



Policy for the Integration of
Sustainability Risks in the Investment-
Decision and the Financial Advice
Process and Consideration of Principal
Adverse Impacts of Investment
Decisions and Advice on Sustainability
Factors
(SFDR Policy)

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1. The Sustainability Background of Piraeus Group

Global challenges, commitments, and initiatives such as the United Nations Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change, and the EU commitment to a climate-neutral continent by 2050 (Green Deal), now call for the integration of sustainability risks in the investment decision and financial advice process as well as, where applicable, the assessment of the adverse impacts on sustainability and sustainable investment objectives in the investment decision-making process. In 2022, the United Nations Biodiversity Conference (COP15) ended up with a landmark agreement to guide global action on nature through to 2030 (Global Biodiversity Framework), bringing a new field of risk and opportunities into the investment space.

In response to this challenging landscape, Piraeus Financial Holdings Group (hereafter "Piraeus Group") has set sustainable development as a strategic goal in banking and investments. It focuses on supporting SDGs to promote renewable energy, to protect biodiversity and to contribute to climate change mitigation by assessing different scenarios based on physical and transition risks. Additionally, it has established a set of basic guidelines on human rights.

Piraeus Financial Holdings (hereafter "PFH") is a signatory to the UN Global Compact; sets targets according to Paris Climate Agreement; supports the SDGs; is a member of the United Nations Environment Programme Finance Initiative (UNEP FI) and founding signatory of the UN Principles for Responsible Banking (PRB); has signed the Women's Empowerment Principles (WEPs) and the UN Commitment for Financial Health and Inclusion; has sustainability policies in place and a sustainable finance framework; has a robust

Environment, Social and Governance (ESG) structure led by the Board Ethics and ESG Committee, the Board Risk Committee, and the

ESG and Corporate Responsibility Committee at the management level; and discloses ESG performance (TCFD, PRB, Impact Assessment, CDP, annual sustainability report, sustainability ratings, etc). Additionally, Piraeus Asset Management and Iolcus Investments are signatories to the UN Principles for Responsible Investment (PRI).

Piraeus Group integrates social and environmental practices in its business operations and its dealings with its stakeholders. The Group's aim is climate-related and environmental risks to be included at all stages of the credit-granting process since these risks affect the borrower's default risk. With the implementation of the ESMS (Environmental & Social Management System), Piraeus integrates environmental and social risks at the loan origination process. The Group has developed a dedicated Sustainable Finance Framework that serves as a guide for the classification of financial services and products as sustainable. The PG-SFF draws on the: Sustainable Development Policy, Credit Policy Manual (both Wholesale & Retail), Sustainability Linked Loans (SLL) Framework, Green Bond Framework, Climate & Environmental Risks (C&E) Management Policy.

Overall, Piraeus Group's climate strategy rests on 4 pillars: reach net zero in own operations; steer portfolio towards net zero by 2050 or sooner; support and advise customers in line with a carbon neutral and nature positive economy; and manage climate and ESG risks.

Piraeus Group has started its journey to become net zero by 2050 at the latest and has defined intermediate science-based targets (by 2030). Piraeus Group has validated mid-term targets by the Science-Based Targets initiative (SBTi). The targets aim to reduce by 2030 (with 2019 as base year) emissions both in operations and lending and investment portfolios. Piraeus will review and ramp up its targets by defining and

adopting 1.5°C pathways, further engaging with its clients and developing energy transition solutions.

Piraeus Group closely monitors the ongoing developments in the changing regulatory framework and appropriately adapts its

investment policy and products, responding not only to the requirements of the supervisory authorities, but also to the increased interest of investors for products and services with sustainability goals.

2. Purpose and Scope of Policy

The (EU) 2019/2088 regulation (SFDR) on sustainability-related disclosure requirements in the financial services sector was published and entered into force on 10 March 2021.

Regarding the application field of the present SFDR Policy, the following shall be noted:

a) Section 4 of the present SFDR Policy reflects the policy of Piraeus Group entities that engage in investment management and advisory activities (investment and insurance advice) regarding the integration of sustainability (ESG) risks in their investment decision-making and advice procedures, in line with the requirements of Article 3 of SFDR. Section 4 applies to all of the below entities -members of Piraeus Group.

b) Section 5 of the present SFDR Policy describes Piraeus Group's alignment with respect to the requirements of SFDR Article 4 regarding the consideration of Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors. Section 5 applies only to the below entity - member of Piraeus Group which consider Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors.

