

PRINCIPLES FOR RESPONSIBLE BANKING

Reporting 2022



PRINCIPLE 1: ALIGNMENT

WE WILL ALIGN OUR BUSINESS STRATEGY TO BE CONSISTENT WITH AND CONTRIBUTE TO INDIVIDUALS' NEEDS AND SOCIETY'S GOALS, AS EXPRESSED IN THE SUSTAINABLE DEVELOPMENT GOALS, THE PARIS CLIMATE AGREEMENT AND RELEVANT NATIONAL AND REGIONAL FRAMEWORKS

1.1 DESCRIPTION OF THE BANK'S BUSINESS MODEL

Leveraging a diversified and integrated banking model, Societe Generale combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of the world. Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale employs over 131,000 members of staff⁽¹⁾ in 66 countries and supports daily 26 million individual clients, businesses and responsible and institutional investors⁽²⁾ around the world. The Group offers a wide range of advisory services and tailored financial solutions to secure transactions, protect and manage assets and savings, and help its clients finance their projects. Societe Generale seeks to protect them in both their day-to-day life and their professional activities, offering the innovative services and solutions they require. The Group's the innovative services and solutions they require. The Group's mission is to empower each and everyone who wants to make a positive impact on the future and defines its purpose as "Building together, with our clients, a better and sustainable future through innovative financial solutions".

The Group is built on three complementary core businesses:

- French Retail Banking, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- International Retail Banking, Insurance and Financial Services, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- Global Banking and Investor Solutions, which offers recognized expertise, key international locations and integrated solutions.

2021 At the end of 2020, Societe Generale announced two major strategic initiatives: the merger of the Societe Generale and Crédit du Nord retail banking networks and an ambitious development plan for Boursorama. With this new complementary retail banking model, the Group intends to respond more effectively to ongoing sectoral changes. These initiatives are designed to cement the Group's winning combination of a fully online banking model coupled with a network banking model offering both digital and human expertise – a combination that stands out in the French market. Over the course of 2021, the Group successfully moved ahead with the first stages of its merger project.

In January 2022, Societe Generale announced the signing by Societe Generale and ALD of two Memorandums of Understanding under which ALD would acquire 100% of LeasePlan. This transformative project would be a step-change towards creating a leading global player in mobility, benefiting from highly compelling complementary capabilities and synergies. Benefitting from materially increased investment firepower and differentiated know-how, the combined entity will be particularly well-positioned to take full advantage of the industry's underlying basic trends, including the shift from vehicle ownership to usership and to electric vehicle fleets, as well as the growth of digital technologies to enrich services provided. This project would be perfectly coherent with the corporate purpose of the Societe Generale group and its ambition notably to actively support economies as well as our customers in their energy transition

URD 2022:

- ▶ [Group's Business model](#) (pages 8 & 9)
- ▶ [A diversified and integrated model](#) (pages 11 to 25)
- ▶ [Societe Generale main activities](#) (pages 28 & 29)
- ▶ [Credit risk exposure](#) (pages 207 & 208)
- ▶ [Geographic breakdown of Group exposure](#) (pages 210 & 211)

Integrated report 2021:

- ▶ [A Global bank with European roots](#) (pages 6 & 7)

⁽¹⁾ Headcount at end of period excluding temporary staff.

⁽²⁾ Excluding Insurance policyholders. The methodology used to count the number of clients in the International Retail Banking network changed in 2021. However, like-for-like, this has no impact on the change in the number of clients vs. 2020.

PRINCIPLE 1: ALIGNMENT

1.2 ALIGNMENT/CONTRIBUTION TO SOCIETY'S GOALS, AS EXPRESSED IN THE SUSTAINABLE DEVELOPMENT GOALS (SDGS), THE PARIS CLIMATE AGREEMENT, AND RELEVANT NATIONAL AND REGIONAL FRAMEWORKS

Contributing to the Sustainable development goals

Leveraging on its geographic presence, the diversity of its businesses and its responsible engagement, Societe Generale helps achieve some SDGs though not yet mechanically linked to its activities. Each of the four focus areas of the Group's CSR ambition can be linked to one or several SDGs. End of 2020, the Group consulted key internal and external stakeholders to update the priorities of the Group's CSR ambition and ensure that it was aligned with risks and opportunities.

