

Industrial agriculture, food and forestry sector policy



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1. INTRODUCTION

Within the framework of its Corporate Social Responsibility policy, and as a signatory of the Principles for Responsible Banking, Societe Generale and its subsidiaries (the Group) intends to take into account the environmental, social (E&S) and governance issues associated with all its activities, to better control their impact and promote good practices, with an objective of continuous improvement.

The Group published [E&S general principles](#) which define the overall framework of its E&S risk management system for a responsible engagement in its banking and financial activities. Within this framework, transversal statements addressing issues common to all sectors have been developed, as well as sector policies where the Group looks more specifically into certain sectors identified as sensitive from an E&S standpoint and in which it plays an active role.

The industrial agriculture, food and forestry sectors have been identified as such sectors.

The Group provides a range of banking and financial products and services to the industrial agriculture, food and forestry sectors as well as the associated downstream activities. It is willing to remain a value-adding partner to its clients in those sectors, while ensuring that such support is provided in a responsible and considered manner.

In a context of climate change, biodiversity collapse and world population increase, providing balanced, healthy, sustainable and affordable food for all will be one of the major challenges for humanity in the 21st century. Beyond food, agriculture and forestry sectors have a pivotal role in human societies and their environment: they contribute to shape landscapes and specific ecosystems, they provide meaningful work and create rich social and cultural practices and ensure the production of various goods, services and commodities while founding the resilience of local communities and bearing many solutions for all challenges to come.

The Group believes that agriculture and forestry should:

- allow all producers to carry on profitable, responsible and meaningful practices with dignity,
- ensure to all access to healthy and traceable commodities and food,
- protect soils, water resources and biodiversity,
- contribute to limit climate change while adapting to it.

This is why the Group aims for the highest E&S standards when considering the provision of banking and financial products and services to the agribusiness sector.

The Group's industrial agriculture, food and forestry sectors policy seeks to identify and manage E&S issues throughout the whole value chain in which the Group is active. It is structured around an umbrella policy with targeting issues related to social and environmental impacts as well as farming practices common to the agriculture, food and forestry sectors. In addition, dedicated appendixes on commodities/sectors requiring a specific sectorial or regional approach have been developed:

- Palm oil,
- Soy and beef production in South America,
- Forestry, Pulp and paper,
- Fisheries and aquaculture

2. SCOPE

2.1. Geographical scope

The industrial agriculture, food and forestry sectors policy is applicable worldwide. The application criteria may take into account the robustness of the countries' governance framework where the assets are located as well as the specific features and vulnerabilities of geographical areas related to local stakes in agriculture and forestry.

2.2. Scope of the Group's activities

This sector policy applies to all consolidated companies over which the Group exercises exclusive control.

It applies to the following products and services provided after the publication date of the policy:

- Banking and financial products and services: credit, debt and equity markets, guarantees and advisory activities.
- Services provided by the Group's entities managing proprietary assets and third-party assets, with the exception of index-linked products. External asset managers are monitored and encouraged to implement similar standards.
- Investment activities of the Group's insurance entities.

2.3. Scope of sector activities

This sector policy covers the following activities and client companies involved in them:

- All kinds of industrial agriculture (i.e. agriculture characterized by an industrial mode of exploitation and maintaining a close relationship with the downstream industrial sector):
 - Field crops and other large-scale crops (cereals, legumes, oleaginous – including soy, palm oil, cocoa, coffee, sugar cane, industrial, energetic or forage crops, etc.),
 - Large-scale market gardening, fruit farming, arboriculture and viticulture,
 - First transformation of crops (grain storage and processing, mills, oil-mills and pressing),
 - Service delivery directly related to agriculture including cooperatives,
- Breeding, transportation, slaughtering and processing of all kinds of terrestrial animals,
- Commercial forestry, woodcutting and first transformation of wood (including sawing, pulp, trituration and fiber processing),
- Industrial aquaculture and fisheries.

