SFDR

Statement related to sustainability risks and adverse impacts on sustainability factors

SOCIETE GENERALE

SUMMARY

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STATEMENT RELATED TO SUSTAINABILITY RISKS AND ADVSERSE IMPACTS ON SUSTAINABILITY FACTORS FOR SOCIETE GENERALE ACTIVITIES

SECTION 1: INTRODUCTION

- *"Climate change and environmental degradation are an existential threat to Europe and the world. It is therefore urgent to act to promote the implementation of a greener and more sustainable economy in line with global environmental and social issues".* To do so, the European Commission has adopted a European Green Deal[1] and a European Climate Law, which main objectives are to achieve carbon neutrality by 2050 and to allow a fair and inclusive transition. To reorient capital flow towards activities which benefit to the planet and citizens, the European Commission has also adopted an Action Plan for Sustainable Finance. This plan mobilizes all players in the financial sector in order to promote transparency and guarantee the stability of the financial sector.

- The transparency of information has a key role to play in this framework since it allows to manage of financial flows, control the risks and allows end-investors to make informed decisions. The regulation dedicated to the transparency of information on sustainability for the financial sector is **"SFDR - 2019/2088 » (Sustainable Finance Disclosure Regulation)"** which entry into force progressively since March 2021 as well as its Delegated acted applicable since January 2023.

- The compliance with the SFDR Regulation has been done in consistency with other regulations of the European Commission's Action Plan on Sustainable Finance:
  - **"Taxonomy Regulation 2020/852"** which establishes a framework to facilitate sustainable investment
  - **The Regulation "2021/1253"** amending Delegated Regulation (EU) 2017/565 as regards of the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms ("MiFID 2 ESG")
  - **The Regulation "2021/1257"** amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 ("IDD") as regards of the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products

- Fully aware of its role in the functioning of the economy, Societe Generale Group defined in 2019 its purpose as "**Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions".** For its individual customers, the Group actively markets responsible products offered by the various countries in which it operates, respecting and listening to their wishes.

[1] A European Green Deel (europa.eu)

- **Societe Generale** as a legal entity has to comply with the SFDR regulatory requirements for **Financial Market Participants and Financial Advisors activities.** The purpose of this document is to present the measures implemented by Societe Generale under the SFDR regulation for its activities as a Financial Market Participants for portfolio management services and as a Financial Advisor for the investment and insurance advice activities.

SECTION 2: SCOPE

- Societe Generale is considered as a **Financial Market Participant according to the SFDR** definition for the portfolio management services activity done by the Private Banking under the brand **Societe Generale Private Banking in France (SGPB).**

- Societe Generale is considered as a **Financial Advisor according to the SFDR definition** related to following activities:
    - Investment advice and insurance advice services proposed by the **Retail Banking in France (SGRF)**
    - Investment advice and insurance advice services proposed by the **Private Banking in France (SGPB)**
    - Investment advice services proposed by the **Global Markets activities in France (Societe Generale Global Markets, « MARK »)**
    - Investment advice services proposed by **Société Générale Global Banking & Advisory in France (GLBA)**

SECTION 3: SOCIETE GENERALE GROUP'S GENERAL ENVIRONMENTAL AND SOCIAL PRINCIPLES

- Responsible finance requires a commitment that goes beyond compliance with laws and regulations. This is why Societe Generale group **incorporates voluntary commitments** into its ethical reference framework. These commitments have a dual purpose. Firstly, they aim to limit all our potential direct negative environmental and social impacts. Secondly, they help to encourage transactions and clients with a **positive impact in terms of sustainable development.** Our Environmental and Social (E&S) principles provide an overall framework for the respect of fundamental human rights and the environment.

- Our sector-wide E&S policies also implement standards throughout the Group in areas that are sensitive for the future of our planet. This commitment echoes the Equator Principles, which define a CSR reference framework shared by 94 financial institutions around the world, to which the Group has adhered since 2007. In terms of environmental protection and responsible finance, the Group takes part in various alliances and applies international banking standards, particularly in line with the United Nations, such as the Principles for Responsible Banking in 2019 or the Net-Zero Banking Alliance in 2021.

- These policies are drawn up on the basis of a common framework which identifies the E&S risk factors, lists the reference sector or theme standards, explains the scope of the activities concerned (sub-sectors, banking and financial products and services) and may define, for each sector or theme, criteria relating to the Group's corporate clients (excluding financial institutions and sovereigns).

- The following sectoral policies are applied to Societe Generale's portfolio management services:
  - Industrial agriculture and forestry,
  - Oil and gas
  - Thermal coal,
  - Defense and security.

