

Principal Adverse Impact (PAI) Statement

Explanation on Principal Adverse Impact (PAI)
opt-out decision

Introduction

The Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019) requires EFG to make a “comply or explain” decision whether to consider the Principal Adverse Impact (“PAI”) of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR.

PAIs are described as impacts that result, or might result, in negative effects on sustainability factors, such as social and employee matters, respect for human rights, anti-corruption or anti-bribery matters.

Opt-out on PAIs decision

EFG has opted not to comply with that regime, both generally and in relation to Investments products.

EFG has carefully evaluated the requirements of the PAI regime in Article 4 of the SFDR, and in the draft regulatory technical standards which were published in April 2020 and the final report in February 2021 (the “PAI Statement”). On the one hand, EFG is supportive of the policy aims of the PAI regime to improve transparency to clients, but on the other hand EFG is aware that, considering the scale of its activities and the types of products, it would be challenging to comply with the specific regime of the SFDR.

EFG also believes that some of its investment strategies cannot currently support the adoption of the PAI regime, as these strategies involve underlying securities or products where it is impossible to conduct a detailed due diligence on the adverse sustainability impact.

Finally, EFG is concerned about the current lack of readily available data to comply with the reporting requirements of the PAI Statement as companies and market data providers are not yet ready to make all necessary data available. EFG will at least on an annual basis revisit its decision not to comply with the PAI regime and reserves the right to change its position in the future.

Sustainable Investment approach

Despite EFG’s decision not to comply with the PAI regime and as part of its overall commitment to ESG matters, EFG has implemented positive ESG-related initiatives and policies. Our ESG Promotion Policy is available on our website at: www.cy.efgl.com/sfdr.

EFG Cyprus Limited
23 John Kennedy Avenue
Globe House
1075 Nicosia, Cyprus
Phone: +357 22 025 900
www.cy.efgl.com

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