

SUSTAINABLE AND RESPONSIBLE BANKING

INTEGRATED ESG LUNCH

November 2021

**THE FUTURE
IS YOU**  **SOCIETE
GENERALE**

ESTABLISHED LEADERSHIP IN ESG



AAA
TOP 3% MSCI

A1+ 69/100
TOP 1% VIGEO EIRIS



**2021 Investment Bank
of the Year for
Sustainability**



**#1 Best Bank for
Sustainable Finance**

 **ENERGY
TRANSITION**

#1 Renewable Energy Project Financing in EMEA⁽¹⁾

#1 in Top 20 Clean Energy Lead Arrangers, by deal value⁽²⁾

Exclusive Financial Advisor of Hy24: largest global fund dedicated to clean hydrogen infrastructure

 **GEOGRAPHIES**

#1 Investment Bank of the Year for Africa 2021⁽³⁾

#1 Outstanding Leadership in Sustainable Finance in Africa⁽⁴⁾

#1 Outstanding Leadership in Sustainable Finance in Emerging Markets⁽⁴⁾

 **INNOVATION**

#1 Investment Bank of the Year for Green / Sustainability-Linked Loans 2021⁽³⁾

#1 Outstanding Leadership in Sustainable Loans 2021⁽⁴⁾

 **MOBILITY**

ALD sustainability rating upgrade to **top 1%** worldwide by EcoVadis

Sources: (1) Dealogic, end of June 2021 (2) Clean Energy Pipeline 2020 (3) The Banker 2021 (4) Global Finance 2021

SUSTAINABILITY IS THE DNA OF OUR CORPORATE PURPOSE

"BUILDING TOGETHER, WITH OUR CLIENTS, A BETTER AND SUSTAINABLE FUTURE THROUGH RESPONSIBLE AND INNOVATIVE FINANCIAL SOLUTIONS"

Reinforced by

Our global organisation and resources

- Appointment of a **Non-Voting Director**, supporting the Board on the energy transition
- Appointment of **Chief Sustainability Officer**, Hacina Py, reporting directly to General Management
- Launch of **'ESG by Design' programme** to support operational implementation of ESG and E&S risk management
- Launch of **'ESG Analytics' programme** to develop ESG reporting, metrics and data production
- **Responsible Commitments Committee**; extension of scope of **Risk Committee** to Environmental risks

The way we manage E&S risks

- **Integration of E&S risks into risk management framework**, incl. E&S risk integration in the standard credit risk assessment, Group Risk Appetite Framework, and Stress Testing
- Risks associated with climate change analysed with **'double materiality'** perspective
- **12 sector policies** defining the standards that we apply to sectors considered potentially sensitive from an E&S or ethics perspective

The way we act responsibly

- Measures to **ensure well-being at work and promote diversity and professional development**
- Investment in **ESG training programmes**: incl. mandatory E&S risk training (+40,000 by end-Nov); energy transition training for client-facing staff (~10,000 by end-2021); ESG portal for all staff
- **New own account targets:**
 - Reduce own emissions by 50% 2019 - 2030
 - Ban single-use plastics in the workplace by 2025 worldwide (earlier where relevant)

SUPPORTING THE TRANSFORMATION OF OUR BUSINESS TO
ACCOMPANY CLIENTS

SUSTAINABILITY IS THE DNA OF OUR CORPORATE PURPOSE

The journey towards building a sustainability culture

ENVIRONMENTAL EXPERT TEAMS, IN CONSTANT ADAPTATION :

- Corporate E&S analysis & advisory
- Transactions E&S analysis & advisory
- Cross-product impact structuring
- Impact-based finance
- Social impact solutions

AWARENESS BOOST

- Extensive training programme

EXPANSION OF EXPERTISE

- Across products and geographies

EMBED ESG

- Community ESG Champions
- 6 month secondment programme
- Graduate Programme: 'Impact Generation'
- Tools for business lines to become autonomous on ESG
- Strengthened ESG governance