They may be completed by specific commitments and policies of **Societe Generale Private Banking in France.**

- In the context of investment advisory and insurance advisory activities, the products advised by Societe Generale's financial advisers comply with:
  - For Group products: Societe Generale's sectoral policies, where applicable,
  - For external partners' products: the sectoral policies of these partners.

- Further details on practices in investment decisions and in investment and insurance advice can be found in sections 4 and 5 below.

SECTION 4: INFORMATIONS RELATED TO SUSTAINABILITY RISKS INTO FINANCIAL MARKET PARTICIPANTS AND FINANCIAL ADVISORS ACTIVITIES

SUBSECTION 1. GENERAL INFORMATIONS RELATED TO SUSTAINABILITY RISKS CONSIDERATION

- “Sustainability risks” are defined by the SFDR Regulation 2019/2088 as an *“environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment*”.

- To justify the consideration of sustainability risks in investment decisions and to reduce the exposure of the business to these risks different means can be deployed:
  - Sectoral analysis to identify the economic sectors the most exposed to environmental, social, or poor governance risks, and which may appear in "*sectoral policies*" and which can be based on Group’s Sectoral policies,
  - Exclusion from portfolios of issuers operating in environmentally or socially damaging sectors or with poor governance practices and which would be identified in exclusion lists,
  - Management of controversies, for which the objective is to monitor the reputational damages, scandals, rumours, sanctions, or fines relating to different types of infringement: environmental, social, regulatory, respect for human rights, governance, etc. These analyses are described for example in "*Controversy management policies*",
  - ESG reasonable due diligences (carried out before or after the acquisition of a security) which can be described for example in "*Reasonable due diligence policies*",
  - Commitment and voting policies exercised during General Meetings of issuers and described in "*Commitment and voting policies",*

- Any approach to identifying, evaluating, describing, and managing sustainability risks which is included in a "*Sustainability risk policy*" or any other policy.

▪ The practices implemented in the portfolio management services carried out within Societe Generale are described in **"Subsection 2: Informations relating to sustainability risks consideration into investment decision and remuneration for the Financial Market Participants activities".**

▪ For financial advisers, the consideration of sustainability risks in the context of investment and insurance advice activities relates mainly to their role as financial intermediaries between Financial Market Participants and end investors. Sustainability risks can be taken into account at various levels:
- the selection of business partners who take into account sustainability risks,
- inclusion of sustainable products in the range of advised products.

▪ All the Group's asset management entities are signatories of the Principles for Responsible Investment (PRI) under the aegis of the United Nations (www.unpri.org) and are thus committed to respecting the following six principles: ESG Integration, Shareholder Engagement, Transparency, Promotion of PRI, Collaboration and ESG Reporting. The PRI is the world's largest responsible investment initiative. Its aim is to encourage the integration of ESG factors into investors' investment and shareholding decisions. In France, Societe Generale has signed agreements with several national and international asset managers to offer a range of responsible savings products to its individuals customers.

▪ The practices implemented in Societe Generale's investment advisory and insurance advisory businesses are set out in **"Subsection 3: Informations relating to the consideration of sustainability risks in investment advisory and insurance advisory activities and remuneration".**

▪ All these practices make it possible to reduce the exposure of the various activities to sustainability risks, but do not guarantee that these risks will not occur. They may be applied to all or some of the Financial Products advised and/or managed.

SUBSECTION 2. INFORMATIONS RELATED TO SUSTAINABILITY RISKS CONSIDERATION INTO INVESTMENT DECISION AND REMUNERATION FOR FINANCIAL MARKET PARTICIPANTS ACTIVITIES

▪ **Societe Generale Private Banking France**

Societe Generale Private Banking France integrates sustainability risks into its investment decisions for its portfolio management services.

In the case of direct securities (listed equities and bonds), this integration is carried out when defining the investment universe and then at the time of the investment decision by the portfolio manager (see sections 3.1.1, 3.2.1 and 3.3 of the document "Sustainability Risk Management Policy and consideration of Main Negative Impacts").