Taking commitments and joining working groups

The Group firmly believes the collective works enable a quicker impact and therefore, Societe Generale led or joined in coalitions and supported those that bring new standards to the table.

More broadly, the Group has joined multiple public or private CSR initiatives, among them:

- global CSR commitments: CFO Taskforce of UN Global Compact
- commitments in relation to environment: TCFD, the Equator Principles, the Positive Impact Manifesto and the Principles for Positive Impact Finance (UNEP FI), the Poseidon Principles, the Green Investment Principles, the TNFD Forum (October 2021), etc.

The Bank will also comply with standards developed or under development at the EU level such as the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) or the EBA and ECB frameworks.

At last, the Group also continued to support the energy transition financing – with a broad range of sustainable financing solutions (loans, bonds, advisory services) and met its goal of contributing to raise EUR 120 billion for the energy transition between 2019 and 2023 ahead of schedule.

2021 The four focus areas of the Group's CSR ambition for 2021 were the result of a large consultation of stakeholders: Culture of responsibility, Responsible employer, Supporting the environmental transition and Making a positive impact on local communities, all contributing to 10 SDGs (#1 No poverty; #4 Quality education; #5 Gender equality; #7 Affordable and clean energy; #8 Decent work and economic growth; #9 Industry, innovation and infrastructure; #11 Sustainable cities and communities; #12 Responsible consumption and production; #13 Climate action; #16 Peace, justice and strong institutions).

2021 Societe Generale joined the **UNEP-FI Net-Zero Banking Alliance (NZBA)** as a founding member. Accordingly, the Group undertakes to align its portfolios and its own activities with trajectories aiming at carbon neutrality by 2050 (limiting global warming to 1.5°C), setting targets for 2030 (or sooner) and 2050. It focuses as a priority on its most GHG-intensive sectors, which will have a major impact in transitioning towards net-zero. The Group has anticipated this standard and is on a good path to reach targets set on fossil fuel reduction, power sector and the decarbonation of the shipping industry.

Societe Generale also made a new commitment, concerning the perimeter of its own operations, aiming to reduce its carbon emissions by 50% from 2019 levels by 2030. To achieve this, it plans to make its buildings, IT equipment and vehicle fleet more energy efficient and reduce air travel. It also decided to ban single-use plastics in its work environments by 2025 (and even earlier, if possible, in certain countries).

URD 2022:

- ▶ Core themes of the Group's CSR policy (page 268)
- ▶ Consulting stakeholders to understand their expectations (page 269 to 270)
- ▶ CSR Governance (pages 272-273)
- ▶ Climate strategy (pages 296 to 299)
- ▶ Commitments and working groups (pages 279 to 284)
- ▶ Being a company that cares about the environment (pages 325-330)

PRINCIPLE 2: IMPACT & TARGET SETTING

WE WILL CONTINUOUSLY INCREASE OUR POSITIVE IMPACTS WHILE REDUCING THE NEGATIVE IMPACTS ON, AND MANAGING THE RISKS TO, PEOPLE AND ENVIRONMENT RESULTING FROM OUR ACTIVITIES, PRODUCTS AND SERVICES. TO THIS END, WE WILL SET AND PUBLISH TARGETS WHERE WE CAN HAVE THE MOST SIGNIFICANT IMPACTS.

2.1 IMPACT ANALYSIS (PART 1)

E&S risks mapping

The Group has carried out a mapping of E&S risks as part of its Duty of Care plan leading to identify specific sectors that might present E&S risks. This work consisted of identifying E&S risks factors based on external sources and expert opinions. This sectoral information has been linked with information on country risk (relating to the effectiveness of the local E&S regulatory framework) and then with the Group's activity data for each sector in order to give an initial estimate of the Group's overall exposure to E&S risks.

