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# Environmental and Social General Principles

## INTRODUCTION

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The banking and financial sector plays a key role in the economy and can help drive the development of environmentally respectful and balanced economies and of inclusive and equitable societies.

Société Générale and its subsidiaries (the Group) are fully aware of this role and committed to responsible conduct towards the society, the planet and future generations.

To support this commitment, the Group decided to renew its corporate purpose: “Building together with our clients, a better and sustainable future, through responsible and innovative financial solutions”.

In line with its purpose and its values (Team spirit, Innovation, Responsibility and Commitment), the Group placed Corporate Social Responsibility (CSR) at the heart of the Group’s strategy. The CSR ambition is structured around three transversal priority areas that define the way we do business – customer satisfaction and protection, ethics and governance, and being a responsible employer – and three dimensions that direct and guide the influence the Group seeks to have on the world – the fight against climate change, social change and innovation, and the contribution to sustainable development in Africa.

Consideration of the economic, social, environmental and ethical impacts linked to its operations (direct operations and supply chain) and its commercial activities is a major focus of the Group’s CSR ambition. These Environmental and Social (E&S) General Principles present the E&S framework applicable to the Group’s activities that may be linked to environmental and social impacts through the products and services delivered.

The Group strives to act in accordance with all applicable social and environmental laws, international treaties and conventions, in the countries where it operates.

Moreover, the Group embraces its pivotal role in promoting sustainability in its sphere of influence and across economic sectors and societies. To this end, it seeks to engage with all its stakeholders and has made voluntary commitments and joined collaborative initiatives in the banking and financial sector. By this approach, the Group seeks to meet the highest standards in the banking and financial industry. To achieve this ambition, it will keep nurturing a group-wide culture of E&S responsibility and strong common values.

## SCOPE OF THE E&S GENERAL PRINCIPLES

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### THE E&S GENERAL PRINCIPLES APPLY:

- To all countries where the Group activities may have an impact considered as significant on human rights or the environment.
- To all consolidated companies over which the Group exercises exclusive control. It covers all services and products of the Group, including, but not limited to, financial and banking services, notably corporate lending and dedicated financing, investment activities and asset management.

### THE PURPOSE OF THIS DOCUMENT IS TO:

- list the types of E&S risks considered;
- present the standards and initiatives that constitute the Group’s framework of reference;
- describe the main aspects of the E&S Risk Management System (ESRM System) implemented in the Group’s operations and governance, as formalized in the Group’s normative documentation.

## ENVIRONMENTAL & SOCIAL RISKS

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**E&S issues cover a broad range of notions, which may be considered and understood differently in different cultures. For this reason, the Group is guided by the national regulations and the main international conventions regarding human rights and the environment to define the risks to be considered. The following definitions may be addressed more specifically in the E&S Transversal Statements and E&S Sector Policies, when necessary.**

### ENVIRONMENTAL RISKS

Environmental risks cover temporary or permanent changes to the atmosphere, water, and land caused by human activities, which may result in material reversible or irreversible impacts. Risk intensity and gravity may vary according to the type of industry, scale, location, and practices.

**The Rio Declaration on Environment and Development (1992) serves as a reference to identify the main issues related to environmental capital:**

- Climate change
- Air quality and air pollution
- Water resources and quality
- Sustainable land use
- Preservation of natural resources
- Biodiversity
- Waste limitation and treatment

### SOCIAL AND HUMAN RIGHTS RISKS

Social and human rights risks may occur both in and around the workplace and can impact negatively workers and surrounding communities.

**The Universal Declaration of Human Rights (1948) and the fundamental conventions of the International Labour Organization are the Group's references for social and human rights risks:**

- Forced labour and slavery
- Child labour
- Respect for indigenous peoples and their cultural heritage
- The right of ownership
- Discrimination
- Freedom of association
- The health and safety of persons
- The decent nature of working conditions, remuneration and social protection
- The right to privacy.

In addition, the Group considers governance and other ethical risks<sup>1</sup>, as part of the E&S and Governance (ESG) risks. These risks are managed in the frame of the Know Your Customer (KYC) and dedicated internal processes based on principles of good business conduct and compliance with regulatory requirements.

## STANDARDS AND INITIATIVES

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The Group is committed to manage the E&S risks potentially attached to its activities and set up the following internal standards as a complement to these E&S General Principles:

- **Three E&S Transversal Statements** on transversal E&S issues describe the main reference framework and set out the commitment of the Group regarding Biodiversity, Climate, and Human Rights. While Transversal Statements are cross-sectoral, more specific requirements linked to sectoral issues are incorporated in the Sector Policies.
- **Eleven E&S Sector Policies** define the E&S risk factors, the standards of reference and the specific criteria the Group intends to apply for its activities in sensitive sectors.