In the case of listed funds: Undertakings for Collective Investment in Transferable Securities (UCITS) and listed Alternative Investment Funds (AIF), sustainability risks are taken into account in accordance with a two-stage process described in section 4.1 of the document entitled "Sustainability Risk Management Policy and Main Negative Impacts", available via the following link:

Publication Societe Generale Private Banking France

SUBSECTION 3. INFORMATIONS RELATED TO THE INTEGRATION (OR NOT) OF SUSTAINABILITY RISKS INTO INVESTMENT OR INSURANCE ADVICE AND REMUNERATION FOR FINANCIAL ADVISOR ACTIVITIES

- **Societe Generale Private Banking France**

Societe Generale Private Banking France takes sustainability risks into account in its investment advisory and insurance advisory activities. Advice on direct listed securities (listed equities and bonds) may only be given if they belong to the sustainable investment universe as defined in sections 3.1.1 and 3.2.1 of the "Sustainability Risk Management and Main Negative Impacts Policy" document.
Fund advice (Undertakings for Collective Investment, listed FIAs) only concerns funds selected by Societe Generale Private Banking France that take sustainability risks into account in accordance with the process defined in section 4.1 of the document "Sustainability Risk Management Policy and consideration of the Main Negative Impacts".
The consideration of sustainability risks for insurance advice is described in section 5.1 of the document "Sustainability Risk Management Policy and consideration of Main Negative Impacts" available via the following link:

Publication Societe Generale Private Banking France

- **Societe Generale Retail Banking France**

Societe General Retail banking France takes sustainability risks into account in a number of ways. SGRF's policy on integrating sustainability risks into investment and insurance advice is available at the following link:

Publication Societe Generale Retail France

- **Societe Generale Global Markets**

As part of its investment advisory activities, MARK takes sustainability risks partially into account. MARK's policy on the integration of sustainability risks in investment advice is available via the following link:

Publication Societe Generale Global Markets

- **Societe Generale Global Banking and Advisory**

Societe Generale's Global Banking and Advisory division currently provides investment advice on an exceptional basis, and only on instruments with a maturity of 3 months or less that are not covered by SFDR regulations. These investments are not renewed and any subsequent investments by the investor are uncorrelated. In addition, the funds are always used generically, for financing needs that are not specific to the issuer and are not linked to a particular project.

The short-term nature of the investments greatly limits the negative impact they could have on sustainability factors and the influence of sustainability risks on the latter.

The general nature of the investment makes it impossible to assess the negative impact on sustainability factors and to evaluate the sustainability risks on the performance of the instruments. Indeed, as the use of the funds invested is non-specific, any assessment would itself be non-specific and therefore worthless. It should also be noted that the investor concerned is classified as a Professional within the meaning of MiFID regulations.

SECTION 5: INFORMATIONS RELATED TO ADVERSE IMPACTS INTO FINANCIAL MARKET PARTICIPANTS AND FINANCIAL ADVISERS' ACTIVITIES

SUBSECTION 1. GENERAL INFORMATIONS RELATED TO PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY FACTORS

- Principal adverse impacts correspond to the negative impacts of activities and products on sustainability factors (environmental, social and staff issues, respect for human rights and the fight against corruption).

- The principal adverse impacts on investment decisions must be taken into account in the portfolio management services carried out by Societe Generale the principal adverse impacts are monitored as follows:
    - Quantitative monitoring of mandatory ESG numerical indicators analysed on all their portfolios. Examples: greenhouse gas emissions from portfolios, exposure of portfolios to fossil fuels, parity ratio on Boards of Directors, etc. These indicators can be monitored, for

  example, by setting maximum thresholds that must not be exceeded and/or by identifying priority indicators,
- Qualitative measures: adherence to international commitments, implementation of due diligence policies, voting and commitment policies enabling Financial Market Actors to limit, monitor and implement corrective actions relating to the negative impacts of their activities and financial products.

▪ The practices implemented in Societe Generale's portfolio management services are set out in **"Subsection 2: Statement by financial market participants that they do consider principal adverse impacts of their investment decisions on sustainability factors”**

▪ Financial advisers can monitor the negative impacts of their activities as financial intermediaries on the environment, society or governance in investment and insurance advice. This consideration of the main negative impacts can be done in different ways:
- Selection of partners (among Financial Market Participants) who take into account negative impacts on sustainability factors in their investment approach and in the management of their portfolios and have associated policies,
- Identification of priority indicators and selection of partners with reduced negative impacts,
- Definition of maximum negative impact thresholds and selection of partners with negative impacts below the predefined thresholds,
- Selection of financial products that take into account the principal adverse impacts on sustainability factors.

▪ The practices implemented in Societe Generale's investment advisory and insurance advisory activities are set out in **subsections 3 to 5 below.**

SUBSECTION 2. STATEMENT BY FINANCIAL MARKET PARTICIPANTS THAT THEY DO CONSIDER PRINCIPAL ADVERSE IMPACTS OF THEIR INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

▪ **Societe Generale Private Banking France**

For its discretionary management activity, Societe Generale Private Banking France integrates negative impacts on sustainability factors into its investment decisions.

On direct securities (listed equities and bonds) in accordance with the process described in sections 3.1.2, 3.2.2 and 3.3 of the document "Sustainability Risk Management and Main Negative Impacts".

