



INVESTMENT POLICY SOCIETE GENERALE PRIVATE BANKING

Sustainability Risk and Adverse Sustainability Impacts

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"Our company's purpose is building together, with our clients, a better and sustainable future through responsible and innovative financial solutions."

Frédéric Oudéa

Economic development is no longer possible without environmental and social progress. It is the responsibility of major companies to promote the next virtuous models, that encourage the world's positive transformations.

Societe Generale is fully aware of this responsibility as a banker. Our Group has a leading role to play in helping to build greener and more inclusive development models, and to enable the emergence of new sustainable growth drivers.

1. PURPOSE OF THE SOCIÉTÉ GÉNÉRALE PRIVATE BANKING SUSTAINABILITY RISK AND ADVERSE IMPACTS POLICY

This document ("**Sustainability Risk and Adverse Sustainability Impacts Policy**") was written in compliance with articles 3 and 4 of the EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**"). It aims at stating how sustainability risks are integrated in investment decision-making and advisory activities of Société Générale Private Banking (hereinafter "**SGPB**") and to what extent SGPB evaluates, includes and monitors the main adverse impacts of its investment or advisory decisions on "**sustainability factors**".

Sustainability risk is defined as an environmental, social or governance event or situation which, if it occurs, could have a material adverse effect on the value of the investment

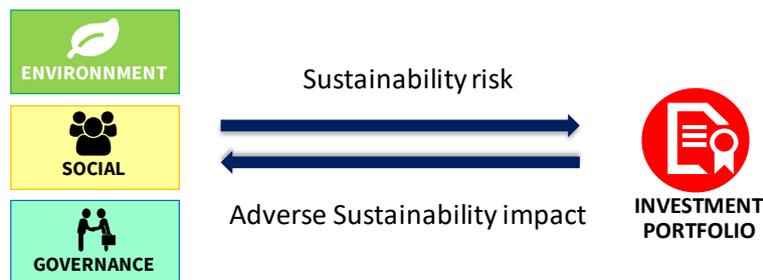
Sustainability factors include

- In the environmental area, Green House Gases ("**GHGs**") emissions, biodiversity, water, wastes
- In the social and governance areas, integration by multinational companies of the United Nations Global Compact¹, gender pay gaps, diversity in corporate governance bodies and exposure to controversial weapons²

Sustainability risks may have a significant actual or potential adverse impact on the value of an investment. Conversely, an investment decision may have an adverse sustainability impact.

¹ The United Nations Global Compact is a call to companies to align their strategies and operations with ten universal principles related to human rights, labour, environment and anti-corruption

² Controversial weapons include various types of armaments forbidden by international conventions or European Union regulations such as certain cluster munitions, anti-personnel landmines, biological or toxin weapons, chemical weapons, depleted uranium



SGPB is the private banking division of the Société Générale Group operating in France and in various countries, namely (i) Société Générale Luxembourg, (ii) Société Générale Private Banking (Monaco) and (iii) Société Générale Private Banking (Switzerland), all together with Société Générale collectively referred to as “**SGPB Entities**”.

Consistently with the SGPB patrimonial philosophy, SGPB Entities aim for more sustainability within their investments and advisory services and allow their institutional and private clients to contribute to the positive and necessary changes that are set in motion.

The purpose of this Sustainability Risk and Adverse Sustainability Impacts Policy is to describe the integration of sustainability risks and sustainability factors within **portfolio management services and investment advisory activities** of SGPB Entities.

To be precise, this Sustainability Risk and Adverse Sustainability Impacts Policy does not cover reception and transmission of orders (i.e. execution only, without providing any advice), or execution of orders on behalf of clients in the context of the Prime Market Access and Direct Market Access services. Similarly, currencies, commodities, derivatives or structured products on interest rates, currencies, commodities or index, and other products such as credit, real estate, private equity and art banking are out of the scope of this policy.

As it is the case for market risk, counterparty risk or liquidity risk, sustainability risks should be taken into consideration in any investment, such as

- transition risks, resulting from the development of a low-carbon economic model (regulatory and legal risks, technological risks, reputational risks or risks linked to market opportunities)
- physical risks, resulting from damage caused by extreme weather and climate events. These can be acute (due to natural events such as fires), or chronic (related to sustained higher temperatures and long-term geographic shifts such as rising sea level). These include heat, cold, drought, tropical cyclones, fires and floods
- social and human rights risks, impacting negatively workers and surrounding communities (forced labour and slavery, child labour, respect for indigenous peoples and their cultural heritage, the right of ownership, discrimination, freedom of association, the health and safety of persons, the decent nature of working conditions, remuneration and social protection, the right to privacy)
- governance and other ethical risks (embargoes and sanctions, terrorism, corruption and bribery, resources appropriation, tax evasion, data protection)