Essential to world production and food security of communities, family farms and small agricultural food & forestry businesses cannot be subjected by the financial system to the same criteria as major corporate actors. Thus, the Group will not apply the criteria defined hereafter to non-incorporated, family ventures, retail clients and small farms, nor to small businesses of the value chain. However, the Group wishes to encourage, whatever the type or size of its clients, to the respect of human rights and fundamental rights at work as defined by the ILO, as well as the protection of soils and water, the environment and the human health.

To the extent that the downstream sector of the agri-food or forestry value chains is a key driver of sustainable agricultural practices, the Group's B to B clients operating downstream the aforementioned activities, i.e. traders, manufacturers, agri-food or forestry industrials but excluding distributors and retailers, are also included in the scope of this policy.

3. SECTOR ESG RISKS

A non-exhaustive list of potential E&S and governance risks considered by Societe Generale in its risk management framework is provided in section III of the *E&S general principles*.

When evaluating corporates' activity in the industrial agriculture, food and forestry sectors, particular attention will be paid to the following risks:

Environmental risks

- Deforestation and conversion of natural ecosystems and habitats into agricultural land, or damage to ecological continuity
- Biodiversity erosion due to conversion of extensive agricultural land, grassland and anthropic forests by intensive, low biodiversity practices,
- Greenhouse Gases (GHG) emissions and other climate change impacts due to forest fires, forest or peat-land clearance, and growing and transformation practices,
- Soil erosion, compaction or degradation,
- Negative impacts on biodiversity on and beyond farmed land, such as inappropriate spreading of chemical products or introduction of invasive species,
- Unsustainable use of fertilizers and pesticides,
- Negative impact on surface waters availability and quality as well as fossil waters overexploitation,
- Pollution and other impacts on coastal and marine life and ecosystems,
- Disregard of appropriate standards of animal welfare;

Social risks

- Violations of human rights and fundamental rights at work, disregard for decent working conditions and health & safety measures,
- Exposition of rural populations, beyond agricultural workers, to chemicals and other harmful pollutions,
- Negative impact on small farmers income and unfair value share,
- Land grabbing and endangering rural societies and local communities,
- Violation of property rights, land use conflicts, forced and/or unfair resettlement of populations,
- Negative impacts on indigenous population or their lands,
- Impacts on local food security and food prices.

In addition, governance risks are managed as part of the Know Your Customer (KYC) and other compliance processes to guarantee alignment of the Group with applicable laws and regulations, including exclusions based on international sanctions.

4. SECTOR SPECIFIC E&S STANDARDS AND INITIATIVES

The Group 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. The Group requests its clients to comply with the laws and regulations of each relevant country or region while encouraging them to apply the following E&S standards and initiatives.

A number of institutions, business associations of the industrial agriculture, food and forestry sectors, and other civil society organizations have developed standards and initiatives addressing the E&S impacts resulting from the sector

activities. The standards and initiatives listed below provide general guidance for the Group’s evaluation in this sector:

- The [ILO Declaration on Fundamental Principles and Rights at Work](#)
- The [FAO code of conduct on pesticide management](#)
- The [FAO Voluntary guidelines on the responsible governance of tenure of land, fisheries and forests](#)
- The [FAO, IFAD, UNCTAD and World Bank Principles for Responsible Agricultural Investment \(PRAI\)](#)
- The [FAO-OECD Guidance for Responsible Agricultural Supply Chains](#)
- The [FAO Guidelines for Sustainable Agriculture and Food Assessments \(SAFA\)](#)
- The [relevant World Bank Group Agribusiness/Food production EHS Guidelines](#).
- The [UICN approaches to sustainable agriculture](#)
- The [UNEP-FI agriculture sector guide “Natural capital credit risk assessment in agricultural lending”](#)
- The [Cartagena Protocol on biosafety](#)
- The [IFC Global Map of Environmental & Social Risks in Agro-Commodity Production](#)
- The [IFC Good Practice Note on Improving Animal Welfare in Livestock Operations](#)
- The [Principles Underlying the Farm Animals Responsible Minimum Standards \(FARMS\)](#)
- The [French national strategy against imported deforestation \(SDNI\)](#)
- The [CDP Forest Program](#)

Note: specific commodity programs, certificates and conventions for sub-sector issues are discussed in appendixes.