SHIFT

RETHINKING MANDATES: POSITIVE IMPACT BY DESIGN

POSITIVE IMPACT BY DESIGN



**TRANSFORMING OUR BUSINESS TO ALIGN WITH THE CHANGING NEEDS OF OUR CLIENTS
AND SUPPORT THE JOURNEY TO A SUSTAINABLE FUTURE**

by contributing to new standards for over 15 years

co-founder of major industry initiatives, driving sustainable change and enhancing client value proposition

by acting for communities across geographies

a catalyst for positive societal and economic impact in emerging and developed economies, co-constructing sustainable solutions with clients



by leading the energy transition

a global presence with extensive experience and expertise in the energy sector: positions the group in a key role to support clients in the energy transition

by delivering innovation in ESG markets

at the forefront of innovation, expanding sustainable solutions across products and asset classes, with one of the broadest offerings in the market

CONTRIBUTING TO NEW STANDARDS FOR OVER 15 YEARS



As co-founder of major industry initiatives, we drive sustainable change

2001 →

2018

2019

2020

2021



Founding signatory of the **Poseidon Principles**: decarbonising the shipping industry

Among the 1st banks to publish **TCFD climate disclosure**



Founding bank for **UN Principles for Responsible Banking**; joined **Collective Commitment on Climate Action**

SG signs Sustainable IT Charter, committing to limit environmental impact of technology and support digital inclusion



First bank to join the **Investor Group of the Hydrogen Council**



First commercial bank to sign the **CFO Principles on Integrated SDG Investments and Finance**

Societe Generale Assurances signs the **"Principles for Responsible Investment" (PRI)**

SG one of the six largest French banks to agree a **common goal in the unconventional hydrocarbons sector and the protection of biodiversity in protected areas**

Founding member of the **Positive Impact Finance** initiative within the UNEP-FI

Paris Agreement: SG commits to aligning its portfolio

Long partnership with **HEC Paris**, as **sponsor of the Energy & Finance Chair** and a continuous commitment to Energy Transition research and thought leadership

Signatory of the **CDP, Equator Principles and the Soft Commodity Compact**



Signatory of **Katowice Agreement** and **pledge to align portfolio with Paris Agreement**



First French bank to join the **Climate Bond Initiative Partnership programme**



Member of the **ICMA Green Bond Principles**

Leading in Transparency: second climate report under the FSB's Task Force for Climate Disclosure (TCFD) recommendations

PACTA for Banks: joint publication of a methodology with the Katowice Banks

SG joins the **UNEP-FI Net-Zero Banking Alliance**, as a founding member, and NZAO, **to achieve carbon neutrality by 2050**

Joined as co-lead the **Steel Climate-Aligned Finance Working Group** to define decarbonisation standards for the steel sector

LEADING THE ENERGY TRANSITION WITH FLAGSHIP TARGETS

DECARBONISING OUR PORTFOLIOS

BEST-IN-CLASS
SECTOR POLICIES

SETTING
STANDARDS

CLIENT-FOCUSED

COMPETITIVE
EDGE



OIL AND GAS

Reduce overall exposure to extraction sector by 10% by 2025 vs 2019 levels



COAL

Reduce to zero our exposure to thermal coal in 2030 in EU and OECD countries, and 2040 elsewhere



SHIPPING

Poseidon Principles commitment to reduce CO2 emissions by 40% by 2030 and 50% by 2050



POWER

Reduce the carbon emission intensity of power portfolio by 18% by 2025 and by 75% by 2040 vs. 2019 levels

