

## Responsible Investment Policy

### **Responsible Unit:**

Investment & Corporate Strategy

**Purpose:** Description of the integration of Environmental Social Governance (ESG) information into the investment processes according the Regulations (EU) 2019/2088 and (EU) 2020/852 on sustainability-related disclosures in the financial services sector and on the establishment of a framework to facilitate sustainable investment.

**Έκδοση:** 1.0

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## 1. Introduction

### 1.1 Purpose

This Responsible Investment Policy (herein under the “Policy”) specifies Eurobank Asset Management MFMC (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 UCITS, AIFs, and portfolios (herein under “the Portfolios”) under management.

The Policy is in line with the requirements set by Regulations (EU) 2019/2088, (EU)2019/852 and (EU) 2022/1288 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector as well as the Company’s commitment to the six Principles for Responsible Investment (PRI):

- **Principle 1:** *We will incorporate ESG issues into investment analysis and decision-making processes.*
- **Principle 2:** *We will be active owners and incorporate ESG issues into our ownership policies and practices.*
- **Principle 3:** *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
- **Principle 4:** *We will promote acceptance and implementation of the Principles within the investment industry.*
- **Principle 5:** *We will work together to enhance our effectiveness in implementing the Principles.*
- **Principle 6:** *We will each report on our activities and progress towards implementing the Principles.*

## 2. Description

### 2.1 Responsible Investment Policy Approach

The Policy applies across all Company’s investment teams and to all actively managed Portfolios. It does not apply to passive strategies whose primary objective is to replicate the composition and performance of underlying indices.

### 2.2 Definition of Sustainability Risks

Sustainability risk, in the context of investment risk, means an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments.

Sustainability risks that the Company considers may differ for each portfolio, and include but are not limited to the following:

#### 2.2.1 Environmental Risk

Environmental Risk derives from exposure to issuers that may potentially be contributing to or being affected by climate change (e.g. Green-House gases, i.e. CO<sub>2</sub> and others) but also environmental degradation (e.g. air

pollution, water pollution, scarcity of fresh water, land contamination, loss of biodiversity or damage to ecosystems) and/or depletion of natural resources. Environmental risk may have a material negative impact on the value of an investment due to asset impairment, loss of productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

## **2.2.2 Social Risk**

Social Risk derives from exposure to issuers that may potentially be negatively impacted by social factors including human rights violations, poor labor practices, damages to public health, data privacy breaches, or increased inequalities. Social risk may have a material negative impact on the value of an investment due to asset impairment, loss of productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

## **2.2.3 Governance Risk**

Governance Risk derives from the exposure to issuers that may potentially be negatively impacted by poor corporate governance. For corporate entities (companies), faulty boards, inadequate remuneration structures, abuses of minority shareholders or bondholders' rights, deficient controls, aggressive tax planning and accounting practices, or lack of business ethics. For countries, governance risk may include governmental instability, bribery and corruption, privacy breaches and lack of judicial independence. Governance risk may negatively affect the value of investments due to poor strategic decisions, conflicts of interest, reputational damages, increased liabilities or loss of investor confidence.

## **2.3 Transmission channels of ESG risks**

The above-mentioned risks are mainly transmitted through the following channels: transition, physical, litigation.

### **2.3.1 Transition Risk**

Transition Risk derives from the premise that the world is transitioning to a more sustainable i.e., low-carbon economy.

Transition risk may stem from several factors, including increased costs and/or limitation of greenhouse gas emissions, requirements regarding energy efficiency, reduction in demand for fossil fuel or shift to alternative energy sources, due to changes in policy, regulation, technology or market demand. Transition risk may have a material negative impact on the value of an investment due to asset impairment, loss of revenues or by increasing liabilities, capital expenditures, operating and financing costs.