On internal funds, in accordance with the process described in section 4.2 of the document entitled "Sustainability Risk Management Policy and consideration of the main negative impacts", available via the following link:

Publication Societe Generale Private Banking France

The information required under the "Statement on the main negative impacts of investment decisions on sustainability factors", referred to in Article 4 of the SFDR Regulation, is available in part II) of the Rapport de durabilité (Article 29 Loi Energie Climat et SFDR PAI principales incidences négatives) .

SUBSECTION 3. STATEMENT BY FINANCIAL ADVISERS ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT ADVICE ON SUSTAINABILITY FACTORS

- **Societe Generale Private Banking France**

Societe Generale Private Banking France takes negative impacts into account for its investment advice business.

Advice on securities (equities, listed bonds) provided by SGPB includes consideration of negative impacts by taking into account the exclusion rules described in sections 3.1.2 and 3.2.2 of the document "Sustainability Risk Management Policy and consideration of Main Negative Impacts".

The advice on internal funds includes consideration of negative impacts in accordance with the process described in section 4.2 of the document "Sustainability Risk Management Policy and consideration of the Main Negative Impacts" available via the following link:

Publication Societe Generale Private Banking France

- **Societe Generale Retail Banking France**

Societe Generale Retail France undertakes to take three main negative impacts into account when providing investment advice, namely:

- Reduction of CO2 emissions,
- Exclusion of controversial weapons and,
- Respect for social standards.

The commitments apply to mutual funds currently marketed within Societe Generale Retail France's responsible investment range ("Nouvelle Génération d'Épargne").

These commitments will also apply to new UCIs which will be marketed and advised within this same range.

The commitments set out below do not apply to:

- products outside the responsible investment range ("Nouvelle Génération d'Épargne"), including management mandates ;
- real estate products in the responsible investment range ("Nouvelle Génération d'Épargne").

This declaration is available via the following link:

Publication Societe Generale Retail France

- **Societe Generale Global Markets**

In accordance with Article 4 of the SFDR Regulation, MARK publishes information on its website concerning the partial consideration of Principal Adverse Impacts (PAI) in relation to sustainability as a provider of investment advice. This policy is available via the following link:

Publication Societe Generale Global Markets

SUBSECTION 4. STATEMENT BY FINANCIAL ADVISERS ON PRINCIPAL ADVERSE IMPACTS OF INSURANCE ADVICE ON SUSTAINABILITY FACTORS

- **Societe Generale Private Banking France**

SGPB France's insurance advisory integrates the consideration of negative impacts according to the process described in section 5.2 of the document of the document "Sustainability Risk Management Policy and consideration of the Main Negative Impacts" available via the following link:

Publication Societe Generale Private Banking France

- **Societe Generale Retail Banking France**

Societe Generale Retail France is committed to taking into account three main negative impacts for insurance advice, namely:

- Reduction of CO2 emissions,
- Exclusion of controversial weapons and,
- Respect for social standards.

The commitments apply to Undertakings for Collective Investment (UCIs) currently marketed as part of Société Générale Réseau France's range of responsible investments ("Nouvelle Génération d'Épargne").

These commitments will also apply to new UCIs that will be marketed and advised within this same range.

The commitments set out below do not apply to:

- products outside the responsible investment range ("Nouvelle Génération d'Épargne"), including management mandates ;
- real estate products in the responsible investment range ("Nouvelle Génération d'Épargne").

- This declaration is available via the following link:

Publication Societe Generale Retail France

SUBSECTION 5. STATEMENT BY FINANCIAL ADVISERS OF NO CONSIDERATION OF ADVSERSE IMPACTS OF INVESTMENT ADVERSE IMPACTS OF INSURANCE ADVICE ON SUSTAINABILITY FACTORS

- **Societe Generale Global Banking and Advisory**

Societe Generale Global Banking and Advisory currently provides investment advice on an exceptional basis, and only on instruments with a maturity of 3 months or less that are not covered by SFDR regulations. These investments are not renewed and any subsequent investments made by the investor are uncorrelated. In addition, the funds are always used generically, for financing needs that are not specific to the issuer and are not linked to a particular project.

The short-term nature of the investments greatly limits the negative impact they could have on sustainability factors and the influence of sustainability risks on the latter.

The general nature of the investment makes it impossible to assess the negative impact on sustainability factors and to evaluate the sustainability risks on the performance of the instruments. Indeed, as the use of the funds invested is non-specific, any assessment would itself be non-specific and therefore worthless. It should also be noted that the investor concerned is classified as a Professional within the meaning of MiFID regulations.

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