New regulations and voluntary standards will be developed in the future. The Group will closely follow these developments, use them as references in implementing its industrial agriculture, food and forestry sectors policy and update it if necessary.

5. COMMITMENT AND IMPLEMENTATION PROCESS

5.1. Long term commitment

The biggest cause of forest loss – accounting for around 40 per cent – is industrial agricultural deforestation, notably for beef, soy and palm oil.

The Group is highly concerned by the negative impacts of deforestation on local communities, water resources, biodiversity, soil fertility and, on a global scale, climate change. As time passes, those consequences will accelerate deforestation and worsen its impacts, while making countermeasures both harder and costlier.

International institutions, governments, private companies involved in forestry and agricultural commodities as well as financial institutions have a key role to play to reverse this trend through sound environmental and social practices and good collaboration.

As such, the Group is committed to support clients with sound, credible and time-bound strategies to limit/reduce deforestation and systematize traceability in their value chain. Emphasis will be put on the most sensitive sectors, such as palm oil, soybean and cattle.

5.2. Implementation process

While it is incumbent on the corporates the Group is linked with to manage the E&S risks associated with their operations and to comply with the applicable laws and regulations, it is important to the Group to evaluate the consistency of its activities with the E&S commitments of the Group.

In addition, to implement the above long-term commitment, the Group has defined specific E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial services in the industrial agriculture, food and forestry sectors.

The E&S general principles set out the main features and implementation processes of the Group's E&S risk management system (see Section V). The Group decisions are based on the information made available to it. The Group shall make its reasonable endeavors to ensure the quality and reliability of this information but accepts no liability whatsoever in connection with any such information.

Three types of application criteria have been defined.

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 for which a specific and systematic answer is requested as part of the evaluation process. For client's evaluation, if the criteria is not fulfilled, a positive evolution from the company current practices is expected in a limited and reasonable timeframe and can be formalized through action plans or contract 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, that will also be considered as part of the evaluation, and also to specify the best practices that the Group wishes to encourage.

The results of the evaluation in regard to the different criteria will provide evidence for decision-making process to the Group. The Group will only work with clients who meet or aim at meeting its E&S criteria.

The Group may refuse to provide banking or financial products or services to certain corporates, or refuse to be involved in certain transactions as a result of this evaluation, even if the exclusion criteria defined in this sector policy are not applicable. The Group may also require additional actions or engage in an additional due diligence process before concluding on the acceptability.

6. APPLICATION CRITERIA

Based on the analysis of the initiatives listed in Section 4. and of best practices of multilaterals and other financial institutions, the Group has defined the following E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial products and services in the industrial agriculture, food and forestry sector.

In addition, the Group has identified specific issues and criteria for some sub-sectors of the industrial agriculture, food and forestry sector that are detailed in appendixes. Criteria set out in those appendixes are applicable in addition to the ones

developed in the umbrella policy.

6.1. Clients criteria

Priority criteria

When conducting a corporate E&S assessment of a client involved in **upstream agriculture sector**, the Group considers whether the client company has E&S risks management policies and procedures commensurate to its impacts, and addressing in particular:

Environmental criteria

- Impact on biodiversity,
- Use of fertilizers and pesticides,
- Water management,
- Waste management,
- Where applicable, peatlands integrity and no deforestation¹,
- When applicable, animal welfare in farming practices.

Social criteria

- Workers health & safety,
- Impacts on human rights, with specific consideration for the rights defined by the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work: child and forced labor, freedom of association and discrimination,
- Where applicable, impacts on indigenous people.

When conducting a corporate E&S assessment of a client involved in **downstream agriculture sector** (i.e. traders, manufacturers, agri-food industrials but excluding distributors and retailers), the Group considers whether the client company has a sustainable sourcing policy for its critical raw materials, aiming at encouraging better farming practices in a continuous improvement approach, and addressing in particular:

- Biodiversity,
- Human rights and working conditions,
- Traceability (supported by a certification approach when applicable),
- When applicable, animal welfare,
- When applicable, deforestation.
- When applicable, food safety.

