

INFORMATION ON THE SUSTAINABILITY RISK INTEGRATION POLICY AND THE CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS IN INVESTMENT AND INSURANCE ADVICE

1. Preamble

The integration of climate change issues and the emergence of sustainable finance is one of the major focus of our Corporate Social Responsibility (CSR) Policy, which is at the heart of the Crédit Agricole project. As of today, these issues are crucial to the protection of investors and the financial system.

Thanks to its cooperative and mutualist identity as well as its long standing commitment, the Group has adopted a *Raison d'Être* in 2019 that commits him to "Acting every day in the interest of the client and society". This *Raison d'Être* has been reflected in the new "Ambitions 2022" Group Project which is based on three strategic pillars:

- A client project that aims for relational excellence;
- A human project that develops responsibility in proximity;
- A societal project which pursues our mutualist commitment in favor of development for all and which wants to make green finance one of the keys to our growth.

As part of its savings solutions, Crédit Agricole offers investment and insurance advisory services.

This document presents Crédit Agricole's integration of sustainability risks in investment advice and insurance advice. It helps meet regulatory requirements as set out in Article 3 of the European Regulation 2019/2088 on sustainability disclosures in the financial services sector for the financial products covered¹.

The European Commission plans to amend the delegated acts for the European Markets in Financial Instruments Directive II (MIFID II) and the European Insurance Distribution Directive (IDD) to ensure that clients' sustainability preferences are taken into account when assessing the appropriateness of investments recommended by the financial advisor. These regulatory evolutions will be determining in the target processes to be implemented for the integration of sustainability risks into financial advice.

This policy outlines Crédit Agricole's approach on the integration of sustainability within financial advice as of today.

¹ Financial products covered by the European Regulation 2019/2088: a) Managed portfolio in the sense of portfolio management; b) Alternative investment fund (AIF); c) Insurance-based investment product; d) Pension product; e) Pension scheme; f) UCITS; or g) Pan-European personal pension product (PEPP).

2. Policy on the integration of the sustainability risks in the investment and insurance advisory business

a) What is the sustainability risk and how does it impact investments?

The sustainability risk is defined by the European Regulation 2019/2088 on Sustainability Disclosure in the Financial Services Sector as an Environmental, Social or corporate Governance (hereinafter "ESG"²) event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. The sustainability risk is linked to multiple ESG issues or factors which, if not managed appropriately by issuers, can lead to financial or non-financial impacts (e.g. reputation, legal...) which, in turn, can generate financial impacts.

- Examples of environmental issues or factors: climate change, depletion of natural resources, air and water pollution, deforestation, loss of biodiversity, etc.
- Examples of social issues or factors: social inclusion, corporate diversity, employees' health and safety, human rights, exposure to illegal child labor, personal data protection, etc.
- Examples of governance issues or factors: Board of Directors efficiency, compliance and ethics, executive compensation, etc.

b) Integration of the sustainability risks into the investment and insurance advisory services

Integrating sustainability into financial advice is an essential component of **sustainable finance**. Through their advices, investment services providers and insurance distributors can play a central role in reorienting the financial system toward sustainability and thus meet the two imperatives of sustainable finance:

- Redirecting capital flows to sustainable investments,
- Integrate sustainability into financial risk management to strengthen financial stability.

The integration of sustainability in financial advice occurs at both the design and distribution levels of financial products.

At product design level, this means taking ESG into account in all investment processes in addition to traditional financial analysis, integrating ESG aspects in the voting and shareholder engagement policy, and providing financial advisors and clients with information on the ESG nature of products.

At product distribution level, it concerns the processes, tools and skills of the financial advisory profession. In particular, integrating sustainability means developing the ESG expertise of financial advisors so that they can assess clients' sustainability preferences, recommend appropriate products, and help clients understand the ESG risks and opportunities in their portfolio construction.

² The acronym ESG, Environmental, Social and Governance, is commonly used by the international financial community to designate these three areas which constitute the three pillars of the extra-financial analysis of a company.

c) Integration of the sustainability risks into financial products

The main Asset Management company and the Insurance subsidiary of the Crédit Agricole Group have undertaken to extend ESG approach within their activities.

