

## SECTOR POLICY



### MINING

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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 Mining sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Mining sector. Exploitation of natural resources plays in many countries, and in particular in developing and emerging ones, a key role in furthering the economic development. Societe Generale recognises however the importance of the E&S risks and impacts associated with these activities. Mining may take place in remote locations, vulnerable environments and communities, and countries with weak governance systems. In addition, the use in the economy of the extracted natural resource may have an important environmental impact, as is the case for the impact on climate of the coal sector. In 2015, the Bank committed to reduce the banking and financial services it provides to the coal sector in consistency with the international objectives. The Bank is willing to remain a value-adding partner to its clients in the Mining 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 Mining industry.

## 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:

- Impacts on natural habitats, and areas protected for biodiversity or cultural considerations;
- Increased access to previously remote areas (which can result in impacts by third parties such as clearance of forest, or conflict with local communities);
- Use of large volumes of water for beneficiation which could reduce the availability and/or quality of water for downstream users and fisheries;
- Direct riverine or submarine tailings disposal, or risks of acid mine drainage;

- Development of deep-sea mining technologies;
- Climate change impacts of methane emissions from deep mines and of the burning of mined coal for power generation;
- Poor health and safety management for workers and/or high accident rates, particularly in underground mines;
- Increased health and safety risks for local communities (e.g. poor management of tailings dams, increased risks from erosion or subsidence);
- Resettlement, or economic displacement (including of squatters or artisanal miners) caused by loss of land or assets (such as access to fisheries, farmland or forest resources);
- Impacts on local communities, and inadequate grievance mechanism;
- Impacts on indigenous peoples or lands used by indigenous peoples;
- Use of security personnel, especially when they are not under the control of the client;
- Inadequate financial provisions for rehabilitating mine sites after closure;
- Operation in areas where there is a legacy of tension (including locations where there has been mine damage, closure or NGO campaigns) and in countries with a history of weak regulatory frameworks, lack of transparency or high corruption and/or human rights violations.

## 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 its clients 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 of the Mining industry, and other civil society organisations have developed standards and initiatives<sup>1</sup> addressing the E&S impacts resulting from the sector activities. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment in this sector:

- **E&S management-** the [IFC Performance Standards](#) and [World Bank Group Environmental, Health and Safety Guidelines](#) applicable to the Mining sector; The ten principles and related position statements of the [International Council on Mining & Metals \(ICMM\)](#);
- **Deep-sea mining-** the regulations of mining activities adopted by the [International Seabed Authority \(ISA\)](#);
- **Human Rights-** the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)<sup>2</sup>, and mineral-specific initiatives relying on or consistent with this framework (such as the the [International Tin Supply Chain Initiative \(iTSCI\)](#) or the [Conflict-Free Gold Standard](#) of the World Gold Council);
- **Security forces-** the [Voluntary Principles on Security and Human Rights](#);

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

<sup>2</sup> While the OECD Due Diligence Guidance has been developed for downstream companies to monitor their supply chain (as requested for instance by the Dodd-Frank Act for US listed companies), part of the framework is directly applicable to upstream companies such as Annex II.

- **Transparency-** the [Extractive Industries Transparency Initiative](#) (EITI);
- **Coal mining-** The [2°C scenario \(2DS\) determined by the International Energy Agency \(IEA\)](#) through its analysis of energy technology perspectives; the [Bettercoal Code](#);
- **Diamonds mining:** the [Kimberley Process Certification](#);
- **Gold mining-** the [International Cyanide Management Code](#);

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 which are incorporated into its decision-making process when considering provision of banking and financial services in the Mining sector:

**a. Portfolio management criteria**

Societe Generale is committed to reduce by 14% its exposure to coal extraction activities at the end of 2020, from a starting point determined at the end of 2015, in consistency with the IEA 2°C scenario.

**b. Clients criteria**

Clients are encouraged to implement the best E&S practices of the Mining sector.

When conducting a corporate E&S assessment in this sector, Societe Generale applies the following criteria:

- Clients of the Mining sector are expected to have developed E&S management policies and procedures commensurate to their impacts, and reflecting where applicable the ten principles of the ICMM;
- They are encouraged to join mineral-specific sustainability initiatives (examples of which are listed above) where applicable;
- When they are operating in conflict-affected and high-risk areas, they are encouraged to develop and implement human rights policies aligned with the model policy of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- Societe Generale refrains from:
  - Providing financial products and services to clients who are involved in Mountaintop removal coal mining in the Appalachians in a significant way or are involved in asbestos mining.
  - Entering into a new relationship with a company presenting at least one of the following features:
    - More than 95% of the turnover of the prospect entity is linked to coal sector<sup>3</sup> activities;
    - More than 50% of the turnover of the group to which the prospect entity belongs, is linked to coal sector activities;
    - More than 50% of the turnover of the group to which the prospect entity belongs, is linked to power activities and the energy mix of the group is over 50% coal-fuelled (installed capacities in MW).

**c. Acquisition transactions criteria**

Societe Generale refrains from being involved in transactions and advisory services aiming at the sale or acquisition of coal mines if the seller is not an existing client of the Bank and if the transaction presents at least one of the following features:

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<sup>3</sup> Activities related to coal extraction and transformation (with the exception of metallurgy) and coal-fuelled power production.

- After the acquisition, more than 30% of the turnover of the buyer is linked to coal sector activities;
- After the acquisition, more than 50% of the turnover of the buyer is linked to power activities and its energy mix is over 30% coal-fuelled (installed capacities in MW).

#### **d. Dedicated transactions criteria**

Moreover, when conducting an E&S assessment of a transaction in this sector<sup>4</sup> Societe Generale has the following requirements:

- For Mining developments located outside [High income OECD countries](#):
  - The IFC Performance Standards and World Bank Group EHS Guidelines for Mining are complied with;
  - Where used, cyanide use is consistent with the principles and standards of practice of the International Cyanide Management Code;
  - Riverine and shallow marine sites are not considered suitable for tailings disposal;
  - Where security forces are used, they operate in compliance with IFC Performance Standard 4. In addition, sponsors or clients are encouraged to implement policies and procedures aligned with the Voluntary Principles on Security and Human Rights<sup>5</sup>;
  - Material payments to local governments (including taxes, royalties or license fees) are disclosed in accordance with local regulations or other applicable regulations<sup>6</sup>. Where such regulations are not applicable, sponsors or clients are encouraged to voluntarily disclose such information and support transparency initiatives such as the EITI.
- Societe Generale refrains from being involved in dedicated transactions linked to:
  - new coal mines (or extension of existing ones);
  - mountaintop removal coal mining in the Appalachians (US);
  - infrastructures linked to coal extraction;
  - asbestos mining.

#### **e. Equator Principles**

Societe Generale applies the Equator Principles and its underlying standards to the transactions falling in the scope of this initiative.

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies, and in particular the Biodiversity Policy, these criteria provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

## 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 Mining sector, including:

- Exploration;
- Mine planning and development (including associated facilities);

<sup>4</sup> See Implementation Process in Societe Generale E&S General Guidelines

<sup>5</sup> ICM, ICRC, IFC and IPIECA developed in 2011 [Implementation Guidance Tools](#) applicable at the project level

<sup>6</sup> For instance, EU Accounting and Transparency Directives, US Dodd-Frank Act section 1504 and Canada upcoming regulation. In some cases, disclosure may only be available at the corporate level.

- Mine operation;
- Mine closure and rehabilitation;
- On-site processing of extracted ores.

In addition, transactions pertaining to uranium mining activities fall in the scope of Societe Generale Civil Nuclear Power Sector Policy.

## 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 Mining 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.