10 MARCH 2021

Due Diligence Sustainability policy

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1. Introduction

The information contained in this document, together with the information on ESG issues detailed in our Sustainable Risk policy, allows us to be transparent with all our stakeholders.
With this Due Diligence Sustainability policy ("DD policy"), EFG provides information on how it identifies and prioritizes Adverse Sustainability Impact Indicators ("ASI Indicators"), how it engages with investee companies on sustainability-related matters and the extent to which it integrates responsible business conduct codes and internationally recognized standards for due diligence. 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 in both directions 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.

2. Approach to sustainability

While the complexity related to considering adverse sustainability impact indicators (ASI) is high, EFG believes that integrating these considerations in its investment process can deliver benefits beyond the financial performance and improve the risk/return ratio of financial products. Currently even if EFG considers the impact of externalities in the management of product promoting E&S characteristics (see below), **EFG decided to opt-out to PAI reporting due to its size and to the delayed publication of the final RTS. EFG plans to revisit this decision by year end.**

3. EFG ESG investment processes

3.1. The internal and external sources used by EFG to monitor the adverse sustainability impact 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 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:

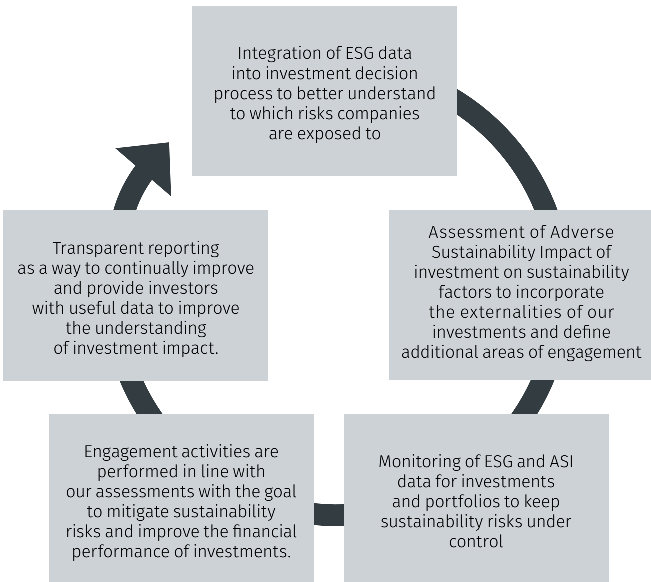
- assess ESG risks companies are exposed to;
- evaluate adverse impact of investment decisions on sustainability factor;
- drive engagement activities with invested companies;
- monitor our risks in the sustainability field;
- report to stakeholders.

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 GRIP system and considered for the final rating calculation.

3.2. EFG Investment and DD process with respect to sustainability risks and Adverse Sustainability factors

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 policy 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 the set of risk/opportunities that our investment is facing. 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 equity funds this is always done from the perspective of the EFG Green Bundle concept

that pairs the financial dimension with environmental and social consideration 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 i.e., 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. This is what we call “outward” looking risk or promotion of environmental and social charachteristics.

3.2.1. Sustainability Risk Integration

Discretionary mandates that are classified as promoting environmental and social characteristics go beyond integrating sustainability risk in line with art.6.
The additional steps taken are detailed below and still exploit our GRIP (Global Responsible investment Platform) system. Please refer to our Sustainability Risk policy for further details.

3.2.2. 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 regulation as a consequence of being a significant CO_2 emitter.
The EFG checklist used for the assessment of Sustainability Risk is 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 these areas and that are deemed to be in breach of the UN Global compact principles are removed from our investable universe unless a clear engagement process is set-up.

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.

3.2.3. 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 EFG produces internal analysis on the different NC funds that are shared with Fund Managers and reported to the New Capital Risk Committee.

3.2.4. Engagement

To deal with sustainability risks and with the adverse impact of its investment decisions EFG 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 EFG engagement policy is available here:
https://www.efgam.com/doc/jcr:acd27f18-0eca-4c8e-85ff-37c5ce4b2a3f/lang:en/EFGAM%20engagement%20policy%202021_final.pdfEFGAM%20engagement%20policy%202021_final.pdf

3.2.5. 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, providing information on EFGAM web page that goes beyond the legal requirements.

