SFIL

Development Banks France

ESG Risk Rating

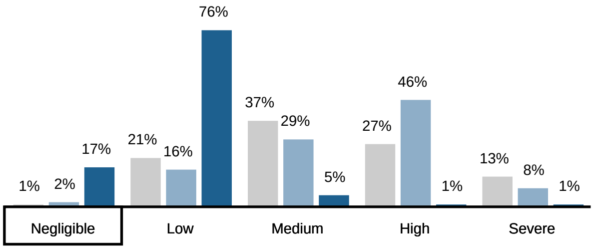
6.6
Updated Dec 17, 2021

-1.2
Momentum

Negligible Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1st = lowest risk)	PERCENTILE (1st = lowest risk)
Global Universe	**20**/15081	**1st**
Banks INDUSTRY	**9**/1068	**2nd**
Development Banks SUBINDUSTRY	**9**/116	**8th**

Peers Table

Peers (Market cap $0.0 - $0.0bn)	Exposure	Management	ESG Risk Rating
1. International Bank for Reconstruction & Development	20.1 Low	72.4 Strong	**5.9 Negligible**
2. European Stability Mechanism (ESM)	17.9 Low	66.0 Strong	**6.3 Negligible**
3. SFIL	21.0 Low	70.4 Strong	**6.6 Negligible**
4. Inter-American Development Bank	20.1 Low	68.2 Strong	**6.7 Negligible**
5. Export Development Canada	22.1 Low	68.2 Strong	**7.3 Negligible**

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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

21.0 **0.0**
Low **Momentum**
Beta = 1.00

Low	Medium	High
0-35	35-55	55+

SubIndustry

In FY2020, SFIL, through its partnership with La Banque Postale, maintained its leadership position in the financing of the French local public sector, notably with loans to the French local authorities and public hospitals. Failure to integrate environmental, social and governance factors into its loans can lead to significant public scrutiny and reputational damage. Moreover, to maintain its leadership position, SFIL must rely on a highly skilled workforce. Mismanagement of the workforce may lead to skill deficits, high training costs and compliance failures. SFIL's mission as a development bank is centred on public policy, exposing it to scrutiny over ethical issues. Its close relationship with local governments and public hospitals gives way to opportunities for misconduct such as conflicts of interest or bribery, and infractions that could lead to investigations and fines.

The company's overall exposure is low and is similar to subindustry average. Business Ethics, Human Capital and ESG Integration -Financials are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

70.4 **+5.6**
Strong **Momentum**

Strong	Average	Weak
100-50	50-25	25-0

SFIL's management of ESG integration is strong. In 2020, it has fully integrated the Sustainable Development Goals into its operations, strengthening its social and environmental commitments. The bank issued its second green bond in November 2020 following the same framework as in 2019 and attracting nearly 100 different investors. SFIL's management of business ethics is strong, with solid bribery and corruption policy and programmes. The company has a money laundering policy and a whistleblower programme in place, in order to mitigate the risks of unethical behaviors from happening or remaining unnoticed. Lastly, SFIL's management of human capital includes very strong diversity and personnel development programmes. However, the bank's discrimination policy lacks reference to the ILO conventions, and its gender pay equality programme is missing quantitative targets and deadlines.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score | Category	ESG Risk Management Score | Category	ESG Risk Rating Score | Category	Contribution to ESG Risk Rating
ESG Integration -Financials	6.0 Medium	62.8 Strong	**2.2 Low**	34.0%
Corporate Governance	5.0 Medium	69.0 Strong	**1.6 Negligible**	23.6%
Business Ethics	5.0 Medium	75.6 Strong	**1.4 Negligible**	21.4%
Human Capital	5.0 Medium	76.3 Strong	**1.4 Negligible**	21.0%
Overall	**21.0 Low**	**70.4 Strong**	**6.6 Negligible**	**100.0%**

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

Severe (0)

High (0)

Significant (0)

Moderate (0)

Low (0)

None (11)

- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Carbon Impact of Products
- Environmental Impact of Products
- Labour Relations
- Lobbying and Public Policy
- Sanctions
- Social Impact of Products
- Society - Human Rights

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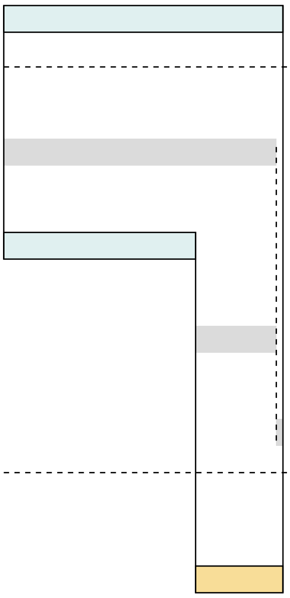
Risk Decomposition



Exposure			
	Company Exposure	21.0	The company's sensitivity or vulnerability to ESG risks.
Management			
	Manageable Risk	20.5	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
	Managed Risk	14.4	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
	Management Gap	6.1	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
	Unmanageable Risk	0.5	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
ESG Risk Rating			
	Overall Unmanaged Risk	6.6	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.

Momentum Details

Risk Rating Momentum -1.2

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

2021 ▼ 6.6 (-1.2)

2020 ▲ 7.7

Exposure Momentum 0.0

Low	Medium	High
0-35	35-55	55+

2021 ▼ 21.0 (0.0)

2020 ▲ 21.0

Management Momentum +5.6

Strong	Average	Weak
100-50	50-25	25-0

2021 ▼ 70.4 (+5.6)

2020 ▲ 64.8

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GLOSSARY OF TERMS

Beta (Beta, β)
A factor that assesses the degree to which a company's exposure deviates from its subindustry's exposure on a material ESG issue. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar
A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category
Companies' ESG Risk Rating scores are assigned to five ESG risk categories in the ESG Risk Rating:

- **Negligible risk**: enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
- **Low risk**: enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
- **Medium risk**: enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
- **High risk**: enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
- **Severe risk**: enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)
The company's final score in the ESG Risk Rating; it applies the concept of risk decomposition to derive the level of unmanaged risk for a company.

Event Category
Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator
An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure
The difference between the company's exposure and its subindustry exposure.

Exposure
A company or subindustry's sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue
An issue that was not deemed material at the subindustry level during the consultation process but becomes a material ESG issue for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk
Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk
Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management
A company's handling of ESG risks.

Management Gap
Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator
An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue
A core building block of the ESG Risk Rating. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given subindustry.

Subindustry
Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk
Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk
Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (management gap).

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