### **2.3.2 Physical Risk**

Physical Risk derives from exposure to issuers that may potentially be negatively impacted by the material consequences of climate change. Acute risks resulting from extreme weather events such as storms, floods, droughts, heatwaves or fires and chronic risks resulting from gradual changes in the climate, such as changing rainfall patterns, rising sea levels, ocean acidification, and biodiversity loss are included in physical risk. Physical risk may have a material negative impact on the value of an investment due to asset impairment, loss of productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

### **2.3.3 Litigation Risk**

Litigation Risk derives from exposure to issuers that may potentially be negatively impacted by the technologies used, changes in legislation and/or class action lawsuits that could result in significant regulatory and policy changes substantially changing the operating environment for certain industries. Litigation risk may have a material negative impact on the value of an investment due to asset impairment, loss of productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

## **2.4 Integrating Sustainability Risk in the Investment Process**

### **2.4.1 The integration of sustainability risks - principles**

The Company integrates Environmental, Social and Governance (ESG) factors in the investment process based on the premise that the omission of these factors can have a negative contribution to the long-term financial outcomes of the Portfolios under management. In addition, ESG integration aims at promoting sustainable economic and social development. 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.

The Company has delineated specific procedures for selecting and monitoring financial instruments according to Principle 1 of the PRI and in-line with the requirements of Regulation (EU) 2019/2088 in order to consider sustainability risks within the investment process, integrating material ESG criteria into traditional financial valuation framework regarding investments.

The adoption of sustainable strategies is based on the core tenets of responsible investment as outlined in the 6 PRI principles and can be integrated into the investment process and adapted based on the various types of financial instruments as well as management strategies.

#### **2.4.2 Principle Adverse Impacts (PAIs) consideration – Entity Level (in accordance with art. 4(1) of EU Regulation 2019/2088)**

The Company carefully assessed the requirements of the PAI regime under Article 4 of the SFDR and opted to not consider the adverse impacts of investment decisions on sustainability factors at entity level. If the Company considers PAI on a product level it will clearly disclose how it considers PAI in its product specific disclosures. While the Company supports the policy goals of the PAI regime to improve transparency to clients, the Company is cognizant of the fact that, given the scale of its activities and the types of products, it would be a challenge to comply with the specific regime of the SFDR. The Company also believes that certain of its investment strategies cannot presently support the adoption of the PAI regime, as it is difficult to ascertain the adverse sustainability impact of the underlying securities or products involved in these strategies. Lastly, as companies and market data providers are not yet ready to make all necessary data available, it is challenging for the Company to comply with the reporting requirements of the PAI statement. The Company reserves the right to reassess its position in the future.

#### **2.4.3 Principle Adverse Impacts (PAIs) consideration – Product / Services Level**

The Company may consider principal adverse impacts on its investment decisions on sustainability factors through the ESG assessment screening strategies in effect for products and / or services. The relevant information may be found in the precontractual documents factsheet of the specific product / service.

#### **2.4.4 Key features of Company's Sustainable Investment Strategies**

| INVESTMENT STRATEGY       | INVESTMENT PROCESS                                                                                                                                                                                                                                                                                                                                                                                          | EXCLUSIONS | ACTIVE OWNERSHIP | SFDR CLASSIFICATION |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|---------------------|
| <b>ESG Integrated</b>     | Integration of ESG metrics in the analysis, selection and composition of managed portfolios. Securities of issuers with high sustainability risks and/or principal adverse impacts may be purchased and retained in the portfolio.                                                                                                                                                                          | Level 1    | Yes              | Art.6               |
| <b>Best in Class</b>      | Preferences towards securities with low or medium sustainability risks and/or decreases the weight of securities with high sustainability risks, as defined by ESG scores, without excluding entire industries. <i>(subject to Level 1 excl.)</i>                                                                                                                                                           | Level 1    | Yes              | Art. 8              |
| <b>Best in Class Plus</b> | Seeks to invest in securities of issuers with low sustainability risks compared to their peers within the respective industry/sector while <ul style="list-style-type: none"> <li>• Excluding those with high sustainability risks (ESG risk classified as “severe”)</li> <li>• In addition, a negative screen is used to exclude the 20% worst ESG scoring stocks from the investable universe.</li> </ul> | Level 2    | Yes              | Art.8               |

|                              |                                                                                                                                                                                                                                                                                                           |         |     |               |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----|---------------|
| <b>Sustainable Investing</b> | Seeks to invest mainly in issuers that contribute in making a positive environmental and/or social impact, as measured by third party ESG vendors, UN SDG contribution and PAI consideration and address.<br><br>In addition, the <b>Best in Class Plus</b> process as above is applied in this strategy. | Level 3 | Yes | Art.8 & Art.9 |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----|---------------|