Evaluating the interest and/or the intended yield of an investment therefore requires complementing financial data with extra-financial criteria (“**ESG**” criteria):

- Environmental (E) criteria, including notably energy efficiency, reduction of emission of greenhouse gases and waste treatment
- Social (S) criteria, concerning particularly the respect of human and workers' rights, human resources management (workers' health and safety, diversity)
- Governance (G) criteria, related particularly to the independence of the board of directors/management body, the remuneration of managers and the respect of minority shareholders rights

They are the three pillars of extra-financial analysis used by SGPB to assess how and to what extent a financial product issuer integrates ESG criteria in its strategy and risks management policy

In the context of its daily activities, each SGPB entity is likely to act as a financial market participant³ in its capacity as credit institution providing portfolio management services, as well as a financial advisor⁴ in its capacity as credit institution providing investment services

2. INTEGRATION OF SUSTAINABILITY RISKS IN PORTFOLIO MANAGEMENT SERVICES

In the context of portfolio management services, the management of sustainability risks covers several financial instruments

- Equities and fixed-income bonds issued by companies
- Single or basket structured products, i.e. structured products with a single equity / bond or a basket of equities / bonds as underlying
- Single or basket derivative products, i.e. derivative products with a single equity / bond or a basket of equities / bonds as underlying
- Investment funds

2.1 Equities, Corporate fixed-income bonds, single or basket structured or derivative products

2.1.1 General Investment Policy

SGPB general investment policy consists, on the one hand, in defining its investment universe, integrating ESG criteria, and on the other hand, in systematically integrating ESG analysis alongside financial analysis when making investment decisions.

To define this investment universe

- SGPB systematically applies Société Générale Group's recommendations, complying with Société Générale's sector policies such as “Sector policy thermal coal” or “Sector policy defence and security” (see <https://investors.societegenerale.com/en/publications-documents> for the comprehensive list of sector policies). These policies aim at excluding for example issuers involved in controversial weapons, issuers whose revenue is more than 10% linked to thermal coal mining, which are in the energy sector and have more than 30% of their power production generated from thermal coal, or which are thermal coal developing companies.
- SGPB excludes financial products issuers from the tobacco sector.
- SGPB excludes any financial instrument from an issuer with the lowest ESG rating or facing a very severe ESG controversy.

³ Art. 2 (1) of SFDR

⁴ Art. 2 (11) of SFDR

- **What is the ESG rating?** SGPB has access to the ESG analysis of issuers performed by its partner MSCI. This ESG analysis, updated on a regular basis, assesses how these issuers manage their sustainability risks. It provides an evaluation of the positioning of companies in the face of sustainable development issues by assigning a rating for the three ESG pillars and then a global ESG rating. The purpose of this rating is to identify the companies that best succeed, on the one hand, to limit the ESG risks they face and, on the other hand, to seize the opportunities related to sustainable development.

Each analysed company receives an ESG rating on a scale of AAA to CCC (CCC being the lowest).

- **What is an ESG controversy?** An ESG controversy may be defined as an incident or an ongoing situation in which a company faces allegations of negative impact towards stakeholders (i.e. workers, communities, environment, shareholders, or society in general), in a wrongful practice on several ESG indicators.

The controversial indicator, as provided by SGPB's partner MSCI, is also a warning measure of the reputational and operational risks to which companies are exposed when they directly or indirectly contravene the 10 principles of the United Nations Global Compact in the field of human rights, international labour standards, environment and fight against corruption. A very severe controversy can ultimately result in heavy financial penalties.

The aim of ESG controversies research is to assess the severity of the negative impact of each event or situation, rather than the extent of negative press attention or public opprobrium.

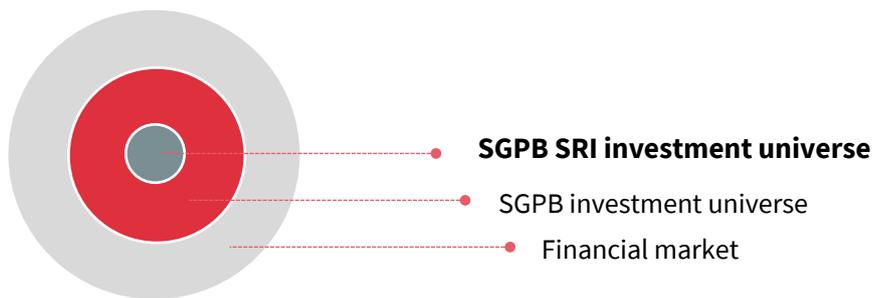
2.1.2 Investment Policy dedicated to SRI management

Consistently with its commitment to be a private bank with a positive impact, SGPB promotes a sustainable management offer which is based on a dedicated investment policy consisting in a Socially Responsible Offer ("SRI") investment sub-universe and in a specific policy to select financial instruments according to ESG criteria.

