

## SECTOR POLICY



### AGRICULTURE, FISHERIES AND FOOD

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## 1. INTRODUCTION

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Within the framework of its Corporate Social Responsibility policy, Societe Generale (the “Bank”) intends to take into account within its group the environmental and social (E&S) issues associated to all its activities, to better control their impact and promote good practices, with an objective of continuous improvement. The Bank thus defined E&S General Guidelines which set key standards and parameters for a responsible engagement in all its banking and financial activities. In addition to this general framework, Cross-sectorial Policies dealing with E&S issues common to all sectors are developed, as well as Sector Policies where the Bank looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The Agriculture and Food sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Agriculture and Food sector. Financing agribusiness is of primary importance as 9 billion people will have to be fed in 2050 according to current projections, while 1 billion people at least are still food insecure today. Meeting this challenge will require an important increase in food production levels. At the same time however, there is growing evidence of the profound impacts of agricultural and seafood production activities on the ecosystems and local communities. Not only are these impacts endangering the common natural capital, they are also putting at risk the primary natural processes which enable food production, at a time when climate change is also predicted to have important effects on production patterns. Societe Generale believes that this situation calls for a shift towards more sustainable practices in the food production sector. The Bank is willing to remain a value-adding partner to its clients in this sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Agriculture and Food sector.

## 2. COMMITMENT

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Societe Generale is committed to incorporating in its decision-making processes the review of the E&S impacts potentially associated with the activities of its clients. The Bank will work with clients who meet or aim at meeting its sustainability standards. Societe Generale will take appropriate measures if these standards are not met, or if the client no longer aims at meeting them.

This Sector Policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Bank and its various stakeholders.

## 3. RISK ASSESSMENT

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While it is incumbent on the Bank’s clients to manage the risks associated with their own operations, it is important to Societe Generale to evaluate the consistency of its engagements with clients against the E&S principles of the Bank.

When evaluating clients’ activity and/or transactions in this sector, particular attention is paid to the following aspects:

- Food safety control;
- Impacts on local food security and food prices;
- Deforestation and conversion of natural ecosystems and habitats into agricultural land;
- Other impacts on natural biodiversity (e.g. through dissemination of chemicals) and agro-biodiversity;

- Impacts on coastal and marine ecosystems;
- Greenhouse Gases emissions and other climate change related impacts due to forest or peat-land clearance, and food production and transformation practices;
- Soil erosion, compaction or degradation;
- **Unsustainable use of fertilisers and pesticides;**
- Development and dissemination of biotechnologies;
- Impacts on surface and ground-water availability and quality;
- Labour rights and working conditions, including occupational health and safety;
- Impacts on smallholders' livelihoods;
- Risks of land grabbing; Disputes over land tenure and land use; Resettlement or economic displacement;
- Impacts on indigenous peoples or lands used by indigenous peoples;
- Food losses and waste at storage, processing or distribution stages;
- Supply chain control from downstream companies.

## 4. SECTOR-SPECIFIC STANDARDS AND CRITERIA

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Societe Generale being active worldwide, the E&S laws and regulations its clients have to comply with vary from one country to another or one region to another. At a minimum, Societe Generale requests them to comply with the E&S laws and regulations of each relevant country, while encouraging them to apply the Bank's E&S standards.

A number of institutions, business associations and other civil society organizations have developed standards and initiatives<sup>1</sup> addressing the E&S impacts resulting from the Agriculture and Food sector activities. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment in this sector:

- The ILO Declaration on [Fundamental Principles and Rights at Work](#) and other ILO conventions relevant to the sector;
- The [Cartagena Protocol on Biosafety](#);
- The FAO [Voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security](#);
- The FAO [Guidelines for Sustainable Agriculture and Food Assessments](#) (SAFA) (in development);
- The relevant World Bank Group [Agribusiness/Food production EHS Guidelines](#).
- The [FAO Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas](#);
- The [UN General Assembly Resolutions pertaining to sustainable fisheries](#) (including ban of driftnets);
- The FAO [Code of Conduct for Responsible Fisheries](#);
- The [WWF 2050 Key Performance Criteria](#);
- The [Consumer Goods Forum](#) and in particular the Sustainability Pillar 2010 resolutions regarding deforestation and refrigeration;
- The FAO, IFAD, UNCTAD and World Bank [Principles for Responsible Agricultural Investment \(PRAI\)](#);

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<sup>1</sup> These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines...

- Furthermore, Societe Generale adopted in 2015 the Banking Environment Initiative's [Soft Commodities Compact](#) with the Consumer Group's Forum, which objective is to align the banking industry's services with the ambition to help achieve zero net deforestation by 2020.

Based on the analysis of these initiatives and of best practices of multilaterals and financial institutions, Societe Generale has defined the following E&S criteria to incorporate into its decision making process when considering provision of banking and financial services in the Agriculture and Food sector:

#### **a. Client criteria**

Clients are encouraged to implement the best E&S practices of the sector. When conducting a corporate E&S assessment in this sector, Societe Generale applies the following criteria:

- Clients whose involvement in agricultural and aquaculture production is significant are expected to have developed E&S management policies and procedures commensurate to their impacts and reflecting, where applicable, the standards listed in the section above;
- Clients active in the wild catch fisheries sector are expected to conduct their fishery in a manner that does not lead to stocks depletion and to use methods that minimize the impact to other marine species or ecosystems<sup>2</sup>;
- Clients active in the upstream food production sector are encouraged to join a credible<sup>3</sup> international voluntary certification scheme (if one covering their activities can be identified); For palm oil and soy production, the Soft Commodities Compact recognizes respectively RSPO and RTRS<sup>4</sup> as adequate certification schemes to achieve its objective;
- Clients of the corporate and investment bank active in a significant way in the upstream palm oil<sup>5</sup> and soy sectors in markets at high risk of tropical deforestation can verify by 2020 that their operations are consistent with zero net deforestation;
- Clients involved in Gene Technology development and distribution are expected to have transparent policies and procedures in place reflecting at a minimum the laws and regulations of the countries in which they operate and international conventions such as the Cartagena Protocol;
- Clients with downstream operations are encouraged to put in place purchasing policies to mirror the above requirements for their upstream suppliers.