When conducting a corporate E&S assessment of **agricultural cooperatives**, the Group considers whether the client company has set-up constructive dialog and training with their memberships to promote sustainable farming practices, the rational use of pesticides and fertilizers and animal welfare practices where applicable.

Other criteria

When conducting a corporate E&S assessment of a client involved in this sector, the Group also considers the following criteria:

- Whether the company measure and has a strategy to reduce its GHG emissions.

¹ Client companies operating in the countries with the greatest loss of tree cover per year, as identified by [Global Forest Watch](#).

In addition, the Group encourage its clients active in livestock farming to adopt a time-bound plan for transitioning towards cage- and crate-free production systems meeting FARMS requirements or towards sourcing only cage- and crate-free production systems meeting FARMS requirement.

For the specific sector of Chickens raised for Meat, the Group encourages its clients to adopt the criteria defined by the European Chicken Commitments.

6.2. Dedicated transactions and services criteria

Exclusion criteria

The Group will not provide dedicated financial products and services when the underlying activities are:

- located within peatlands, a UNESCO World Heritage Site, a Ramsar site, a nationally protected area (IUCN categories I-IV) or sites identified by the Alliance for Zero Extinction,
- with material adverse impacts on the Outstanding Universal Value of a World Heritage Site as well as on High Conservation Value or High Carbon Stock areas,
- involving burn-clearing or definitive clear-cutting, except for sanitary reasons,
- trade of species regulated under CITES or species on the IUCN Red List of threatened species, outside of conservation actions or scientific framework,
- projects that cannot demonstrate their right to use the land or that disrespect the legitimate tenure rights as defined by the "FAO voluntary guidelines on the governance of tenure",
- production or trade of pesticides/herbicides subject to international phase outs or bans such as pesticides 1A or 1B OMS, products forbidden by the Stockholm convention on POP or listed in the Appendix III of the Rotterdam Convention,
- industrial production of 1st generation biofuels (apart from direct use limited to the customer's needs).

Priority criteria

When conducting a corporate E&S assessment of dedicated transaction or service in this sector, the Group considers the following criteria:

Environmental criteria

- When the activities associated with the transaction or service are located within, or with potential material impacts on Key Biodiversity Areas, whether a third-party assessment of the potential impacts on biodiversity and related ecosystem services has been carried out. The assessment will have demonstrated that:
 - the client is implementing a mitigation strategy which prioritizes efforts to prevent or avoid adverse impacts to biodiversity, then to minimize and reduce those effects, to repair or restore them, and finally to offset or compensate them, with a view to achieving no net loss, and preferably gain, of biodiversity.
 - adequate consultation of local population and other stakeholders, where relevant.
- For activities located within, or with potential material impacts on a protected area not listed in the exclusion criteria, evidence is provided that the development is legally permitted and consistent with any regulatory management plans for such area.
- Whether a water management plan specific to the project has been developed,
- Whether a management plan related to pesticides, herbicides and fertilizers use, specific to the project, has been developed plan in line with FAO International Code of Conduct on Pesticides Management and consistent with country commitments under the Stockholm, Rotterdam and Basel Conventions; the project must have a time-bound plan to terminate the use of paraquat, if used.

- Where applicable, whether a management plan related to animal welfare, specific to the project, has been developed, in line with the IFC's Good Practice Note: "Improving Animal Welfare in Livestock Operations" and the FARMS requirements.

Social criteria

- Whether a Health and Safety management plan, has been developed.
- Whether the client has a policy applicable to the project to ensure no violation of the four fundamental rights at work (no child or forced labor, no discrimination, right of association) and due respect of the eight fundamental ILO conventions.
- Whether local stakeholders' engagement is developed and if necessary, a process of Informed Consultation and Participation (ICP).
- Where indigenous peoples are affected, with a specific attention to local food safety, and in the circumstances prescribed by IFC Performance Standard 7, whether their Free, Prior and Informed Consent (FPIC) is obtained in due time as a result of the ICP.

