

Date

09/02/2023

STATEMENT OF TAKING INTO ACCOUNT OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

The purpose of this document is to respond to Regulation (EU) 2019/2088 on the publication of sustainability information in the financial services sector, which states in Article 4 that financial market participants publish a statement on sustainability due diligence policies on their website.

The document in the forms prescribed by the SFDR regulation will be published at the latest at the time of PAI reporting and will incorporate changes that took place during the financial year.

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INTRODUCTION

The Principal Adverse Impacts - PAIs correspond in other words to the negative effects of investment decisions on sustainability factors. Sustainability factors mean environmental issues (e.g. in terms of greenhouse gas emissions and biodiversity), social issues (in relation to employees, respect for human rights and issues related to anti-corruption) and governance issues (gender equality within governance bodies).

Indosuez Wealth Management considers the principal adverse impacts of its investment decisions on sustainability factors. The principal adverse impacts consideration mainly relies on the ESG analysis which is integrated in most Article 8 products' investment process.

The analysis of the principal adverse impacts according to **Indosuez Wealth Management** makes it possible to assess the associated risk and the sustainability of investment opportunities, not only on the basis of economic and financial criteria, but also by integrating environmental, social and governance (ESG) factors both at the time of the investment decision and in the asset management phases in question.

GENERAL PRINCIPLES

For the listed instruments, the principal adverse impacts are taken into account through the three structural areas of **Indosuez Wealth Management's** responsible approach:

- **The exclusion policy**

Our exclusion policy allows us to apply a first filter excluding companies belonging to sectors that are not in line with our view of a responsible investor from our investment universe. Companies operating in the tobacco, controversial weapons and coal sectors are thus excluded from all our investment universes. For more information on our exclusion policy, [please refer to paragraph 6 of our ESG policy](#).

- **ESG analysis and rating**

Our rating system incorporates general criteria applicable to all sectors as well as specific criteria depending on the sector in order to best assess the most material issues of companies. Among the 37 criteria analysed are (non-exhaustive list):

- greenhouse gas emissions
- carbon footprint
- carbon intensity
- respect for human rights
- anti-corruption

- **Voting**

As an engaged investor, **Indosuez Wealth Management** has put in place a voting policy for all its entities that integrate ESG dimensions. For more information, [please refer to our shareholder voting and engagement policy](#).

With these three areas, the principal adverse impacts are taken into account throughout the investment process:

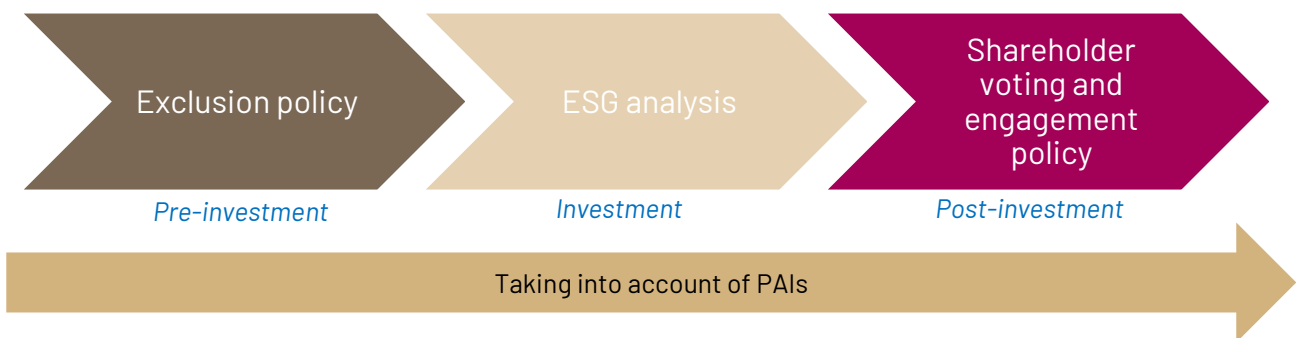


Figure 1: Summary of mandatory PAIs' consideration by Indosuez Wealth Management for its listed assets

	PAIs/Principal Adverse Impacts	Areas taken into account	
Environment	1	GHG emissions (level 1, 2, 3 and total)	ESG rating ¹ and voting ²
	2	Carbon footprint	ESG rating and voting
	3	GHG intensity of companies benefiting from investments	ESG rating and voting
	4	Exposure to fossil fuel companies	Group Exclusion Policy ³ and voting
	5	Non-renewable energy consumption and production share	ESG rating and voting
	6	Energy consumption intensity by sector with a high climate impact	ESG rating and voting
	7	Activities with an adverse impact on biodiversity sensitive areas	ESG rating
	8	Discharges into water	ESG rating
	9	Ratio of hazardous waste and radioactive waste	ESG rating
Social and governance	10	Breaches of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises	Group exclusion and voting policy
	11	No processes and compliance mechanisms to monitor compliance with the principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises	Voting
	12	Pay gap between men and women not corrected	Voting
	13	Gender equality within governance bodies	Voting
	14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)	Group exclusion policy
Souveranis	15	GHG intensity	ESG rating
	16	Investment countries experiencing breaches of social standards	Group exclusion policy