The entities, members of Piraeus Group are:

1. Piraeus Financial Holdings S.A (LEI: M6AD1Y1KW32H8THQ6F76, financial adviser)

2. Piraeus Bank S.A. (LEI: 213800OYHR1MPQ5VJL60, financial adviser / financial market participant)
3. Piraeus Asset Management Single Member Mutual Funds Management Company S.A. (LEI: 213800CF8C4B9AKV1Z96, financial market participant)
4. Iolcus Investments AIFM Single Member S.A. (LEI: 213800WBLTVLFX5HGK92, financial adviser / financial market participant)
5. Piraeus Securities S.A. (LEI: 213800I9XHTVLX73Z109, financial adviser / financial market participant)

The entity that considers Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors is:

1. Piraeus Bank S.A. (LEI: 213800OYHR1MPQ5VJL60, acting as financial market participant)

The rest entities of Piraeus Group, including Piraeus Bank S.A. when acting as financial advisor, follow an explain approach of non consideration of the Adverse Impacts of Investment Decisions/ Investment Advice on Sustainability Factors.

3. Governance, Principles and Responsibilities

- The Policy forms an essential component of the Piraeus Group's ESG governance, culture, and framework.
- The Policy is comprehensively specified and documented.
- The Policy undergoes regular and periodic reviews, with a minimum frequency of at least once per annum, to ensure its ongoing effectiveness and relevance and the alignment with any new regulatory-supervisory requirements.
- The Policy is the responsibility of the Group Wealth and Asset Management pillar with regards to ownership, maintenance, and update.
- The ESG & Corporate Responsibility Committee approves the Policy.

4. Transparency of Sustainability Risks Policies (Article 3)

SFDR defines sustainability risk as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment".

This section of the policy describes how the entities of Piraeus Group integrate the sustainability risks in their investment decision-making process/ investment advice.

Financial Market Participants

Piraeus Group has recognized the opportunity of ESG investments as stable and safe and in line with its Sustainable Development Policy, its climate change strategy and the ESG strategy and ESG action plan. It has developed a database comprised of a significant population of observed international companies, which are analyzed based on ESG criteria as they are defined internationally. It developed a list of article 8¹ mutual funds to shape the framework of permitted investments from which to select the best mutual fund to invest in. Currently, Piraeus Group offers Mutual Funds that are engaged in the promotion of environmental and/ or social objectives ("light green" – Article 8 as per SFDR classification system).

In order to identify the appropriate sustainability risks, the examination of material ESG factors has been incorporated into the decision-making process.

Piraeus Group has adopted a mix of ESG Investment Strategies including:

- ESG Integration
- ESG Screening

The ESG integration and management of Principal Adverse Impacts is based on:

1. Risk mitigation. The target is to reduce the exposure of a portfolio to ESG risks by adjusting valuation models, credit risk and in general by managing risk.
2. Alpha generation, which expands to the identification of companies with positive impact or companies that will benefit from sustainable macro-trends.

To assess the risk impact, a materiality exercise takes place, in order to highlight the exposure of each issuer to sustainability risks and opportunities. The magnitude of the impact and the possibility of occurrence form the material factors of each industry. SASB Materiality Map classifies companies according to their material effects distinguishing Industries through the

¹ Issuers involved in the production, sale, storage of nuclear weapons of States that are non-parties to the Treaty on the Non Proliferation of Nuclear Weapons-
<https://disarmament.unoda.org/wmd/nuclear/npt/>

Sustainable Industry Classification System (SICS).

The ESG Screening includes:

- Negative Screening (exclusions),
- Positive Screening,
- Norms-based Screening.