When financing land acquisition for agricultural exploitation purposes, the bank will assess the compatibility of lease contracts documents with the above-mentioned criteria.

The Group applies the [Equator Principles](#) to the transactions and services falling in the scope of this initiative. The criteria above are applied in conjunction with, or addition to the underlying standards of this initiative.

Other criteria

When conducting a corporate E&S assessment of dedicated transaction or service in this sector, the Group also considers the following criteria:

- Whether a soil management plan specific to the project has been developed.
- Where applicable, whether an invasive species management specific to the project has been developed.
- Where applicable, whether a management plan related to greenhouse gases, specific to the project, has been developed (including CO₂, CH₄ et NO_x).

6.3. Asset management and investment criteria

Exclusion criteria

The Group entities managing assets for their own account or on behalf of third parties exclude from their investments:

- Agricultural-based funds and investment products (i.e. funds and investment products for which the majority of risked positions are purposively linked to agricultural commodities inventories).

The Group will not create such funds and products, or get them created. In addition, the Group does not proactively market retail saving products primarily linked to agricultural commodities.

The Group will only act as an intermediary if the client expressly requires access to such products, proposed by other financial institutions.

6.4. Financial product criteria

Commodity derivatives have been developed with a view to assisting market players in better managing their price and currency risks. The Group 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 in the past, 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. The Group is aware that activities considered as speculative may, according to some research studies, play a role in the volatility of agricultural commodities prices. That's why, the Group supports the development and implementation of appropriate regulation 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.

It applies all the checks required by the regulation against market abuses and strives as far as possible to check the coherence of the position held by clients with their risk situation.

The Group however thinks it necessary to continue helping market players in food production chains hedge their risks.

Exclusion criteria

The Group excludes:

- Any proprietary trading in this sector, apart from market making.

7. DISCLOSURE AND UPDATES

This sector policy is applicable from the date of its publication to all services provided therefrom.

This sector policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Group and its various stakeholders. Therefore, the Group reserves the right to modify this sector policy at any time. Updated versions will be posted on the Group's website, where the E&S general principles and the E&S transversal statements and other sector policies are also available.

This document cannot be interpreted as a contractual commitment.

This sector policy has been established in French and in English. The English version is a free translation.

A. Palm oil

The palm oil industry is an important driver for economic growth in Southeast Asia, Papua New Guinea, Central and Western Africa, and to a lesser extent tropical Latin America. While the positive impact on economic development is considerable, palm oil has been a major contributor to deforestation, biodiversity losses and increased emissions of greenhouse gases in some countries. It has also been criticized for questionable working conditions, inequitable benefit sharing with local communities and adverse impacts on indigenous peoples.

Recent years have seen an increased pressure of the civil society, especially in Europe, to manage the aforementioned risks and the resulting emergence of initiatives, which aim at developing guidelines and in some cases, certification schemes. The Roundtable on Sustainable Palm Oil (RSPO) was founded in 2004 and Certified Sustainable Palm Oil (CSPO) now represents 20% of the global palm oil market.

Based on the analysis of the RSPO recommendations and of best practice of multilateral and financial institutions, the Group has defined the following E&S criteria, additional to the umbrella policy, which are incorporated into its decision-making process when considering provision of banking and financial services in the Palm oil sector.

Scope

This appendix covers the following activities and client companies involved in them:

- Industrial plantations of palm trees,
- Mills, traders and refiners of palm oil.

Standards and Initiatives

- [Roundtable on Sustainable Palm Oil](#) (RSPO)
- [International Sustainability and Carbon Certification](#) (ISCC)
- The [Indonesian Sustainable Palm Oil \(ISPO\) standard](#)
- [The Malaysian Sustainable Palm Oil \(MSPO\) standard](#)

Clients criteria

Exclusion criteria

The Group will not provide financial products or services to:

- Any company that has no NDPE (No deforestation, No peat, No exploitation) policy applicable to its own plantations or to its sourcing chain, and addressing in particular:
 - new development on High Conservation Value, High Carbon Stock areas;
 - burning for the development of new palm oil plantations;
 - development of new oil palm plantations on peatlands, regardless of depth;
 - exploitation of people and communities, such as child or forced labor and the violation of the rights of local communities (including free prior and informed consent).