Climate transition risk & impact

Climate transition risk's impact on Societe Generale Corporate clients' credit risk has been identified as one of the main climate change-related risk for the Group. In order to measure this impact, Societe Generale is gradually implementing a Corporate Climate Vulnerability Indicator (CCVI) which aims to reinforce the credit analysis on the most exposed counterparties.

Climate risk impacts business sectors differently depending on their characteristics. In particular, the Group has identified 7 sectors that are particularly sensitive to transition risk: Real estate (3.4%), Power (2.2%), Oil & gas (1.9%), Metals & minerals (1.1%), Automobile (0.9%), Shipping (0.8%) and Aviation (0.6%).

The approach adopted by Societe Generale for measuring transition risks is inspired by the United Nations Environment Programme Finance Initiative (UNEP FI). Climate-related risk identification is part of the overall Group risk identification process. This Group-wide process is continuously performed to identify all risks that are or might be material (see details in the Climate report 2021).

2021 Dedicated work was carried out and reflected in the Duty of Care plan 2021, trying to bring more transparency. Thus, the industries most vulnerable to E&S are in the energy sector (fossil fuels and electricity generation), transport and logistics (especially automotive and aerospace), agriculture (especially upstream) – although risk has decreased dramatically in the soya business, industry, construction, chemicals, mining, forestry, textiles and defence. The main risks identified in these sectors include higher climate risks, erosion of biodiversity, risks related to working conditions (including workplace accidents), risks of forced labour and child labour, and the risk of violating community rights (see URD, page 343).

2021 A broader approach of financial risks stemming for Environmental, social and governance (ESG) risks factors has been added among the main risk factor for the Group. In addition, an effort was made to clarify exposures to Environmental, social and governance risks, in particular related to climate change, that could have an impact on the Group's activities, results and financial situation in the short-, medium- and long-term. Moreover, Societe Generale has provided greater transparency on the materiality of climate transition risk exposures.

URD 2022:

- ▶ ESG risks could have an impact on the Group's activities, results and financial situation (pages 152 & 153)
- ▶ Climate risk – Measuring sensitivity to transition risk (page 206)
- ▶ Mapping if the environmental impact of Societe Generale's business (page 296)
- ▶ E&S General Principles and sector policies (pages 285 to 289)
- ▶ Duty of care plan (pages 339 to 347)



Climate report 2021:

- ▶ Processes and tools for identifying and managing climate-related risks (pages 23 & 24)
- ▶ Integration of climate-related risks into the standard risk assessment framework (pages 19 to 22)

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2.1 IMPACT ANALYSIS (PART 2)

Sustainable and Positive Impact Bond Framework

In addition to its Sustainable & Positive Impact finance approach, Societe Generale developed in 2020, a Sustainable and Positive Impact Bond Framework, based on the principles of positive impact finance, to contribute to financing green and social activities and the achievement of the SDGs. An amount equivalent to the net proceeds from issuance of Positive Impact Bonds under the Framework will be applied to fully or partially financed or refinanced activities (through direct expenditure, direct investment or loans) in one or more of green and social categories as described in the framework.

Managing non-financial risks as an opportunity for growth

In order to identify extra-financial risk factors, the Group has created a risk map that combines the main focuses of its ESG materiality matrix with the types of risks to which Societe Generale is exposed by viewing the environmental, social or human rights related risks as triggering or aggravating factors for certain types of risk, in particular credit, non-compliance and reputational risks.

This identification process led to a ranking of the main non-financial risk factors evaluated according to two criteria: their potential severity and their likelihood of occurrence.

This evaluation considers the inherent risk, i.e. before the application of internal measures aimed at reducing their impact. Time considerations were added for certain risk factors, including their scale of importance, which, although low at present, could become significant in the future.

This control of risk materiality allows the Group to develop the resulting growth opportunities with a view to serving the interests of our stakeholders (clients, civil society, etc.), while meeting their expectations. Lastly, we live in a world where new kinds of risks are constantly emerging, compelling us to continuously review our analyses, thus creating new opportunities for dialogue with our stakeholders.

