

ESG Promotion Policy

1. Introduction

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

With this ESG Promotion Policy (art.10 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 EFGAM complies with the PAI (Principal Adverse Impact) Statement.

In particular, the document provides information on how EFGAM 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 EFGAM 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.

EFGAM believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. As such EFGAM 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. EFGAM already applies this additional analysis to most of its equity funds and plans to expand this approach further.

2. Approach to sustainability

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

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

The following process describes the EFGAM approach to assess ESG and manage funds.

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 EFGAM would like to see, EFGAM uses various internal and external sources to obtain a more complete assessment. In addition to internal analysis EFGAM 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.

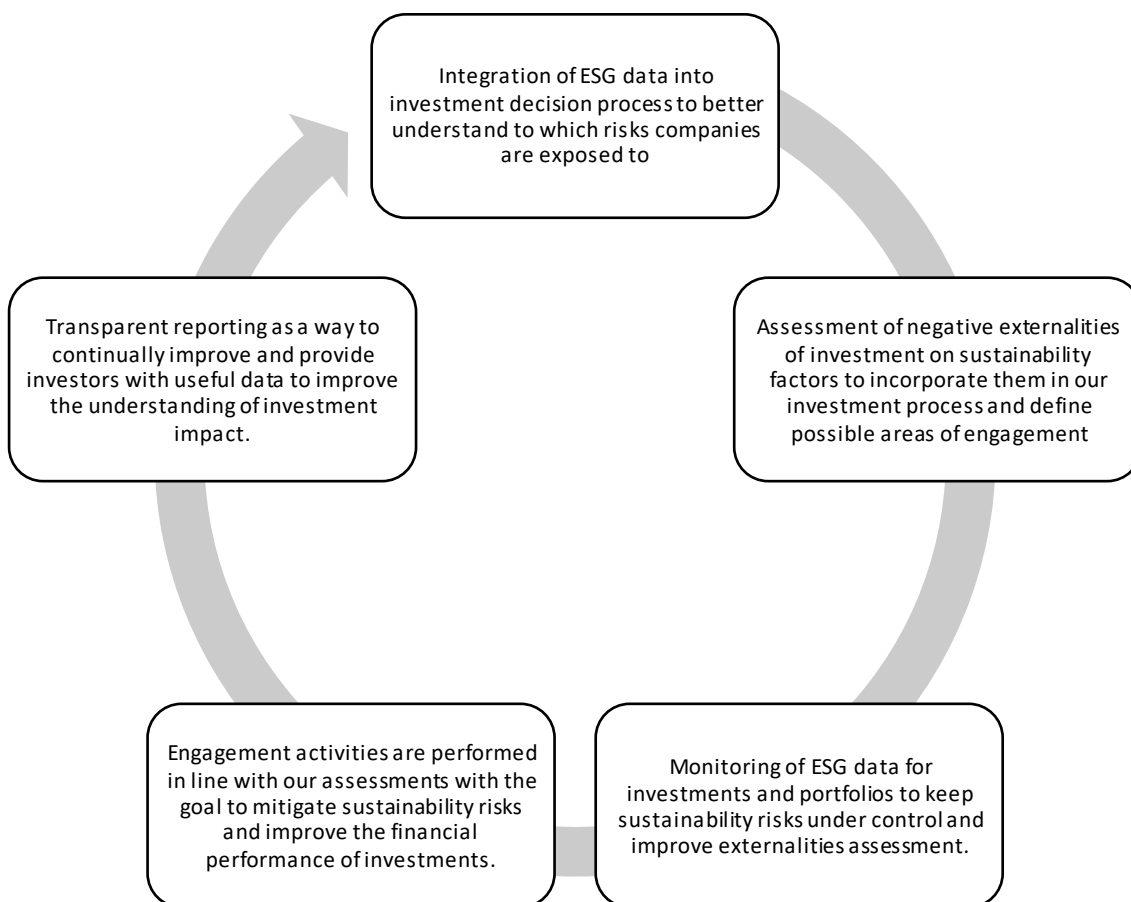
EFGAM is aware that the set of data that exist worldwide is definitely suboptimal due to many reasons:

- 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.

EFGAM 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 GRIP (Global Responsible Investing Platform) system and considered for the final rating calculation.

2.2 EFGAM 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.



EFGAM Sustainable investment strategy.

As explained in our sustainability risk policy (<https://www.efgam.com/doc/jcr:ad037eea-468c-4196-a593-d13d4c9fc76d/lang:en/Sustainability%20Risk%20Integration%20Policy.pdf>) 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 art. 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.

EFGAM 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 arising 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 characteristics.

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: i.e. a company can be exposed to risk arising from change in GHG (Greenhouse Gas) regulation as a consequence of being a significant CO2 emitter.

The EFGAM 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 Monitoring

Effective implementation of a sustainable investment policy requires continuous monitoring of the process and of invested companies. This is not only a key part of the investment process but also forms a principal component of engagement activities as a weak result in one indicator can drive the start of an engagement process.

Besides the daily monitoring of holdings done by Portfolio Managers, on a quarterly basis EFGAM produces internal analysis on the different NC funds that are shared with Fund Managers and reported to the New Capital Risk Committee.

2.2.3 Engagement

To deal with sustainability risks and with the adverse impact of its investment decisions EFGAM engages 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>

2.2.4 Voting

Coherently with its belief EFGAM adopted a Climate Voting policy that is used by our proxy voting provider and that further promotes environmental awareness and pressure companies to be more transparent and better integrate climate risks.

2.2.5 Transparent reporting

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

EFGAM has adopted several ways to ensure this transparency and keep its clients informed, 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, EFGAM and New Capital funds generally promote a comprehensive and 360° degree approach to sustainability, focusing on different indicators and KPIs (Key Performance Indicators) measured with our GRIP tool.

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 EFGAM manager enquiries@efgam.com for more information.