Priority criteria

When conducting a corporate E&S assessment of a client involved in the palm oil sub-sector, the Group considers the following criteria, in addition to the criteria set by the umbrella policy:

- whether the client company directly owning or operating palm oil plantations or mills or sourcing palm oil is an active member of a credible certification scheme like the RSPO and/or ISCC.

- Whether the client company sourcing palm oil is committed to trace 100% of their sourcing back to mills and implements additional traceability measures of their sourcing back to plantations.
- Whether the client company sourcing palm oil is engaged with suppliers, including smallholders, towards no deforestation and sustainable agricultural practices.

Other criteria

When conducting a corporate E&S assessment of a client involved in the palm oil sub-sector, the Group also considers the following criteria:

- Whether the client company implements adequate measures to verify, through a third party, the implementation of its policies on the ground,
- Whether it publicly reports on its status regarding no deforestation.

Dedicated transaction and services criteria

Priority criteria

When conducting an E&S assessment of a transaction in the palm-oil sub-sector, the Group considers the following criteria, , in addition to the criteria set by the umbrella policy:

- Whether the plantation has not been created by replacement, since November 2005, of any area required to maintain or enhance one or more High Conservation Values, as per RSPO Principles & Criteria.
- Whether new plantations are RSPO/ISCC certified, or engaged in a time-bound process with a view to obtain certification or independent verification of the RSPO/ISCC principles and criteria within 3 years after acquiring or developing new operations.

B. Soy and beef in South America

The current deforestation crisis in South America, along with the correlated forest fires, threatens the ecological integrity of crucial ecosystems with global consequences. At the heart of this trend, soy production and land conversion for cattle continues to expand with an unsustainable footprint.

Current levels of deforestation and land conversion in the Amazon and in the Cerrado, whether legal or illegal, have reached unacceptable and unsustainable levels and need to be actively tackled. Moreover relocation of deforestation fronts in neighboring and equally valuable regions must also be prevented.

Admitting the inadequacy of previous incentive initiatives, individual and collective efforts must be pursued to accelerate the decoupling of soft commodities production from deforestation and the Group is committed to progress on this path. Targeting full traceability is part of the solution. The Group recognizes that not all its clients have 100% traceability over their supply chains today but requires that all of them work towards this goal.

That's why the Group has defined the following E&S criteria, additional to the umbrella policy, which are incorporated into its decision-making process when considering provision of banking and financial services in the Soy and Beef sectors in South America.

Scope

This appendix covers the following activities and client companies involved in them:

- Cattle and beef production in South America,
- Soy production in South America,
- Trading, wholesale supply and 1st transformation of soy, soy byproducts (oil and meal) and beef produced in South America.

Standards and Initiatives

- [Roundtable on Responsible Soy Association](#) (RTRS)
- [Basel Criteria for Responsible Soy Production](#)
- The [ProTerra standard for sustainable Soy Production](#)
- The [CGF Responsible Soy Sourcing Guidelines](#)

Clients criteria

Exclusion criteria

In addition to the criteria set by the umbrella policy, the Group will not provide financial products or services to any companies:

- involved in beef or soybeans production or trading from land cleared or converted after 2008 in the Amazon.

Priority criteria

When conducting a corporate E&S assessment of a client involved in beef, soybeans or soy byproducts production, trading or transformation, the Group considers the following criteria, in addition to the criteria set by the umbrella policy:

- Whether the client company has a policy preventing deforestation on land cleared or converted after 2020 in the Cerrado.

- Whether the client company implements the traceability of all its direct soybeans or cattle supply from high risk of deforestation areas².
- Whether the client company establishes time bound and credible plans to increase direct supply and systematize direct and indirect traceability throughout the whole supply chain.
- Whether the client company is engaged with suppliers towards no deforestation and sustainable agricultural practices.
- Whether the client company implements a purchasing policy or practices that address the sustainability issues for soy production in line with best practices or certification schemes.