#### 2.4.5 Company Exclusions based on Controversial Activities and Revenue Thresholds

| ACTIVITY                                                                                                        | LEVEL 1                         | LEVEL 2 | LEVEL 3 |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|---------|---------|
| <b>FOSSIL FUELS</b>                                                                                             |                                 |         |         |
| Thermal Coal exposure                                                                                           | >30%                            | >30%    | >30%    |
| Thermal Coal Power Generation                                                                                   | -                               | >30%    | >30%    |
| Oil & Gas Production                                                                                            | -                               | -       | >30%    |
| Oil Sands Extraction                                                                                            | -                               | >30%    | >20%    |
| Shale Energy Extraction                                                                                         | -                               | >30%    | >20%    |
| Off-shore Arctic Oil & Gas Exploration                                                                          | -                               | >20%    | >20%    |
| <b>WEAPONS</b>                                                                                                  |                                 |         |         |
| Production of Controversial Weapons (i.e. chemical and biological weapons, incendiary weapons, nuclear weapons) | >0% (through indirect holdings) | >0%     | >0%     |
| Small Arms Civilian Customers (Assault Weapons)                                                                 | -                               | >10%    | >10%    |



## 2.4.6 Exclusions for Investments in UCITS and/or other UCIs

The Company applies the same principles and exclusion criteria when investing in units of UCITS and/or other UCIs including ETFs with some exceptions.

For all its portfolios' investments, the Company applies the same Exclusions based on Controversial Activities and Revenue Thresholds, directly or indirectly in the target UCITS/UCIs that together comprise at least:

- a) 90% of the total AUM for strategies that apply Level 2 exclusions or above and
- b) 50% of the total AUM for strategies that apply only Level 1 exclusions.

For all purposes, investments in UCITS/UCIs including ETFs that have a maximum 5% reported Involvement in Controversial Weapons may be acceptable, for various reasons including data ambiguity. Data ambiguity may arise from different evaluation, perception and/or definition of such activities from different data sources/providers.

## 2.4.7 Company Exclusions based on breaches of International Norms

### Company Exclusions:

| Criteria                                                                                                                                   | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|
| Companies in severe breach of UN Global Compact Principles on human rights, labor standards, environmental protection and anti-corruption. | No      | Yes     | Yes     |

### Country Exclusions:

| Criteria                                                                                                            | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---------------------------------------------------------------------------------------------------------------------|---------|---------|---------|
| Countries subject to hard sanctions by Switzerland, the European Union and the US Office of Foreign Assets Control. | Yes     | Yes     | Yes     |

## 2.5 Corporate Engagement

In accordance with Principle 2 of the six Principles for Responsible Investing (PRI), Eurobank Asset Management is committed to being active owners and incorporating ESG issues into its ownership policies and practices.

Active ownership relates to how we exercise our stewardship responsibilities through mechanisms such as engagement with current or potential investee companies and through exercising our voting rights at shareholder meetings. In accordance with our fiduciary duty, as responsible asset managers, we actively engage with investee companies through constructive dialogue on all aspects of the business including ESG issues.

We aim via active ownership to reduce risks and encourage improvement in ESG practices and performance where they are material to long-term shareholder value creation. We believe this is essential to deliver improved long-term returns for investors, as well as better, where possible, more sustainable outcomes for society.

The European Fund and Asset Management Association (EFAMA) has issued a “Stewardship code” aimed at providing a series of best practices for asset managers to be followed when they engage with the companies in which they invest on behalf of its clients. At Eurobank Asset Management we support the principles of the EFAMA Stewardship Code.

The principles are designed to enhance the quality of dialogue with companies and help asset managers create value for their clients by dealing effectively with concerns over a company’s performance. We seek to have regular and continuing dialogue with executives and board directors on key corporate governance issues such as board composition and the election of independent directors, together with executive remuneration, business strategy and its execution, risk management and environmental and social concerns.

Engagement is a powerful mechanism as it provides us with the opportunity to improve our understanding of the business risks and opportunities that are material to the investee companies. Further, engagement helps generate and disseminate knowledge about ESG issues, future trends, and the limitations of current practices. Engagement entails meeting with company management and may be supplemented by informal site visits and ad hoc calls.