2021 Front officers auto-evaluate at origination their transactions thanks to a dedicated questionnaire “PI-SAT” allowing them to assess its social, environmental and economic impacts (understood as the effect or change (negative or positive) produced by a project, activity or financed entity). The positive impact must be proven/demonstrable/traceable, delivered efficiently and consistent with the size of the investment (acceptable cost to impact ratio). This contributed to the significant increase of SPIF production in 2021 (EUR 7.5bn in 2021 vs. EUR 5.2bn in 2020 i.e. +44%)

2021 Societe Generale has illustrated how three of the non-financial risks can become opportunities, in its 2021 Integrated report:

- Failure of IT systems (cybercrime) leading to an offer to VSE/PME through the start-up OPPENS;
- E&S challenges that could negatively impact the Group’s reputation leading to develop an international franchise in renewable energy
- Greater Competition leading to innovate and develop digital banking solutions

SPI Positive Impact Bond Framework:

- ▶ [Direct response to SDGs](#) (page 6)
- ▶ [Identification of categories](#) (page 7)

Integrated report

2021:

- ▶ [Managing extra-financial risks as an opportunity for growth](#) (pages 56 & 57)

Societe Generale will further develop or test methodologies to measure E&S impacts at the portfolio, client and/or transaction levels on climate related risks and biodiversity loss.

PRINCIPLE 2: IMPACT & TARGET SETTING

2.2 TARGET SETTING

The Bank's risks and opportunities are addressed through qualitative and several quantitative targets to align its credit portfolios in various sectors, with SMART climate change targets that are set according to the IEA's 2°C scenario and often go beyond what the IEA recommends:

Coal:

- In 2019, the Group stepped its commitments up a level, announcing a goal of zero exposure **to thermal coal** by 2030 in the EU and OECD countries, and by 2040 for the rest of the world.

Oil & gas:

- In 2018, Societe Generale decided to end financing for the production of **oil** from oil sands around the world, as well as for all types of oil production in the Arctic. Societe Generale also commits to reduce upstream **oil & gas portfolio** by at least 10% by 2025 (baseline end of 2019).

In 2020, the Group also committed to cutting back on its financing for **power generation projects** by 18% by 2025, and by 76% by 2040, as compared to end-2019 levels.

Sustainable finance:

- The Bank has also pledged to raise **EUR 120 billion to support the energy transition** between 2019 and 2023, in the form of EUR 100 billion in sustainable bonds and EUR 20 billion for renewable energies, in the form of advisory and financing.

Regarding the monitoring of potential **negative impact** on other dimensions of positive impact business, the group relies on several frameworks:

- The E&S risk management framework covering both clients and transactions, and covering climate risks, E&S compliance with SG E&S policies and reputation risk from E&S origin.
- More specifically, for instance the Sustainable and Positive Impact Bond Framework, based on the principles of positive impact finance, contributes to the financing of green and social activities and the achievement of the SDGs. The framework is used to identify a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts on any of the pillars have been duly identified and mitigated.

2021 Coal:

Societe Generale reviewed its credit portfolio and evaluated transition plans and a timeline for phasing out thermal coal with all the client that have mining or power generation assets.

Oil & gas:

- Societe Generale also announced that it was strengthening its commitments in several segments related to **unconventional hydrocarbons**. As such, the Group will no longer finance:
 - new projects with underlying activities involving the exploration and production of shale oil and gas, oil sands, extra-heavy crude oil, Arctic oil or Ecuadorian Amazon oil;
 - pure upstream players for which these categories of hydrocarbons (shale oil and gas, oil sands, extra-heavy crude oil, Arctic oil or Ecuadorian Amazon oil) represent more than 30% of their overall production; and
 - diversified players (upstream, midstream, downstream) for which the production of these categories of hydrocarbons represent more than 30% of their revenues.
- Moreover, no new mandates will be accepted for new greenfield projects to produce liquefied natural gas in North America, in order to extend efforts down the value chain.