Other criteria

When conducting a corporate E&S assessment of a client involved in the soy and beef sub-sector in South America, the Group also considers the following criteria:

- Whether the client company implements adequate measures to verify, through a third party, the implementation of its policies on the ground,
- Whether it publicly reports on its status regarding no deforestation.

Dedicated transaction and services criteria

Exclusion criteria

In addition to the criteria set by the umbrella policy, the Group will not provide dedicated financial products and services when the underlying activities are:

- soy grown or cattle raised on lands cleared from Brazilian Amazon (since 2008) or from the Brazilian Cerrado (since 2020),
- processing plants whose sourcing in soy or cattle comes in majority from lands cleared from Brazilian Amazon (since 2008) or from the Brazilian Cerrado (since 2020)

Priority criteria

When conducting an E&S assessment of a project in the soy sub-sector, the Group has the following requirements, in addition to the criteria set by the umbrella policy:

- new soy fields or processing plants are managed following the industry's best practices for responsible soy production and processing, such as the Roundtable on Responsible Soy (RTRS) Standard for Responsible Soy Production or the Basel Criteria for Responsible Soy Production.

² It includes the priority municipality of the Cerrado as defined by the Soft Commodity Forum

C. Forestry, pulp and paper

Forests are home to more than 80% of the terrestrial species of animals, plants and insects. They have a significant role in reducing the risk of natural disasters, including floods, droughts, landslides and other extreme events. At global level, forests mitigate climate change through carbon sequestration, contribute to the balance of oxygen, carbon dioxide and humidity in the air and protect watersheds, which supply 75% of freshwater worldwide.

Deforestation and forest degradation continue to take place at alarming rates. While logging in sustainably managed forest does not contribute to deforestation, massive clear-cuts are increasingly questioned for their impacts on biodiversity and water resources, even with proper replantation, whether in tropical, temperate or boreal forests.

Primary transformation of wood-products through industrial processes, and notably the pulp and paper industry, can have a significant impact on natural ecosystems and face many challenges in the fields of occupational health and safety and social rights. It is therefore of crucial importance to promote and implement sustainable forestry and logging practices, cleaner and safer industrial processes as well as related sourcing requirements policies.

That's why the Group has defined the following E&S criteria, additional to the umbrella policy, which are incorporated into its decision-making process when considering provision of banking and financial services in the forestry and pulp and paper sectors.

Scope

Forestry is the practice of creating, managing, using, conserving, repairing and caring for forests. It also includes the direct upstream activity of seedlings production as well as the downstream activities of timber exploitation and first-processing of wood (sawing, pulp or chip production).

This appendix covers the following activities and client companies involved in them:

- Growing and harvesting of timber in artificial plantations and forestland,
- Woodcutting and first transformation of wood (including sawing, pulp, trituration and fiber processing),
- Timber trading and wholesale supply,
- Pulp and paper industries.

Standards and Initiatives

- [Forest Stewardship Council \(FSC\) certification](#)
- [Program for the Endorsement of Forest Certification \(PEFC\)](#)
- [Origine et Légalité des Bois \(OLB\)](#) de Bureau Veritas
- [IFC EHS Guidelines on Pulp and paper mills](#)

Clients criteria

Priority criteria

When conducting a corporate E&S assessment of a client involved in this sector, in addition to the criteria set by the umbrella policy, the Group considers the following criteria:

- Whether the client company active in the growing and harvesting of timber has policies and procedures ensuring the legal compliance of its operations and preventing illegal logging (as per the OLB referential for instance and the associated certifications).
- Whether the client company active in the growing and harvesting of timber is engaged in a sustainability certification scheme for its operations (either FSC or PEFC). Recognizing that certification is a long and resource consuming process, the Group is willing to support companies which are on a path towards certification if their efforts are documented and time-bound.