ENGAGING OUR BUSINESSES



EUR 120bn

to support the energy transition 2019-2023



MOBILITY

30% of ALD new contracts to be electric by 2025

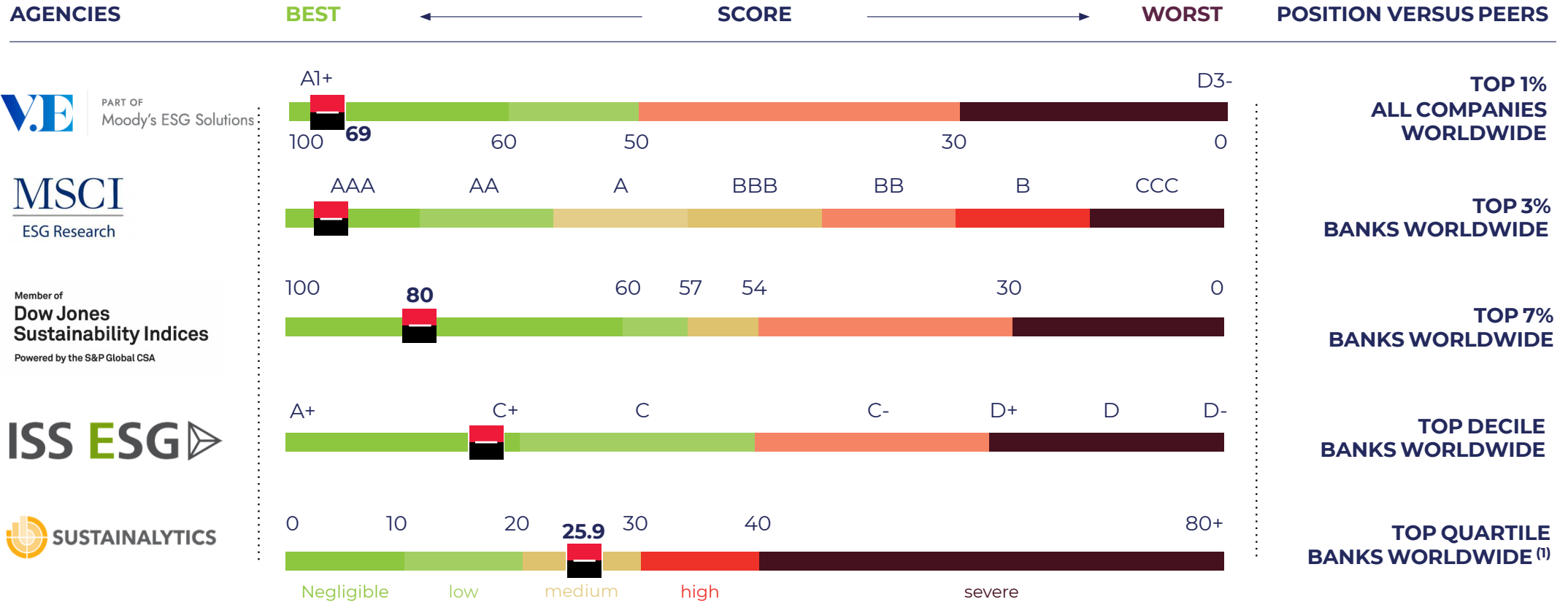


KB

Reach carbon neutrality in own operations by 2026

COMMITTED TO ACHIEVING CARBON NEUTRALITY IN BANKING BY 2050

MAPPING OF 2021 EXTRA-FINANCIAL RATINGS



Note: Number of companies in each agency universe: MSCI 190 banks; S&P Global CSA 242 banks; Sustainalytics 968 banks; Vigeo Eiris 4,944 companies; ISS ESG 285 banks
 (1) 2020 rating; 2021 rating expected Q4 21



APPENDICES

EXAMPLES OF ACCELERATED TRANSITION TIMELINES

COAL



Towards a complete exit from coal

ZERO FINANCING of coal mines and associated infrastructure

2016

IMMEDIATE CONDITIONS:

ceased to offer products and services (unless dedicated to energy transition), to companies whose revenues in thermal coal are >25% and which do not have an exit strategy from the sector, and those developing new thermal coal projects

2020

FROM END-2021:

all clients with mining and power assets to have defined and communicated a transition plan aligned with SG's 2030/2040 thermal coal phase-out objective

2021

ZERO EXPOSURE to thermal coal in OECD and EU countries

2030

ZERO EXPOSURE to thermal coal worldwide

2040

OIL & GAS



Gradual reduction of exposure to oil and gas extraction sector

2017

NO NEW FINANCING of Arctic oil or oil sands

2021

FURTHER REDUCING EXPOSURE to shale oil and gas, oil sands, extra heavy crude oil, Arctic oil, Ecuadorian Amazon oil, through the exclusion of:

- New transactions dedicated to their exploration and production
- Pure upstream players for which the above resources represent >30% of their overall production
- Diversified players (upstream, midstream, downstream) for which exploration and production of the above resources represent >30% of their revenues

LNG IN NORTH AMERICA: no new mandates for new production projects

2025

-10% EXPOSURE TO OIL AND GAS EXTRACTION SECTOR vs 2019 levels

PACTA: PIONEERING ALIGNMENT OF CREDIT PORTFOLIOS

Implementing a standard, called **PACTA for Banks**, which is open source and available for all to use: joint publication of a methodology with the Katowice Banks and 2DII in September 2020



FORWARD LOOKING



SECTOR-SPECIFIC



CLIENT-FOCUSED



ENGAGEMENT OVER DIVESTMENT

OBJECTIVE:

- _ Select indicators that are enablers of the transition and which help us to accompany clients towards lower carbon practices
- _ Provide a methodology on which to set credible targets and steer a portfolio

HOW DOES IT WORK?

- _ Identifies the technology shift needed in specific sectors to slow global warming
- _ Draws on climate scenarios and the related transition pathways that are developed by independent parties such as the IEA
- _ Measures the needed technology against the actual technology clients are using, or plan to use in the future



DISCIPLINED APPROACH TO E&S RISK MANAGEMENT

Societe Generale's E&S risk management approach for business activities is based on 3 main steps and applied at client and/or transaction levels:

E&S RISK IDENTIFICATION

- _ Identifying whether the client's activities or the transaction/service present a potential E&S risk.
- _ The identification step is aimed at verifying whether the counterparties or underlying activities are on the **E&S exclusion list** or the E&S identification list, **or covered by sector policies**
- _ The identification step also aims at documenting the applicable E&S framework/ due diligence process

E&S ASSESSMENT

- _ Assessing counterparties or transactions identified as presenting an E&S risk.
- _ E&S risk assessment is **performed by the business lines (for transactions) or relationship managers (for clients)** with support of E&S experts or CSR, analysing compliance with the criteria of the applicable E&S policy(ies), the severity of E&S controversies and the CSR maturity of the counterparties

E&S ACTIONS

- _ The E&S assessment can result in a **positive, conditional** (contractual conditions, action plans, restrictions) or **negative** E&S opinion
- _ **Mitigation actions** are proposed in proportion to the residual risk identified
- _ Opinions and proposed action plans are **reviewed by the 2nd line of defence**

MEASURING SENSITIVITY TO CLIMATE RISK

_ Implementation of a **Corporate Climate Vulnerability Indicator (CCVI)** to reinforce the credit analysis on the most exposed counterparties to transition risk. The CCVI :

_ corresponds to the marginal impact on the counterparty internal rating over a 20-year time horizon of a selected transition scenario (currently the IEA SDS), with a strong assumption that the counterparty takes no adaptation measures;

_ evaluated alongside the internal rating and is applicable to all sectors identified as sensitive to transition risk (oil and gas, power, transport, metals and mining, commercial real estate);

_ represented through a 7-level scale : for counterparties that score poorly, a discussion has to be initiated to formalise an opinion on the adaptation strategy of the counterparty to transition risk. For LT exposure, attention is paid on the financing risk at maturity.

_ Identification of **transition and physical risk** impact on different industry sectors (**Industry CVI**)

ONGOING INITIATIVES USING SCENARIO ANALYSIS:

_ Identification of **transition and physical risk** impact on sovereigns (**Sovereign CVI**) : a proof of concept has been conducted

_ Identification of **physical risk impact on credit risk: retail mortgage** loan portfolio and large corporate borrowers

_ Leverage on ECB Climate Stress Tests

CULTURE & CONDUCT: MULTI-PRONGED APPROACH



GOVERNANCE

- Culture & Conduct “C&C” topics **reporting to CEO and the Board**
- From January 2021, **steering of C&C taken over by HR and Compliance** departments, with **C&C relays and sponsors at each Business and Service Unit** to ensure full BU SU ownership of C&C matters on a day-to-day basis
- This new governance follows a **3 year C&C programme** which ended in 2020, based on 3 main objectives: accelerate SG's cultural transformation; achieve the highest standards of quality of service, integrity and behaviour; make SG's culture a differentiating factor