#### **b. Dedicated transactions criteria**

Moreover, when conducting an E&S assessment of the transaction<sup>6</sup>, Societe Generale will particularly consider issues associated with land rights and land governance and risks of land grabbing within the framework defined by the FAO [Voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security](#).

#### **c. Equator Principles**

Societe Generale applies the [Equator Principles](#) (EP) and its underlying standards to the transactions falling in the scope of this initiative.

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<sup>2</sup> As defined by international conventions and agreements implemented by Regional Fisheries Management Organizations

<sup>3</sup> Credible certification schemes address the most pressing sustainability issues of the sector they cover, and can demonstrate operational effectiveness. This latter aspect can be evaluated through adherence to the ISEAL codes of good practice and Credibility Principles. The WWF 2050 Criteria report lists voluntary certification schemes for each agriculture and sea-food production sub-sector.

<sup>4</sup> Roundtable for Sustainable Palm Oil and Roundtable for Sustainable Soy

<sup>5</sup> Also see Societe Generale Palm Oil Sector Policy

<sup>6</sup> See Implementation Process in Societe Generale E&S General Guidelines

**d. Agricultural commodity derivatives criteria**

Commodity derivatives have been developed with a view to assisting market players in better managing their price and currency risks. Societe Generale is an actor of these markets and makes its expertise available to its clients to propose the most appropriate solutions.

Following the food price shocks of the last few years, and their consequences on the poorest populations, a debate has emerged on the impact of trading and investing in agricultural commodity derivatives on the prices of those commodities. Societe Generale is aware that activities considered as speculative may, according to some research studies, play a role in the volatility of agricultural commodities prices. The Bank however thinks it necessary to continue helping market players in food production chains hedge their risks.

As a consequence, Societe Generale has committed at this stage to refrain from any proprietary trading in this sector, apart from market making<sup>7</sup>, and, when trading for its clients benefit, to check the coherence of the position with the client's risk situation and to refrain from entering any transaction that would entail distortions of the market. In any event, Societe Generale complies with the rules of the different market places it is active in. In addition, the Bank supports the development and implementation of appropriate regulation<sup>8</sup> in futures exchanges and markets such as adequate supervision, increased transparency, and positions control so as to limit all material impact on agricultural commodities prices.

**e. Agricultural-based funds and investment products criteria**

Agricultural-based funds and investment products are funds and investment products for which the majority of risked positions are purposively linked to agricultural commodities inventories<sup>9</sup>.

Societe Generale refrains from creating such funds and products<sup>10</sup>, or getting them created. In addition, Societe Generale does not proactively market retail saving products primarily linked to agricultural commodities. The Bank will only act as an intermediary if the client expressly requires access to such products, proposed by other financial institutions.

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies (including the Biodiversity Policy, of particular relevance for the Agriculture and Food Sector), these criteria provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

In addition, specific criteria for the Palm Oil and Biofuels sectors have been established in the relevant Societe Generale Sector Policies<sup>11</sup>.

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<sup>7</sup> Commitment from the Bank to quote bids and offer prices so as to guarantee the liquidity of the market that may entail the taking of a short position.

<sup>8</sup> In particular the Dodd-Frank Act and the implementation rules defined by the Commodity Futures Trading Commission in the US and the directives and regulations adopted or in discussion EMIR, MIFID and MIFIR and the measures defined by the European Securities and Markets Authority in the European Union.

<sup>9</sup> Positions in futures on agricultural underlying, or investment in products (ETF, SPV...), which purpose is warehousing agricultural commodities.

<sup>10</sup> Including mutual funds, UCITS, SPV...

<sup>11</sup> Palm Oil Sector Policy and Alternative Liquid and Gaseous Fuels Sector Policy

## 5. SCOPE

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This Sector Policy applies to all the banking and financial services provided by the Societe Generale Group entities to its clients involved in the Agriculture and Food value chain.

Upstream companies include growers and where applicable, companies responsible for primary processes (which are generally directly related to a production site), aquaculture and wild catch fisheries. Downstream companies include traders, processors, manufacturers, wholesalers and retailers.

## 6. IMPLEMENTATION PROCESS

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As established in the E&S General Guidelines, Societe Generale integrates the assessment of potential E&S risks and impacts into its decision-making processes both at the client assessment level and, where necessary, at the transaction assessment level.

The development of these processes will take into consideration risks materiality and may be adapted to countries.

Societe Generale decisions are based on the information made available to the Bank. Societe Generale puts all its reasonable endeavours to ensure the quality and reliability of this information.

## 7. SCHEDULE – REVISIONS

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This Agriculture and Food Sector Policy is applicable from the date of its publication to all services provided therefrom.

Procedures will be put in place progressively, as necessary, throughout the Bank to ensure full integration of these requirements in the usual decision processes.

Review mechanisms will allow for continuous improvement. Societe Generale reserves the right to modify this Sector Policy at any time. This document cannot be interpreted as a contractual commitment.

Updated versions will be posted on [Societe Generale's website](#) where the E&S General Guidelines and all published Cross-sectorial and Sector Policies are also available.

This Sector Policy has been established in French, versions in other languages are free translations.