SOCIETE GENERALE
Private Banking

SUSTAINABILITY RISK POLICY

March 2021

This document is made in compliance with article 3 of EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and aims at stating how sustainability risks are integrated in investment decision-making and advice activities ("**Sustainability Risk Policy**") of Société Générale Private Wealth Management (hereinafter "SGPWM").

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

Consistently with its patrimonial philosophy, SGPWM aims for more sustainability and social responsibility within its investments and allow its institutional and private clients to contribute to the positive and necessary changes that are set in motion. This Sustainable Risk Policy describes how SGPWM integrates sustainability risks within its portfolio management and investment advice activities.

The objective of this Sustainability Risk Policy is to describe the integration of sustainability risks into **SGPWM's portfolio management services and investment advisory activities.**

For the avoidance of doubt, this Sustainability Risk Policy does not cover reception and transmission of orders (i.e. execution only without providing any advice). Similarly, derivatives, structured products on a stock index or a basket of securities, currencies, commodities and other products such as credit, real estate, private equity and art banking are out of the scope of this policy.

In the same way as 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 to complement financial data with:

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

(together hereinafter referred to as "ESG" criteria) which are the three pillars of extra-financial analysis used by SGPWM for assessing how and to what extent a financial product issuer integrates ESG matters in its strategy and risks policy.

In the framework of its daily activities, SGPWM is likely to act as a financial market participant[1] providing portfolio management services, as well as financial advisor[2] providing investment services, within the meaning of SFDR.

1. INTEGRATION OF SUSTAINABILITY RISKS IN PORTFOLIO MANAGEMENT

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

- Equities and fixed-income bonds issued by private companies,
- Single-stock structured products, i.e. structured products made up from a single equity,
- Single share or basket of shares derivatives, i.e. derivatives where the underlying is a single share or a basket of shares,
- Investment funds.

1.1 Equities, Corporate fixed-income bonds, single-stock structured products or basket of shares, single share derivative products or basket of shares

1.1.1 General Investment Policy

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

To define this investment universe:

- SGPWM systematically applies the recommendations of the Société Générale Group and complies with sectoral policies such as the "Thermal Coal Sector Policy" or the "Defense and Security Sector Policy" (see https://investors.societegenerale.com/en/publications-documents for the complete list of

[1] Within the meaning of Article 2 (1) of the SFDR
[2] Within the meaning of Article 2 (11) of the SFDR

sectoral policies). These policies aim, for example, to exclude emitters involved in controversial weapons, emitters with more than 10% of their revenues linked to thermal coal mining or who operate in the energy sector and more than 30% of their electricity production comes from thermal coal or who are thermal coal developers.

- SGPWM excludes any financial security from an issuer with the worst ESG rating or facing a very severe ESG controversy.

  → ***What is the ESG rating?*** *SGPWM has access to the ESG analysis of issuers. This ESG analysis provides an evaluation of the positioning of companies in the face of sustainable development issues by assigning a rating to 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 from AAA to CCC (CCC being the worst).*

  → ***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 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 indicator 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.*

1.1.2 Investment Policy dedicated to SRI management

Consistently with its commitment to be a private bank with a positive impact, SGPWM 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 for selecting financial securities according to ESG criteria.

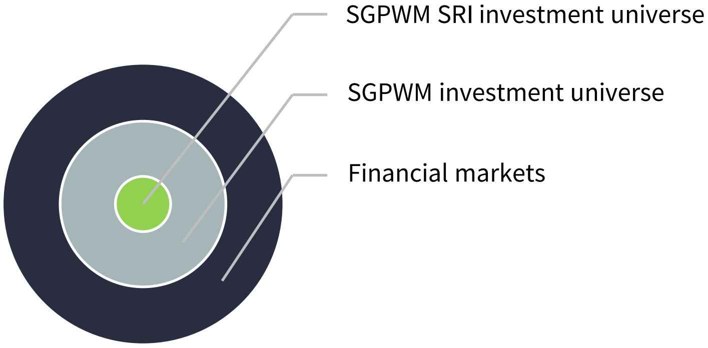
Built from the SGPWM investment universe, the SGPWM SRI investment sub-universe results from:

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

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

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

Financial markets and SGPWM investment universes



1.2 Investment funds (UCITS, AIF)

SGPWM works in open architecture and thus selects investment funds managed by third party management companies. The selection process of these funds is based on:

- On the analysis of the management company itself, including a minimum annual rating, carried out on the basis of a questionnaire including points relating to its ESG policy and its rating from the United Nations Principles for Responsible Investment (UNPRI), supplemented if necessary, if the management company is listed or belongs to a listed group, its ESG rating, its ESG controversy rating and elements of reputation;
- The analysis of the funds, which consists of the use of their financial data such as the level of assets under management, the history and quality of management and financial performance.

On this basis, a list composed of 150 to 200 investment funds on average is established for the purpose of integrating the SGPWM investment universe.

In addition, an internal methodology for rating the extra-financial data of the investment funds belonging to the SGPWM investment universe has been developed. It consists of :

- on an ex-ante basis, on criteria such as their ESG investment policy, the potential existence of an SRI label, the asset manager ESG standards; and
- on an ex-post basis, via the database called MSCI FundMetrics, allowing to access fund extra-financial data based on a look-through approach (ratings, controversies, sectorial exclusions).

2. INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT ADVICE

In the context of investment advice, the management of sustainability risks covers the same financial instruments as under portfolio management.

2.1 Equities, Corporate fixed-income bonds, single-stock structured products or basket of shares, single share derivative products or basket of shares

To conduct its investment advice policy, SGPWM 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 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 analysed firm receives an ESG rating on a scale from AAA to CCC (CCC being the worst).

To define the universe of eligible assets:

- SGPWM systematically applies the recommendations of the Société Générale Group and complies with sectoral policies such as the "Thermal Coal Sector Policy" or the "Defense and Security Sector Policy" (see https://investors.societegenerale.com/en/publications-documents for the complete list of sectoral policies). These policies aim, for example, to exclude emitters involved in controversial weapons, emitters with more than 10% of their revenues linked to thermal coal mining or who operate in the energy sector and more than 30% of their electricity production comes from thermal coal or who are thermal coal developers.
- SGPWM excludes any financial security issued by companies facing very severe ESG controversies or with the worst ESG rating (as defined above).

The financial advisors of SGPWM only give advice to invest in equities, bonds and single-stock structured products of the SGPWM investment universe, which reflects the above-mentioned exclusions.

2.2 Investment funds (UCITS, AIF)

The ESG fund screening methodology to rate the funds with extra-financial criteria (see § 1.2) is available to SGPWM financial advisors and can be used on a non-binding basis.

It should be noted that with regard to advisory activities, sustainability factors will be fully taken into account as the SFDR texts are made available by the regulator.