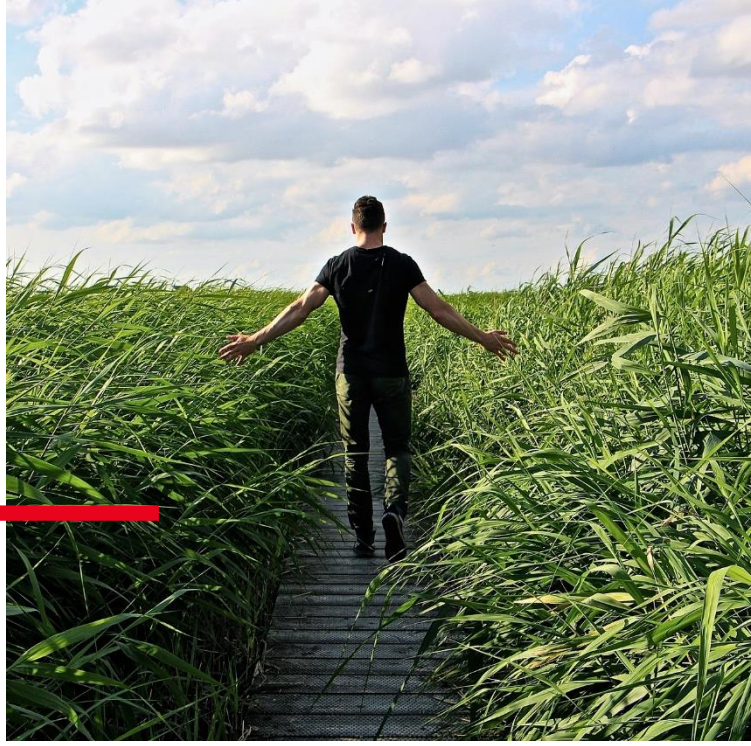
SOCIETE GENERALE
Private Banking



OUR SRI PHILOSOPHY

How we integrate ESG into our management solutions

We are convinced that a strong Corporate Social Responsibility policy is synonymous with a long-term sustainable financial performance.

Within our wealth management approach, it is our fiduciary responsibility, as an asset management company, to account for the environmental, social and governance (ESG) risks and factors within all our investment processes. Consistent with our patrimonial philosophy to transfer the wealth to the future generations, we aim for more sustainability and social responsibility within our investments and allow our institutional and private clients to contribute to the positive and necessary changes that are set in motion.

Socially responsible investing (SRI) combines traditional financial criteria with non-financial aspects known as ESG (Environmental, Social and Governance) criteria. The aim is to finance companies and public-sector bodies that contribute to sustainable development, regardless of their sector of activity. By influencing governance behaviors and management practices, SRI fosters the transition to a more sustainable economy.

The philosophy of our SRI commitment is based on an ESG approach, taking into account extra-financial criteria, the calculation of the carbon footprint of our portfolios and a policy of voting rights and commitment.

Our ESG risk management policy

ESG integration is a useful complement to all current investment processes and practices. It is now fully agreed by the investment community, that ESG issues can have a severe material impact on the companies and the financial performance of their stocks or fixed income issues. Societe Generale Private Wealth Management (SGPWM) has taken commitments regarding the management of environmental and social criteria in its policy and investment decisions:

- SGPWM systematically applies Societe Generale's recommendations and complies with the Environmental and Social Exclusion List.
- SGPWM tries to exclude any investment in companies whose rating of "ESG controversy" is considered very severe (controversy "red").

Environment & Social exclusion list

The Group Societe Generale has established Environmental and Social (E&S) General Guidelines, which stem from the legal and regulatory framework applicable to the Group’s activities, as well as from voluntary initiatives it has joined.

Within this framework, Societe Generale has defined specific Defense Sector Policy, which defines not to knowingly finance transactions or invest in companies related to prohibited or controversial weapons (landmines, cluster bombs, depleted uranium-based munitions).

The E&S exclusion list consists of companies which are excluded from the investment universe in the context of the application of the Group Defense Sector Policy.

In addition, in accordance with Societe Generale Group's "thermal coal" sector policy, Societe Generale entities that manage assets for their own account or on behalf of third parties exclude from their investment universe companies presenting the following characteristics:

- More than 10% of the turnover is linked to the extraction of thermal coal
- Member of the energy sector and more than 30% of electricity production comes from coal.

There criteria are strictly applied* by SGPWM.

**Regarding dedicated funds and mandates, these criteria apply unless the client makes an objection. With regard to delegated management, the question of the application of these criteria is discussed with the delegated manager, on a best-effort basis.*

Exclusion filter based on ESG level of controversies

SGPWM is even more committed to ESG considerations, by relying on the extra-financial research and methodology of its partner MSCI. The latter determines in particular a score of controversy.

An ESG Controversy may be defined as an incident or ongoing situation in which a company faces allegations of negatively impacting stakeholders (i.e.: workers, communities, the environment, shareholders, or society at large), via some type of wrongdoing across several ESG indicators.

The controversial note 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, the environment and the 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.

For each issuer, the ESG rating comes along with a Controversy flag which reflects the lowest flag among analyzed key indicators.

- A green flag: the company is not involved in major recent controversies.
- A yellow flag: in recent moderate-to-severe level controversies.
- An orange flag: one or more recent severe structural controversies that are ongoing.
- A red flag: one or more recent very severe controversies.

SGPWM strives to exclude any investment in companies whose rating of "ESG controversy" is considered very severe (controversy "red").

Extra-financial analysis

Further to the controversies evaluation, in a non-binding way, the managers of SGPWM have access to the ESG analysis of companies covered by MSCI in an internal tool of the management company. The ESG analysis provides an evaluation of the positioning of companies in the face of sustainable development issues by assigning a rating according to the three ESG pillars. The purpose of this analysis 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 firm analyzed receives an ESG rating on a scale AAA to CCC (CCC being the worst).

Built from the investment universe of SGPWM (equities, bonds, funds, etc.), the SRI eligible universe results from the application of sector exclusion filters and the integration of ESG criteria ("best in class / best effort" approach). It applies in the context of the management of mandates or dedicated mutual funds following an SRI investment process.

Portfolio carbon footprint

SGPWM undertakes to provide a carbon footprint report for its multiclient funds falling within the scope of the law.

To this end, SGPWM relies on MSCI to calculate the carbon impact of its multiclient funds. The MSCI tool provides reporting including:

1. **The weighted average of the carbon intensity** (in tCO2e / $ M income). This indicator measures the portfolio's exposure to carbon-intensive emitters but does not take into account all of the emissions induced indirectly by the company, in particular those caused downstream by the use of the products and services marketed or emissions induced by the suppliers.
2. **Portfolio exposure to issuers holding fossil fuel reserves** that may be impaired in the context of a low carbon transition.
3. **The exposure of the portfolio to issuers offering environmental solutions and the type of solutions proposed:** energy efficiency, alternative energy, sustainable water, pollution prevention or sustainable construction.

Voting policy and commitment

SGPWM integrates in its voting policy the ESG (Environment, Social, Governance) criteria of Socially Responsible Investing. We are convinced that good corporate governance will result in an improvement in the company's performance and contribute to the value creation of a company. SGPWM pays particular attention to initiatives to improve the environmental and social practices of the companies in which its funds invest.