Amundi, the Group's main Asset Management company, has made responsible investment one of its founding pillars since its creation in 2010. As a pioneer in this field, the Group was one of the founding signatories of the Principles for Responsible Investment (PRI) in 2006. Amundi is committed to having an ESG rating on 100% of the assets in open-ended funds under active management and to applying ESG criteria to all voting decisions by 2021. More detailed information, including Amundi's Responsible Investment Policy and rating methodology, are available at www.amundi.fr³.

Crédit Agricole Assurances, the Group's Insurance subsidiary, has committed to the generalization of ESG criteria for new investments. This concerns assets representing Euro funds, equity and assets representing unit-linked contracts. More detailed information, including the ESG-Climate policy of Crédit Agricole Assurances S. A. s ESG-Climate policy, are available at www.ca-assurances.com⁴.

d) Integration of the sustainability risks into the business of financial advisors

Crédit Agricole has initiated a process of integrating sustainability into the activity of financial advisors in order to contribute to the reallocation of savings towards sustainable activities.

Crédit Agricole is convinced that taking ESG factors into account has a positive impact on financial performance.

Crédit Agricole distributes financial products with environmental or social characteristics, or having sustainability objectives.

Financial advisors have the information they need to offer these products to clients through appropriate documentation and training materials, as well as through awareness campaigns held at the launch of these new products.

Crédit Agricole will continue to develop its approach linked to integration of sustainability into the financial advisory business over time, in accordance with regulatory developments and using future methodological innovations.

e) Integration of the sustainability risks into the remuneration policy

This paragraph outlines the integration of the sustainability risks into the remuneration policy. It contributes to meeting the regulatory requirements as set out in Article 5 of the EU Regulation 2019/2088 on Sustainability Disclosure in the Financial Services Sector.

Crédit Agricole's remuneration policy does not encourage excessive risk-taking in terms of sustainability in the investment advisory and insurance advisory businesses and is linked to risk-adjusted performance.

³ https://www.amundi.fr/fr_instit/Local-content/Responsible-Investment/Documentation

⁴ <https://www.ca-assurances.com/Chaines/Responsables-et-engages/CAA-sort-1-edition-2021-de-sa-politique-ESG-Climat>

Also, in accordance with the policy of prevention and management of conflicts of interest, Crédit Agricole's remuneration policy does not promote any advice on financial products which would be prejudicial to the protection and primacy of clients' interests.

3. Statement on the consideration of negative impacts in terms of sustainability

Article 4 of the EU Regulation 2019/2088 on Sustainability Disclosure in the Financial Services Sector requires:

- The publication by financial market actors of information relating to the consideration of principal adverse impacts of investment decisions on sustainability factors;
- Financial advisors' disclosure of information regarding the consideration of principal adverse impacts on sustainability factors in their investment and insurance advice.

Negative impacts are the adverse effects of investment decisions and advice on environmental, climate, social and governance sustainability factors.

At Crédit Agricole Group level, Amundi, the Group's main Asset Management company, takes into account negative impacts through its Responsible Investment Policy. More detailed information are available at www.amundi.fr. Crédit Agricole Assurances, the Group's Insurance subsidiary, has committed to the generalization of ESG criteria on new investments and will also take into account negative impacts. More detailed information are available at www.ca-assurances.com.

Concerning investment and insurance advices activities of Crédit Agricole Group, the absence of sufficiently specific and stabilized regulatory texts and a sufficiently large panel of comparable data do not currently ensure that negative impacts are taken into account within the meaning of SFDR regulation⁵. Crédit Agricole will comply with these texts once they are available and applicable and will rely on the data that will be made available for all the funds or units of account advised by the Group's entities in accordance with the regulatory timeline.

In line with the Crédit Agricole Group's societal project, the processes relating to investment and insurance advice, based on these new data, will evolve over time in order to be able to take into account the negative and potential impacts of investments in the advisory activities in a comprehensive manner. Driven by the ambition to be a European leader in responsible investment, the Group is mobilized around a Climate strategy in line with the Paris Agreement, while at the same time strengthening its commitment to the energy transition, and promoting green and responsible investment policies.

The information published by Crédit Agricole and its entities on their websites will be enriched according to these evolutions.

⁵ EU Regulation No. 2019/2088, known as the "Sustainable Finance Disclosure Regulation".