Built from the SGPB investment universe, the SGPB SRI investment sub-universe results from:

- the application of the above described filters (sectors excluded by Société Générale Group, most severe controversies, CCC ESG rating),
- the application of additional exclusions related to controversial activities (defence and armament, gambling, GMOs, adult entertainment) as well as those based on ESG ratings (exclusion of ratings below or equal to B).

The SGPB SRI investment universe is updated on a regular basis.



The policy of selection of financial instruments consists in favouring issuers with the best practices or the best improvements related to ESG criteria in their sector.

2.2 Investment funds (UCITS, AIF)

SGPB works in an open architecture, selecting investment funds managed by external asset managers. The process to select the funds is based on:

- the analysis of the asset manager, including a rating, at least annual, based on a questionnaire including points related to its ESG policy and its scoring on United Nations Principles for Responsible Investment (UNPRI), complemented, as the case may be, if the asset manager or its mother company is listed, with its ESG rating, its controversy rating and reputational information;
- the analysis of the funds, which means the analysis of their financial data such as net asset value, seniority and quality of financial management, financial performance.

A list of 150 to 200 investment funds on average is defined on this basis and integrates the SGPB investment universe.

Additionally, an internal methodology was developed to rate extra-financial data of investment funds belonging to the SGPB investment universe. It consists in evaluating the funds:

- on an ex-ante basis, on criteria such as their ESG investment policy, the potential existence of an SRI label, their asset manager ESG standards; and
- on an ex-post basis, via the MSCI FundMetrics database, accessing fund extra-financial data in full transparency (ESG ratings, controversies, sectorial exclusions, carbon intensity).

This methodology, which enables to define an investment sub-universe (SGPB SRI investment universe) of funds eligible to the SGPB SRI management, is made available to SGPB entities for their portfolio management and investment advisory activities

3. INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT ADVISORY

In the context of investment advisory, the management of sustainability risks covers the same financial instruments as for portfolio management services.

3.1 Equities, Corporate fixed-income bonds, single or basket structured or derivative products

To conduct its investment advisory policy, SGPB has access to the ESG analysis of issuers and systematically integrates it alongside financial analysis. This analysis, updated on a regular basis, assesses how these issuers manage their sustainability risks. It provides an evaluation of the positioning of companies in the face of sustainable development issues by assigning a rating for the three ESG pillars and then a global ESG rating. The purpose of this rating is to identify the companies that best succeed, on the one hand, to limit the ESG risks they face and, on the other hand, to seize the opportunities related to sustainable development.

Each analysed firm receives an ESG rating on a scale of AAA to CCC (CCC being the lowest one).

To define the investment universe eligible to investment advisory:

- SGPB systematically applies Société Générale Group's recommendations, complying with the Société Générale's sector policies such as "Sector policy thermal coal" or "Sector policy defence and security" (see <https://investors.societegenerale.com/en/publications-documents> for the comprehensive list of sector policies). These policies aim at excluding for example issuers involved in controversial weapons, issuers which revenue is more than 10% linked to thermal coal mining, which are in the energy sector and have more than 30% of their power production generated from thermal coal, or which are thermal coal developing companies.
- SGPB excludes any financial instrument issued by a company involved in the tobacco sector, facing very severe ESG controversies or with the lowest ESG rating (as defined above).

The financial advisors of SGPB only give advice to invest in equities, bonds, single or basket structured or derivative products of the SGPB investment universe, which reflects the above-mentioned exclusions.

3.2 Investment funds (UCITS, AIF)

The ESG fund screening methodology to rate the selected investment funds with extra-financial criteria (as described in § 2.2) is available to the financial advisors of SGPB Entities.

It should be noted that for SGPB investment advisory activities, sustainability factors will gradually be taken into account as the SFDR texts are made available by the regulator.

4. INTEGRATION OF SUSTAINABILITY FACTORS IN PORTFOLIO MANAGEMENT AND INVESTMENT ADVISORY SERVICES

The SGPB Investment policy integrates adverse impacts of portfolio management and investment advisory services on sustainability factors. For sustainability factors related to (i) GHG emissions, (ii) human rights and (iii) social matters, the policy consists in excluding from the investment universe the issuers of financial securities:

- Violating the United Nations Global Compact
- Or involved in the thermal coal sector
- Or involved in the production or sale of controversial weapons

SGPB will implement a governance enabling to progressively monitor negative impacts on all sustainability factors targeted by the regulation, in both portfolio management and investment advisory activities

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