These standards were developed considering both the severity of the potential E&S harm and the significance of the Group's link to this harm and using as a reference the most relevant international and national standards as well as the initiatives supported by the banking and financial industry.

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<sup>1</sup> Embargoes and sanctions, Terrorism, Corruption and bribery, Resources appropriation, Tax evasion, Data protection

## INTERNATIONAL CONVENTIONS AND DECLARATIONS

The Group adopts and respects the values and principles enshrined in the following international conventions and declarations:

- **The Universal Declaration of Human Rights** and associated covenants (namely, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights).
- **The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)**, which is the most comprehensive international instrument on the rights of indigenous peoples.
- **The Fundamental Conventions of the International Labour Organization (ILO).**
- **The United Nations Framework Convention on Climate Change** and the **Paris Climate Agreement.**
- **The UNESCO Convention concerning the Protection of the World Cultural and Natural Heritage.**
- **The United Nations Sustainable Development Goals (UN SDGs)**, a framework of 17 interconnected Goals to achieve by 2030 to address the global challenges, including those related to poverty, inequality, climate change or environmental degradation, and to build a better and more sustainable future for all.

## GUIDELINES

The Group also recognizes the value and is guided by the following standards, initiatives and best practices, among which:

- **The OECD Guidelines for Multinational Enterprises**, a comprehensive government backed international standard of Responsible Business Conduct (RBC), as well as the **OECD Due Diligence Guidance for Responsible Business Conduct** that provides practical support to enterprises on their implementation.
- **The UN Guiding Principles on Human Rights**, a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.
- **The IFC Performance Standards**, defining a framework for managing environmental and social risks related to activities.
- **The World Bank Group General Environmental, Health and Safety (EHS) Guidelines**, a set of technical reference documents with general and industry-specific examples of good industrial practices.

## BANKING AND FINANCIAL INSTITUTIONS' CSR INITIATIVES

The Group is an active member of various CSR initiatives involving the financial and banking sector which reference ESG risk management:

- **The United Nations Principles for Responsible Banking**, which provide the framework for a sustainable banking system, and help the banking industry to demonstrate how it makes a positive contribution to society;
- **The United Nations Environmental Programme – Finance Initiative (UNEP FI)**, a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development;
- **THE EQUATOR PRINCIPLES, A RISK MANAGEMENT FRAMEWORK, ADOPTED BY FINANCIAL INSTITUTIONS, FOR DETERMINING, ASSESSING AND MANAGING E&S RISKS IN PROJECTS. IT IS PRIMARILY INTENDED TO PROVIDE A MINIMUM STANDARD FOR DUE DILIGENCE AND MONITORING TO SUPPORT RESPONSIBLE RISK DECISION-MAKING;**
- In addition, Lyxor and Société Générale Assurances are members of the **United Nations Principles for Responsible Investment (UN PRI)**;
- The Group has also joined the **United Nations Global Compact** which encourages companies to integrate principles relating to human rights, working conditions and the fight against corruption;
- The Group is also a member of **E&S initiatives** focused on issues or sectors, which are listed in the Transversal Statements and Sector Policies.

## COMPLIANCE WITH APPLICABLE NATIONAL REGULATIONS

Lastly, the Group strives to comply with all applicable E&S regulations to the Group in the countries where it operates. This includes notably the 2017 French Duty of Care Law and the 2015 UK Modern Slavery Act.

## E&S RISK MANAGEMENT SYSTEM

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### ESRM SYSTEM

**E&S risk management is fully integrated into the processes governing the conduct of the Group's activities. In coordination with the Group's trade partners, salient impacts and associated risks are identified and assessed in order to be prevented or mitigated.**

### MAIN FEATURES OF THE GROUP ESRM SYSTEM

The Group integrates the assessment of E&S impacts and associated risks into its decision-making processes. To this end, a risk-based approach is implemented in the Group's activities **with the following steps:**

- **Identification:** The Group has developed tools and processes to help identify the banking and financial products and services, sector practices and countries where E&S risks are more likely to be encountered;
- **Evaluation:** When a risk has been identified, an evaluation is conducted, using the Group's E&S General Principles, E&S Transversal Statements and E&S Sector Policies as the framework for evaluation;
- **Action:** The evaluation may result in the need for a specific action. Depending on the E&S potential impacts and the associated E&S risks identified, various prevention or mitigation actions may be implemented, for example: in-depth monitoring of certain E&S topics, insertion of explicit E&S conditions in the Group contractual documentation, restriction, or even exclusion, of certain Group relationships.