Shipping:

- Societe Generale joined the **Call to Action for Shipping Decarbonization**, to work together with industry to deliver the policies and investments needed to reach critical tipping points in decarbonizing global supply chains and the global economy.

Steel:

- Societe Generale joined the **Steel Climate-Aligned Finance Working Group** as co-leader, joining five other leading leaders of the steel industry who will work to define standards advancing the decarbonisation of the sector. The objective of the working group is to establish a joint climate-aligned finance agreement, modelled on the Poseidon Principles.

Biodiversity:

The Group undertakes to increase its protection of **biodiversity** by expanding the categories of protected areas in which no new hydrocarbon exploration and production projects will be financed. This new criterion covers new projects located in IUCN I-IV sites, RAMSAR wetlands, UNESCO World Heritage sites or Alliance for Zero Extinction sites, for the following sensitive sectors: oil and gas exploration and production, mining, upstream industrial agriculture, reservoir dams, power plants, shipyard.

Direct impact:

- Societe Generale looked deeper in 2021 into reducing its **own direct emissions**, based on the NZE by 2050 scenario. The analysis reviews the major sources of the Group's emissions (energy for buildings, IT, air travel and fleet of cars) and showed a binding pathway for the Group to reduce carbon emissions by 50% (in tonnes of CO₂ eq.) in the period 2019 to 2030.

Diversity:

- Regarding **diversity**, the Group has set binding targets: by 2023, the Group's management bodies must include at least 30% women, while ensuring that this goal is met both in the business lines and functions.

URD 2022:

- ▶ [Aligning credit portfolios in various sectors](#) (pages 297 & 298)
- ▶ [Managing CO₂ emissions](#) (page 325)
- ▶ [Being a responsible employer](#) (pages 314 to 323)

Corporate website:

- ▶ [Group's sectoral policies](#)

PRINCIPLE 2: IMPACT & TARGET SETTING

2.3 PLANS FOR TARGET IMPLEMENTATION AND MONITORING

The monitoring of CSR target implementation relies on different things, amongst which :

Target definition:

- The General Management, through two specialised committees, the CORESP and the Group Strategic Committee (CSG), defines Societe Generale's strategic targets and non-financial performance indicators.

Target monitoring:

- Business Units as well as the 2nd line of defence (Risk and Compliance Departments) have set appropriate CSR targets in their CSR roadmaps to implement the Group's CSR commitments. Progress against the various targets is assessed at least annually;
- Long term targets are more and more often supplemented by short-term and mid-term targets (as detailed in the Group Climate Report) and some sector policies have been reviewed to explicitly mention related targets and deadlines (e.g., the oil & gaz policy)
- Most of the targets (their definition, calculation methodologies and results) are verified annually by an independent verifier

☑ When a target is set, Societe Generale develops KPI or methodologies adapted to the type of target set (business volumes, sector exposure, emission intensity...) in order to monitor the achievement of the objectives (results are presented in the yearly URD). The Group will continue to operationalise these targets by developing more regular monitoring tools for its commitments and by integrating the monitoring of certain priority alignment indicators into the risk appetite mechanism.

2021 40% of Chief Executive Officers' annual variable compensation is based on nonfinancial criteria. For 2022, this 40% is divided equally between the CSR objectives applicable to all three Chief Executive Officers and the objectives specific to each officer's remit. The CSR objectives are divided into four themes that all have quantifiable targets:

- Improving the customer experience: measured by the change in the NPS for the Group's main activities;
- Developing our priorities as a responsible employer: measured by the degree to which we respect our commitments to increase female representation in the executive bodies and the change in the employee engagement rate;
- Extra-financial ratings;
- Incorporating CSR topics into the strategy at all the Group's businesses and adhering to pathways that are in line with the commitments the Group has made to the energy and environmental transition.

2021 Two new structuring programmes were launched: 'ESG by Design' and 'ESG Analytics', with a view to accelerate the operational implementation of the Group ESG transformation roadmap and develop ESG reporting production facilities. These two programs will be expanded in 2022 with roadmaps and quantified objectives.