- Whether the client company active in the downstream sector (1st transformation, trading and wood supply) gets its operations certified. This means getting a Chain of Custody certification and giving preference to certified products sourcing where possible.
- Whether the client company active in the downstream sector (1st transformation, trading and wood supply, as well as in pulp and paper industry) implements purchasing policy that address the sustainability issues for forestry, including the illegal logging.
- Whether the client company active in the pulp&paper industry develops a credible transition plan toward ECF or TCF technology for existing plants, as per IFC recommendations,
- Whether the client company active in the pulp&paper industry provides a management plan to monitor water effluents and air emissions

Other criteria

When conducting a corporate E&S assessment of a client involved in the forestry sub-sector, the Group also considers the following criteria:

- Whether the client company implements adequate measures to verify, through a third party, the implementation of its policies on the ground.

Dedicated transaction and services criteria

Exclusion criteria

When involved in a specific transaction in this sector, in addition to the criteria set by the umbrella policy, the Group will only finance:

- new pulp mills using ECF or TCF technology if a bleaching process is necessary.

D. Aquaculture and fisheries

Aquaculture and fisheries are undertaken in almost every country in the world and employ around 59.5 million people, with the majority in developing countries and 85% in Asia (FAO 2020). While the seafood sector is a vital source of income, employment and food security for many millions of people, particularly in coastal and island nations, it can also have a significant negative impact on the environment and on local communities.

As per the FAO, 76% percent of the world's fish stocks are now classified as being fully exploited, over-exploited, or depleted, while 1% of stocks are estimated to be recovering from depletion. In addition, fishing activities have contributed to the decline of non-target fish stocks, the mortality of cetaceans, marine mammals and seabirds, and exacerbated marine ecosystem degradation due to destructive fishing practices. Aquaculture operations can impact negatively on biodiversity and ecosystem functioning when sited in ecologically sensitive areas and can also indirectly contribute to the decline of wild capture fisheries given that fishmeal production for feed still relies heavily on the procurement of wild-caught fish. Moreover, human rights abuses have been linked to seafood production and aquaculture and fishing have been identified as some of the most challenging and hazardous occupations.

There is thus a clear imperative to mitigate the environmental and social damage that the seafood sector can cause. That's why the Group has defined the following E&S criteria, additional to the umbrella policy, which are incorporated into its decision-making process when considering provision of banking and financial services in the aquaculture and fisheries sectors.

Scope

This appendix covers the following activities and client companies involved in them:

- Aquaculture: raising and/or harvesting of aquatic organisms such as fish, crustaceans, mollusks, plants and algae. Aquaculture involves fish farming.
- Fisheries: wild catch/harvesting of any marine or freshwater species.

Standards and Initiatives

- The [FAO Code of Conduct for Responsible Fisheries](#)
- The [UN General Assembly Resolutions pertaining to sustainable fisheries \(including ban of driftnets\)](#)
- The UNEP-FI practical guide for financial institutions: "[TURNING THE TIDE: How to finance a sustainable ocean recovery](#)"
- The [2007 ILO convention "Work in Fishing" \(n°188\)](#)
- The [Marine Stewardship Council \(MSC\)](#) and [Aquaculture Stewardship Council \(ASC\)](#).

Clients criteria

Priority criteria

When conducting a corporate E&S assessment of a client involved in this sector, the Group considers the following criteria, in addition to those defined in the umbrella policy:

- Whether the client company has E&S risks management policies and procedures commensurate to its impacts, and addressing in particular:
 - Illegal, unreported or unregulated (IUU) fishing
 - Destructive fishing practices such as explosive, electrical fishing, sharks fining, driftnets beyond the limits set by UE regulation, mammals or seabird catch or deep-sea bottom trawling beyond 2000ft,
 - By-catch of not target species that are listed on the IUCN red list of threatened species
 - Overfishing
 - For aquaculture: pollution and water contamination

- Whether the client company is involved under a credible certification scheme such as those defined in the UNEP "Certification and Sustainable Fisheries" guideline,

Dedicated transaction and services criteria

Priority criteria

When conducting a corporate E&S assessment of dedicated transaction or service in aquaculture, the Group will consider the following criteria, in addition to the criteria of the Umbrella policy:

- Whether the client company has a sustainable sourcing policy regarding the food input for the aquaculture venture, with a goal to avoid wild fish as a primary food supply.