### SCOPE OF THE GROUP ESRM SYSTEM

The application of the ESRM System is tailored to the type of link the Group may have with identified E&S risks. As a result, it can be conducted **at different levels depending on applicable processes:**

- **Corporate clients** of the Group: Central to the Group's assessment of E&S risks are the understanding of the E&S impacts associated with the client's activities, and the evaluation of the client's commitment, capacity and track record in managing these impacts. The Group's expectation is that the client should aim at avoiding – or at least reducing, mitigating or compensating for – negative E&S impacts.
- **Dedicated transactions** (or products) and services (with specific underlying assets, projects or activities): The Group applies the Equator Principles and its underlying standards to the transactions falling within the scope of this initiative. For other types of dedicated transactions and services, the Group implements E&S assessment procedures adapted to the type of transactions concluded and service provided.
- **Issuers of securities** held for own account or for third parties in the frame of investment activities or asset management as well as specific banking and financial products of the Group when they carry E&S risks by themselves.
- In addition to this granular approach, the Group has made long term commitments regarding its overall involvement in some sectors. These commitments (like reducing the share of coal in the financed energy mix) are managed at financing and/or investment **portfolios' level.**

### APPLICATION CRITERIA

For the different categories above, the E&S Sector Policies can provide **3 types of criteria:**

- **The E&S exclusion criteria** are intended to exclude certain types of corporate clients, issuers, dedicated transactions or services or financial products from the Group's activities.
- **The E&S priority evaluation criteria** are criteria addressing priority risk factors and for which a specific and systematic answer is requested as part of the evaluation process. For client's evaluation, if the criteria are not fulfilled, a positive evolution from the company current practices is expected in a reasonable timeframe and can be formalized through action plans or contractual clauses. For dedicated transactions on projects, alignment with the criteria is expected as part of the project development; for dedicated advisory services ahead of a project's development, the client's commitment to develop the project according to these criteria is evaluated.
- **The other E&S evaluation criteria** aim to identify the other risk factors of the sector, which will also be considered as part of the evaluation, and also to specify the best practices that the Group wishes to encourage.

## **IMPLEMENTATION AND GOVERNANCE**

Procedures are put in place progressively, as necessary, throughout the Group to ensure full integration of E&S risk management in the usual decision-making processes. The development of such processes takes into consideration the severity and the magnitude of the considered risks and the nature of the services or products provided by the Group.

Clients and dedicated transactions or services subject to an E&S Sector Policy presenting exclusion criteria are screened during the identification phase. Evaluation criteria are applied on perimeters defined by each Business Unit (on clients and dedicated transactions) depending on the inherent risk of their business or geography and nature of service provided.

The Group's decisions at the end of the identification and evaluation stages are made on the basis of the information available to it. The Group uses all reasonable means to ensure the quality and reliability of this information but accepts no liability whatsoever in connection with any such information.

The ESRM System is integrated in the Group's existing processes, in accordance with the following principles:

- Business Units implement the E&S risk management system and appoint dedicated E&S expert teams if necessary.
- Risk and Compliance Departments are acting as the second line of defence on E&S risks.
- The Group CSR team centralizes and coordinates the E&S framework evolution needs.
- The Group Responsible Commitments Committee (CORESP) validates the Group's CSR commitments and normative framework. It is chaired by the Deputy Chief Executive Officer supervising the control functions and mainly made up of the heads of the Compliance and Risk Departments, the Communications Department, the CSR Department and the heads of the Business Units and Services Units concerned, depending on the subjects dealt with.

The Group reports on the implementation of its ESRM System in various public documents including the Duty of Care plan, the Modern Slavery Act Statement and the Extra-Financial Performance Statement included in the Group's Universal Registration Document.

## **DIALOGUE WITH STAKEHOLDERS**

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The Group is engaged in a dialogue with its internal stakeholders (employees, staff representative bodies) and external stakeholders (investors, shareholders, customers, nongovernmental organizations, civil society, etc.) in a way that it wishes to be constructive, aiming to anchor and reinforce the Group's CSR vision. The approach is described on the Group's website.

Regarding civil society organizations (CSO), in particular, the Group listens to and converses with CSO that alert it on E&S issues linked to its activities. Wherever possible, an internal enquiry is conducted, and a documented response is provided, either in writing or at meetings, as appropriate. The Group uses the CSR Department to centralize any requests or contacts from CSO or other stakeholders informing it about E&S issues linked to its activities.

## **DISCLOSURE AND UPDATES**

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The present E&S General Principles, the E&S Transversal Statements and the E&S Sector Policies are designed to apply to any and all Group operations, including those initiated after their publication. Therefore, Société Générale reserves the right to make changes at any time to the present E&S General Principles, Transversal Statements and Sector Policies. Updates are published on Société Générale's website. These documents cannot be interpreted as contractual commitments. These General Principles have been established in French and in English. The English version is a free translation.