage these issues in an optimal way and therefore applies the best due diligence possible through specific additional analysis through website or documents checking and requests to companies for increased transparency. Feedback and amendments are integrated into our Global Responsible Investing Platform (GRIP) system and considered for the final rating calculation.

### 2.2 EFG Investment process and integration of negative externalities

As part of the process, it should be ensured that relevant ESG risks and opportunities are included into the investment analysis and can therefore influence decision. While the integration of ESG factors into our investment process is a necessary first step, it can’t be the only one.

### EFG Sustainable Investment Strategy




As explained in our Sustainability Risk statement (which can be found at www.cy.efgl.com/sfdr) the integration of ESG data into our investment process is done with the objective of gaining a better understanding of invested companies and better capture their set of risk/opportunities. The prioritization of these risks follows the assessment highlighted in our GRIP methodology that is based on a different set of priorities for different industries.

With respect to Article 8 products, this is always done with the aim of pairing the financial dimension with environmental and social consideration so to obtain improved performance and positive environmental and social returns when compared to traditional investments.

EFG understands that sustainability risks are multifaceted and that the relationship between companies and sustainability factors works in both directions:

- On the one hand companies and investments in general might be impacted by risk arsing from sustainability factors: the impact can be direct through e.g., wildfires, water scarcity or hurricanes or indirect through change in regulation or consumer behaviour. This is what we call “inward” looking risk or sustainability risk integration.
- On the other hand, investments can also create negative externalities for the society and the environment (e.g. CO2 emissions). This is what we call “outward” looking risk or promotion of environmental and social charachteristics.

#### 2.2.1 Promotion of Environmental and social characteristics.

The outward looking risks are often, but not always, the other face of the sustainability risk: e.g. a company can be exposed to risk arising from change in Greenhouse Gas (GHG) regulation as a consequence of being a significant CO2 emitter.

The EFG checklist used for the assessment of Sustainability Risk can be further exploited as a tool to embark in engagement activities promoting better environmental and social practices.

This checklist focuses on the following topics:

- Corporate Governance.
- Greenhouse gas emissions.
- Energy performance.
- Biodiversity.
- Water & Waste.
- Social and employee matters.

Companies that completely fail in any of the above-mentioned areas and that we deem to be in breach of the UN Global Compact principles are removed from our investable universe or engaged with.

Finally, EFG decided not to invest in companies with a coal share of revenues that is above 30% and that have no plan to reduce it, nor mitigating action in place. This decision is on the one hand a consequence of the higher risk these companies bear and on the other hand a consequence of our climate commitment.

#### 2.2.2 Engagement

To deal with sustainability risks and with the adverse impact of its investment decisions EFG delegated EFGAM to engage with invested companies on a broad set of issues that require discussions with the management of target companies. These discussions can even include strategy, operational performance or acquisition and divestment strategy to name a few. A more detailed explanation of EFGAM engagement policy is available here: https://www.efgam.com/doc/jcr:4a94f2fc-9275-4de8-bd3b-c6078dcca01a/lang:en/Engagement%20Policy.pdf

#### 2.2.3 Transparent reporting

For EFG, transparency in reporting is an important vehicle for generating trust among its target audience. By publishing the information, EFG enhances the value of all its activities its internal stakeholders, highlighting what elements of sustainability are relevant to it.

EFG has adopted several ways to ensure this transparency and keep its clients informed, by providing information on EFGAM web page that goes beyond the legal requirements.

## 3. Description of the environmental or social characteristics of the products

Consistently with the objectives highlighted in the introduction of this ESG Promotion Policy and with the processes described insofar, the Special Mandates in scope generally promote a comprehensive and 360°-degree approach to sustainability, focusing on different indicators and key performance indicators (KPIs) obtained with our GRIP tool. In addition to what is already established in 2.2.1 the following Special Mandates promote E&S characteristics through the following additional measures:

#### 3.1.1 Special Mandates: Dynamic Equity Europe, Dynamic Equity Income UK, Dynamic Equity Income Europe, Dynamic Equity Income US, Dynamic Equity UK, Dynamic Equity US, Global Equity Conviction

Integration of ESG scores with significant weight into algorithms defining the attractiveness of the investments, meaning a bad ESG rating can remove any attractiveness from any investments. As a consequence of this approach companies with higher ESG ratings will show, *ceteris paribus*, higher return potential.

#### 3.1.2 Special Mandates: Future Leaders

Additional exclusion of companies involved in activities such as gambling, tobacco, weapons (when the activity is >5% of revenues).

$CO_2$ emissions targeting with the aim of staying below 50% of their benchmark.

#### 3.1.3 Bespoke mandates

On client request EFG can offer art. 8 aligned bespoke mandates.

## 4. Additional information

If you are interested in one of our Article 8 SFDR focused products, we would be happy to tell you more. Please contact your Client Relationship Officer for more information.

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