¹ "ESG Rating": the ESG rating used in the investment processes has at least 1 criterion related to the PAI concerned

² "Group Exclusion Policy": the group exclusion policy, applied by Indosuez Wealth Management, incorporates rules related to the PAI concerned

³ "Voting": the voting policy defined by the Indosuez Wealth Management group incorporates voting rules regarding the PAI concerned

2023 will mark the first full exercise of application of the SFDR regulation. In addition to the obstacles that may be posed by the regulatory timetable between the SFDR regulation and the draft CSRD directive⁴, the lack of consensus and market practices, **Indosuez Wealth Management** makes transparency the cornerstone of its response to the SFDR regulation.

The taking into account of PAIs by **Indosuez Wealth Management** is thus done in a way of 'best effort' and transparency in respect of regulators, investors, clients and, more generally, with all of its stakeholders.

This taking into account of the principal adverse impacts throughout the investment process is supplemented by active monitoring of these indicators.

While the rating system used to measure the ESG performance of listed companies incorporates several PAIs (Figure 1), the fact that other criteria are added for the overall assessment of the ESG aspects of companies may lead to a dilution of these adverse impacts in the overall ESG rating.

To overcome this difficulty, and in order to best monitor the PAIs of its investments, **Indosuez Wealth Management** is therefore working to integrate this PAI data into the management tools so that the investment teams can:

- 1) have an overview of PAIs per issuer in their management tools
- 2) directly measure the effects of their investment choice on the aggregated principal adverse impacts at portfolio level when it promotes environmental or social characteristics (Article 8 product) or incorporates a sustainability objective (Article 9 product).

⁴ Corporate Sustainability Related Disclosure which aims to impose rules on reporting non-financial data for companies.

DESCRIPTION OF POLICIES AIMED AT IDENTIFYING AND REPORTING THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

PRIORITISATION OF THE PRINCIPAL ADVERSE IMPACTS

The prioritisation of PAIs by asset class and by business sector results from the availability and current coverage of PAI data.

- PAI data is primarily available for the **Indosuez Wealth Management** products invested in listed assets.
- The effective PAI's consideration depends on **Indosuez Wealth Management's** relevance assessment. Eligible products for the PAI's consideration are the SFDR Article 8 and Article 9 products.
- The availability of data for issuers (*i.e.* coverage) therefore leads to the following ranking:
 1. Climate
 2. Environment
 3. Social and governance

SCOPE

Indosuez Wealth Management defines below, for the investments in listed assets, how the principal adverse impacts are taken into account according to the SFDR classification of the product concerned:

- **Article 6 products within the meaning of the SFDR regulation**
 - The group exclusion policy, applied in accordance with **Indosuez Wealth Management's ESG policy**, applies before any investment.
 - Voting can be applied to all or part of the portfolio (for more information on the voting scope, see our shareholder voting and engagement policy).
 - The ESG rating can be known and available but the construction of the portfolio does not actively take this information into account except for the exclusion of the most risky issuers in terms of sustainability. For these products, information on PAIs is available but ultimately not taken into account and therefore does not give rise to the promotion of environmental or social characteristics.
- **Articles 8 and 9 products within the meaning of the SFDR regulation**
 - Funds or mandates invested in live securities: in addition to the exclusion policy, ESG rating and the voting and shareholder engagement policy defined above, **Indosuez Wealth Management** works to integrate and monitor PAIs in the

management tools in order to precisely measure the impact of investment choices on the portfolio's PAIs.

In summary:

- the application of the exclusion policy, the integration and monitoring of ESG ratings and the application of the voting policy are now operational and applied.
- gross indicators relating to PAIs per company are now provided to us by a service provider.
- their integration into portfolio management tools is expected to be finalised in the first half of 2023.

■ Funds or mandates invested in funds:

- internal funds are the subject of a detailed analysis of the ESG profile of the issuers held.
- the selection of external funds⁵ is based on an ESG analysis of funds including due diligence with external management companies. This selection will be supported by the following criteria:
 - SFDR classification and pre-contractual ratings (Article 8 or 9)
 - Quality of extra-financial reports
 - Taking into account the principal adverse impacts on sustainability

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⁵ Excluding funds of funds, funds investing in commodities and absolute return funds