CODE OF CONDUCT

- The **Board formally endorsed** the updated Code of Conduct in 2016, last update was in December 2019.
- Complemented by Anti-Corruption and Anti-Bribery Code since 2017 (updated in 2021)
- **98% of all staff have validated annual code of conduct training, at May 2021. A new campaign started in October 2021.**



CONDUCT RISK MANAGEMENT

- **Embedding conduct risk into overall Group risk management framework**
- **Role and Responsibilities of LOD2 defined and LOD3 implemented**



DASHBOARD

- **Annual dashboard for Board and General Management with 6 conduct and 8 culture indicators** covering regulatory training, compliance dysfunctions, operational losses resulting from misconduct, sanctions and compensation reviews, results of employee barometers



CULTURAL TRANSFORMATION

- **Alignment of HR processes**, including sanctions, evaluation and compensation, recruitment and induction, talent development
- Tools to **support and encourage appropriate behaviours and an ethical approach**
- **Specific initiatives on speak-up**, including a guidebook and integration of the concept in the annual employee barometer
- **Strengthened whistleblowing tool**
- Actions targeted at the **C&C community**: workshops, best practice and suggestions



COMMUNICATION AND AWARENESS

- **All-staff communication plan**

GROUP PLEDGE FOR DIVERSITY



GROUP OBJECTIVE

_ **30% women in Group management bodies by 2023**

_ achieved at two levels:

1/ strategic committee: comprises General Management and Heads of Business and Service units (Top 30);

2/ Group's 200 main managers: "key positions"



ACTION PLAN TO DELIVER OBJECTIVE

- _ An enhanced **talent management strategy** with a focus on career and professional development among female employees
- _ **Training sessions** to raise awareness of biases and stereotypes which will be available to all employees and will be mandatory for top managers and future managers
- _ **Diversity objectives** to form part of the evaluation of each member of the Management Committee from 2021



MONITORING OF OBJECTIVE

- _ **The Board** will carry out precise and regular monitoring of the achievements and reviews of the Bank's diversity policy

ACTION LEVERS DEFINED AT GROUP AND LOCAL LEVELS



EMBEDDING DIVERSITY IN ALL HR PROCESSES

_ **Diversity objectives** form part of the evaluation of each member of the Management Committee, from 2021



GENDER PAY GAP ACTIONS

- _ Since 2013 EUR13.1m allocated to correcting 6300 pay gap differences in France. A further **EUR7m allocated 2019-21**
- _ **French Gender Equality Index Score** 86/100 in 2020
- _ **UK: Gender Pay Gap** : SG London Branch median hourly pay gap improved to 30.4% in 2020 (vs 32.5% in 2019)



TRAINING, ENGAGEMENT AND AWARENESS

- _ **Training sessions** to raise awareness of biases and stereotypes available to all employees and mandatory for top managers
- _ **Employee surveys** conducted annually to all staff to gather feedback on diversity
- _ **Club 21 Siècle**: Participation in first barometer in France on origin and socio-economic diversity, in 2021
- _ **#Mandala** lecture series on diversity introduced in 2019



PROGRAMMES AND NETWORKS



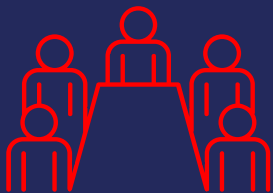
THE CIRCLE



OTHER ACTIONS DEFINED AT LOCAL AND BUSINESS/SERVICE UNIT LEVEL

- _ **UK: 30% women** in senior positions on UK platform by 2025
- _ **Africa: 33% women** on SG Africa management committees by end-2022
- _ A **diversity action plan with quantified objectives** specific to each Business and Service Unit

SNAPSHOT OF SG BOARD



Key changes in 2021:

- Addition of 1 new seat representing shareholder employees : elected by shareholder employees and appointed at AGM
- Appointment of a Non-Voting Board Member “censeur” for 2 years, M. Jean-Bernard Lévy:
 - Chairman and CEO of EDF Group
 - Chairman of the French Energy Council (CFE)