When ranking companies for engagement, we consider:

- Extent of exposure to material ESG risks and opportunities, and in what way that is managed
  - Severity of ESG controversies and the companies' response
  - Size of holding and/or strategic importance. (i.e., significant holding over 1% of a company's share capital for the aggregate assets under management and/or significant holding over 5% of a mutual fund's assets).
- We may engage in cooperation initiatives with other institutional investors. This procedure may augment our influence, enhance our expertise and improve efficiency of the engagement process. Each collaboration is assessed for relevance, credibility and any regulatory implications, including acting in concert.

In our engagement process, a third-party data provider may assist us in addressing issues arising from companies' filings on ESG issues. The third party may also look at significant deviations from international norms and standards such as the UN Global Compact.

If we are not satisfied with the outcome, we may escalate our engagement. This could mean involving Board of Directors, voting against management at company meetings, or supporting shareholder resolutions initiated by third parties. Ultimately, if the escalation channels have been exhausted and we are still not satisfied that appropriate steps have been taken to address material ESG issues, we may reduce or divest our holding.

In applying our engagement policy, we consider the principal international and domestic standards. Specifically, these include:

- The United Nations Principles for Responsible Investment
- The United Nations Global Compact Principles
- The OECD Principles of Corporate Governance
- The United Nations Sustainable Development Goals (UN SDGs)
- The European Fund and Asset Management Association (EFAMA) Stewardship code
- The Hellenic Corporate Governance Code, June 2021

## **2.6 Governance & Implementation**

The Company has formulated an ESG Committee. The ESG Committee's role is to provide guidance and oversight for the gradual integration of ESG issues in investment decision making across all asset classes (equity, fixed income and funds). The ESG Committee convenes every quarter, and its minutes are communicated to all executives and employees. The role of the ESG Committee also includes the monitoring of the evolving ESG regulatory framework, the best practices of asset managers in the domestic, European and international market, the capacity building of the Company's employees on sustainability risks and responsible investing and upholding the Company's commitments to the PRI.

The Company has also appointed a designated ESG Officer at a Board level with the accountability of ESG performance at the entity and product level. The ESG Officer, subject to approval by the ESG Committee and the Board, is also responsible for the introduction and implementation of policies, procedures and templates for identifying, managing and monitoring ESG risks in investee entities and that these policies are up-to-date and implemented across the Company.

The Company also promotes regular ESG training to all its employees according their functions. Further Company's executives participate in capacity building programs on the integration of sustainability risks into the investment process.

The present Policy is being reviewed annually by the respective stakeholders and / or ad hoc in case there are regulatory changes as the market developments of the sustainable finance landscape are constantly evolving.

## **2.7 Reporting & Transparency**

The Company is a signatory to the PRI since September 2018, and publishes an Annual PRI Transparency Report disclosing publicly its responsible investment activities each year. The Company's PRI Transparency Report is available to all interested stakeholders at the PRI Public Signatory Reports Database. Further, the Company publicly discloses the implementation of this Policy through the periodic regulatory reports.

The Policy is in line with the Eurobank Group's ESG & Sustainability Strategy as the Company is a member of the Eurobank Group.

The Eurobank Group:

- is a Signatory to the 10 principles of the UN Global Compact
- endorses GRI-Standards (publishes annual Group sustainability report)
- is a Signatory of the UNEP Finance Initiative (FI) Principles for Responsible Banking (PRB)
- is a Member of the Committee on Sustainable Development of the Hellenic Bank Association
- is a Member of the European Commission Expert Panel on Energy Efficiency Financing (EEF) in the Energy Efficiency Financial Institutions Group (EEFIG), and
- is supporter of the UN Sustainable Development Goals.

### 3 Terminology

|           |                                                                                                                                 |
|-----------|---------------------------------------------------------------------------------------------------------------------------------|
| UCITS     | Undetakings for Collective Investment in Transferable Securities                                                                |
| AIFs      | Alternative Investment Funds                                                                                                    |
| Portfolio | Collection of investments or financial assets held by an individual, an investment company, financial institution or hedge fund |
| UCIs      | Undertaking collective investment schemes                                                                                       |
| ESG       | Environmental, Social and Governance                                                                                            |
| ETFs      | Exchange-traded funds                                                                                                           |
| AUM       | Assets under management                                                                                                         |
| UNEP      | United Nations Environment Programme                                                                                            |