Piraeus Group applies firm-wide exclusion criteria (absolute and conditional). Companies that are involved in controversial weapons¹ or violate international standards and/or international regulations (including the UN Global Compact², the OECD³ Guidelines, and the UN Guiding Principles for Business and Human Rights⁴) are not considered for investment for direct and / or indirect investment over a specifically defined NAV threshold. The best performing companies or companies assessed to be undertaking the most effort to meet industry related ESG material criteria are ranked at the top of the lists and are considered as Best in Class. The norms-based screening comes in place to identify investments that comply with sustainability relevant policies, processes, standards, initiatives and frameworks (e.g. CDP, GRI, TCFD, SDGs, ILO, UNGC).

The investments team implements double materiality, combining financial statement analysis with the sustainability issues that are linked to the enterprise value. ESG material factors and risks are assessed both on a pre and post trade phase. The assessment is based on a scenario analysis altering the exposure per issuer/ sector/ geographic region. Sustainability risks are segregated to Environmental (E), Social (S) and Governance (G) risks. Finally, Principal Adverse Impact (PAI) indicators per issuer are taken into account.

Piraeus Group is an active owner, intending to be part of the investee companies' decision-making process. Regular meetings with the management teams of the investee companies are part of the

investment process. As per Active Participation & Voting Rights Exercise Policy, the Company takes part on a best effort basis in the General Meetings of the Shareholders of listed companies, shares of which are included in the UCITS/UCIs under management.

Financial Advisers

With regards to insurance advisory, Piraeus Group currently provides insurance intermediation services regarding insurance-based investment products through a strategic partnership with a major domestic and global insurance firm.

Piraeus Group uses information disclosed by its partner in the context of its insurance advisory and intermediation process and services.

Piraeus Group does not use the information published by financial market participants according to the Delegated Regulation (EU) 2022 / 1288.

Piraeus Group strategic partnership includes a number of products with certain characteristics. The products have been selected considering specific characteristics that fit with the needs of the client base of Piraeus Group. Taking into account clients' increased focus for products with ESG characteristics, the consideration of ESG and sustainability factors is expected to become more important in the selection process.

The representation of sustainable products in the Piraeus Group portfolio of offered products depends on the clients' demand for these products and the availability of such products in the portfolio of Piraeus Group's business partners.

² More information can be found at <https://www.unglobalcompact.org>.

³ OECD: Organization for economic co-operation and development. More information can be found at <https://www.oecd.org/corporate/mne/>.

⁴ More information can be found at https://www.ohchr.org/sites/default/files/Documents/Issues/Business/Intro_Guiding_PrinciplesBusinessHR.pdf

5. Transparency of Adverse Sustainability Impacts at Entity Level (Article 4)

The present section of this Policy describes Piraeus Group's alignment with respect to the requirements of SFDR Article 4 regarding the consideration of Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors. It applies only to the entities -members of Piraeus Group which consider Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors.

At the heart of the SFDR is the concept of identifying and disclosing whether and how an entity considers principal adverse impacts (PAIs) in assessing sustainability factors. A Principal Adverse Impact ("PAI") is any impact of investment decisions that results in a negative effect on sustainability factors, such as environmental, social and employee concerns,

respect for human rights, anti-corruption, and anti-bribery matters. The SFDR Delegated Regulation defines 18 mandatory PAI indicators and at least 2 indicators from 46 additional voluntary indicators that financial market participants are required to report on, when considering Principal Adverse Impacts of investment decisions on sustainability factors.

The Table below describes the mandatory indicators that Piraeus Group entities, which consider Principal Adverse Impacts (PAIs) on sustainability, acting in their capacity as financial participants, will monitor and report annually, at a best effort basis, depending on availability of data from investees.

Climate and other environment-related indicators

Greenhouse gas emissions	Indicator	Metric
	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites / operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Social and employee matters	Indicator	Metric
	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Indicators applicable to investments sovereigns and supranationals

	Indicator	Metric
Environmental	15. GHG intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

Indicators applicable to investments in real estate assets

	Indicator	Metric
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

Furthermore, Piraeus Group entities, which consider Principal Adverse Impacts (PAIs) on sustainability, acting in their capacity as financial participants, have selected the following two additional climate and social indicators to monitor and report on:

	Indicator	Metric
Water, waste and material emissions	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies
Human Rights	9. Lack of human rights policy	Share of investments in entities without a human rights policy