Board Chairman	✓	Separation of Chairman and CEO roles since May 2015
Independence	✓	15 Directors; 91.6% independent (excluding 3 staff-elected)
Diversity	✓	Gender: 40% women; Nationality: 9 nationalities
Non-Voting Member	✓	Attends Board meetings and committees, in a consultative capacity, and is subject to the same rules of ethics, confidentiality and deontology as the Directors. The Board has asked M. Lévy to follow in particular the manner in which the Group defines and implements its energy transition strategy.
Tenure	✓	Length of term: 4 years; Average tenure: 5 years
Overboarding	✓	Cap on the number of directorships: • 1 executive and 2 non-executive; or • 4 non-executive
Attendance	✓	Attendance in 2020: 97%
Training	✓	11 training sessions in 2020 covering regulatory aspects, corruption, AML, KYC, AI, Blockchain, crypto assets, market/operational risks, financial subjects, governance
Board evaluation	✓	External 360° assessment every 3 years; internal assessment in other years

CONTINUING TO APPLY RESPONSIBLE COMPENSATION PRACTICES

EXECUTIVE MANAGEMENT

LONG-TERM INCENTIVES

CSR performance condition 20% of the award, of which:

- _ ½ Energy transition financing
- _ ½ Positioning within the extra-financial ratings (SAM, Sustainalytics & MSCI)

EXECUTIVE MANAGEMENT & MANAGEMENT COMMITTEE

VARIABLE REMUNERATION:

For Executive Management:

- _ Achievement of **CSR** targets in line with Strategic Plan, **Human Resources** management and good operational management of the **Covid crisis**
- _ For all qualitative and quantitative criteria see p105 URD

For all, alignment with collective Group targets:

- _ Employee Commitment Rate
- _ Client Satisfaction: Net Promoter Score
- _ External Group ESG Ratings (SAM, Sustainalytics, MSCI)
- _ Financial performance

Diversity objective from 2021

The CEOs gave up 50% of the annual variable remuneration allocated to them by the Board with regard to the financial year 2020, to contribute to the Group's Global Solidarity Programme (launched in 2020 to support various initiatives directly linked to the consequences of the Covid crisis)

ALL STAFF

ANNUAL EVALUATION:

- _ **Values and Behaviours** as KPI for all employees
- _ All staff measured against **Compliance and Conduct conditions**

SELECTED REPORTS FOR FURTHER READING

CLIMATE DISCLOSURE REPORT (to be updated end-November 2021)

<https://www.societegenerale.com/sites/default/files/documents/2020-10/climate-disclosure-report-20201027.pdf>

PRINCIPLES FOR RESPONSIBLE BANKING

[https://www.societegenerale.com/sites/default/files/documents/2021-04/Societe%20Generale Principles%20for%20Responsible%20Banking Report%20and%20Self-Assessment 2021.pdf](https://www.societegenerale.com/sites/default/files/documents/2021-04/Societe%20Generale%20Principles%20for%20Responsible%20Banking%20Report%20and%20Self-Assessment%202021.pdf)

PACTA METHODOLOGY REPORT (aligning credit portfolios with Paris Agreement)

<https://2degrees-investing.org/wp-content/uploads/2020/09/Katowice-Banks-2020-Credit-Portfolio-Alignment.pdf>

DUTY OF CARE PLAN (p338 URD)

[https://www.societegenerale.com/sites/default/files/documents/2021-03/2021%20Universal%20Registration%20Document 1.pdf](https://www.societegenerale.com/sites/default/files/documents/2021-03/2021%20Universal%20Registration%20Document%201.pdf)

INTEGRATED REPORT

https://www.societegenerale.com/sites/default/files/documents/Rapport-integre/2020/irsg2020_eng_web.pdf

20 STORIES TO TELL: integrating our corporate purpose into business solutions

https://wholesale.banking.societegenerale.com/fileadmin/user_upload/Wholesale/pdf/20_Stories_to_tell_2020_.pdf

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