

No consideration of adverse impacts of investment advice on sustainability factors

Introduction

The EU Sustainable Finance Disclosure Regulation [(EU) 2019/2088, the “SFDR”], supplemented by the Commission Delegated Regulation [(EU) 2022/1288 the “SFDR RTS”] on sustainability-related disclosures in the financial services sector aims to promote sustainability in the finance sector in Europe and strengthen transparency obligations on ESG issues, in particular to make it easier to compare financial products. The SFDR has introduced the concept of principal adverse impacts (“PAIs”), which are negative impacts of investment decisions on sustainability factors i.e. environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Pursuant to article 4(5)(b) of the SFDR and article 13 of the Commission Delegated Regulation regarding the regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’ this disclosure is issued under the capacity of the Bank of Cyprus as a financial adviser with regard to the investment advice it provides to its clients.

The SFDR and SFDR RTS require the Bank to make a prominent statement as to whether it considers or not any PAIs on its investment decisions on Sustainability Factors.

Bank of Cyprus Public Company Limited does not currently consider the principal adverse impacts of investment decisions on sustainability factors, in accordance with Article 4(1)(b) of SFDR.

Reasons why the Bank of Cyprus does not consider the PAIs of investment decisions on sustainability factors in investment advice on financial products.

The Bank of Cyprus understands and supports EU’s Environmental, Social and Governance (“ESG”) initiatives, and in particular on the establishment of a framework to facilitate sustainable investment. To this respect, the Bank is in a transitional process of adapting and developing its internal processes and policies which will allow for consideration of the PAIs in the advisory services in a systematic manner.

However, the lack of readily available and reasonably-priced data and the complexity of collecting such data whose reliability may vary, depending on its source, makes it difficult to comply with many of the technical reporting requirements of the PAI regime.

The Bank will keep developing its framework and tools based on more relevant data becoming available, market practices and any additional clarity provided by regulators and will update this statement and disclose the relevant information in accordance with the requirements of the SFDR