4. Description of the environmental or social characteristics of the products

Consistently with the objectives highlighted in the introduction of this DD 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 KPIs obtained with our GRIP tool. In addition to what is already established in 3.2.2 the following Special Mandates promote E&S characteristics through the following additional measures:

4.1.1. 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.

4.1.2. Special Mandates: Future Leaders

Additional exclusion of companies involved in activities such as gambling, tobacco, weapons (when the activity is >5% of revenues) or fossil fuels exposure >30% of revenues and no plans to reduce or to align to Paris target.
CO_2 emissions targeting with the aim of staying below 50% of their benchmark.

4.1.3. Bespoke mandates

On client request the bank can offer art.8 aligned bespoke mandates.

5. Our Governance structure

This DD Policy applies to EFG (ENTITY) companies and to funds that promotes environmental and social characteristics and is defined and approved by the ESG Committee that is a delegated committee of the EFGAM Board to which it reports. The ESG committee is the owner of the SR Investment and DD Policies is responsible for ensuring that EFG complies with the principles stated throughout the policy. Its functioning is defined in the relevant Terms of Reference.

The operative arm of the ESG Committee is the ESG team that has the aim of proposing to the Committee, practical measures to implement the Policy, to monitor its application, to report data to the Risk Committee and inform the ESG Committee on any relevant evolution or issue.

5.1.1. Appendix 1 - ASI Checklist

		Principal ESG risk driver	Monitored variables	KPI %		Score	*Is the company behavior creating adverse sustainability impacts that need an engagement activity? (Art.8 Funds)*
SUSTAINABILITY RISK	Overall	ESG Rating – Sources of risk	Average ESG risk score		Score	55%	
			Relative positioning within area/sector		Score	4	
	Revenue Risk	Consumer behaviour	Management of Reputational risk		ASI	3	
			Green Products		KPI Product	29%	
		Operational disruption	Exposure to physical climate change risk directly or through the supply chain		To be assessed manually		
		Environmental Risk	Ecosystem	8%	KPI	29%	
			Management of biodiversity exposure risk		ASI	5	
		Water	Water management*		KPI	89%	
			Management of water scarcity risk		ASI	5	
			Water recycled		ASI	0	
			Water use		ASI	66	
		Waste	Waste management		KPI	72%	
			Hazardous waste (tons)		ASI	0	
	Cost Risk	GHG Emissions	Identification of risks and opportunities related to climate change		KPI Air	67%	
			GHG emissions total		ASI	21,123	
			Carbon footprint ($10 mln holding)		ASI	0.04	
			GHG Intensity (GHG/sales)*		ASI	15	
		Energy	Energy		KPI	69%	
			Total non-renewable energy consumption (GWh)		ASI	207,802	
			Total renewable energy consumption (GWh)		ASI	148	
			Energy consumption intensity (per thousand revenues)		ASI	0.15	
		Employee risk	Healt and safely		KPI	45%	
			Diversity and opportunity	10%	KPI	68%	
			Training and development	13%	KPI	5%	
			Employment quality	7%	KPI	83%	
			Management of Human Right Risk		ASI	5	
			Gender pay gap		ASI	0	
			Human rights policy		ASI	Y	
EVENT RISK	Corporate Governance	Governance related risk	Corporate governance score	20%	KPI	78%	
			Business Integrity	10%	KPI	73%	
	Social Risk		Community impact and human rights	14%	KPI	81%	
			Product responsability	8%	KPI	40%	
			Supply chain management	10%	KPI	61%	
	Governance Risk		Management of anti-corruption and anti-bribery practices		ASI	Y	
			OECD Guidelines for Multinational Enterprises		ASI	N	
			Boarder gender ratio		ASI	30	
TECHNICAL AND EXCLUSIONS	Technical Market issues	Scale and Size of Available Investor base	Risk of being squeezed by market practices due to "controversial sector or product exposure"		To be assessed manually		
			Solid fossil fuel sector exposure (only for product with Sustainable objective as per EU Taxonomy)		ASI	Y/N	
	Adherence to internal guidelines	Potential blocking factors	Coal Exposure (>30%Revenues)		XLS		
			Controversial Weapons exposure		ASI	N	
			UN Global Compact incidend exposure		ASI	0.00	

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