URD 2022:

- ▶ [Incorporating CSR principles into compensation](#) (page 274)
- ▶ [CSR in the Group governance](#) (pages 272 & 273)
- ▶ [E&S General Principles and sector policies](#) (page 286)
- ▶ [Independent third party's report on the consolidated non-financial statement](#) (pages 336 to 338)



Climate report 2021:

- ▶ [Metrics & targets](#) (pages 44 to 50)

PRINCIPLE 2: IMPACT & TARGET SETTING

2.4 PROGRESS ON IMPLEMENTING TARGETS

2021 Reached target:

- €120 bn towards the energy transition between 2019 and 2023: **€157bn (i.e. 131% of the target)**

Ongoing targets:

- Establish alignment on NZBA priority sectors: the Group has already defined targets on coal, oil&gas, power generation, ALD (transport) and shipping (transport)
- Towards a complete exit of coal (exit in 2030 in OECD countries and 2040 elsewhere): **on track** (more details in the Climate Report)
- Oil and gas extraction – reduction in exposure by at least 10% in absolute terms by 2025: **on track** (more details in the Climate Report)
- Reduction of the Group's carbon footprint (-50% in 2030 vs. 2019): **-35%**⁽¹⁾
- 30% of women in the the Group's management bodies by 2023: **25%**



URD 2022:

- CSR at a glance (page 266)



Climate report 2021:

- Credit portfolio alignment (pages 46 to 48)

⁽¹⁾ Not restated for COVID effects

PRINCIPLE 3: CLIENTS & CUSTOMERS

WE WILL WORK RESPONSIBLY WITH OUR CLIENTS AND OUR CUSTOMERS TO ENCOURAGE SUSTAINABLE PRACTICES AND ENABLE ECONOMIC ACTIVITIES THAT CREATE SHARED PROSPERITY FOR CURRENT AND FUTURE GENERATIONS

3.1 POLICIES AND PRACTICES TO PROMOTE RESPONSIBLE RELATIONSHIPS WITH CUSTOMERS

In order to promote responsible relationships with its clients, the Group relies on :

- Its **Code of conduct**, distributed to all employees, which sets the ethical basis of the bank's activity. It presents, among other things, client protection measures. It defines client complaint treatment to which is attributed a specific governance, policies, procedures and a dedicated team within each Business Units and Service Units
- **Mediation** explained to front officers. Clients are regularly informed about this option too. Internal rules, related to products governance, consulting practices conflicts of interest and remuneration have also been strengthened
- **Data protection and cybersecurity policies** that are deployed within the bank to protect the clients.
- All bank's staff receive regular training on the Code of conduct but also on data protection and cybersecurity.
- In line with its Environmental and Social General Principles, the Group proposes financial products and services to all customers pursuant to French law, which penalises all forms of **discrimination**. These obligations are transposed into the Group's standards documentation (Societe Generale Code) and its Code of Conduct and must be complied with by all permanent and temporary employees. Societe Generale's standards documentation makes specific reference to discrimination and extends compliance with French law to all entities; it states that situations involving the rejection of a client's request may not be motivated by discrimination based on gender, ethnic origin or religion.
- As part of the **E&S clients' review**, the E&S sector policies define three sets of criteria for each of the above-listed categories: E&S exclusion criteria; E&S priority assessment criteria & other E&S assessment criteria are designed to identify other risk factors associated with the sector in question (more information in the URD 2022)
- Adopted by the Group in 2007 and since revised several times, the **Equator Principles** are one of the initiatives underpinning Societe Generale's E&S General Principles. As an EP Financial Institution (EPFI), Societe Generale has committed to implement the EP in its internal E&S policies, procedures and standards and to refrain from providing loans falling within the scope of the initiative which do not comply with the EP. This strong commitment is supported by robust internal procedures, tools and competence. In their latest version, dubbed the EP4, which entered into force on 1 October 2020, the Equator Principles serve as a common framework for the financial sector and are designed to help signatories) identify, assess and manage the E&S risks associated with the major infrastructure projects they advise on and finance.

2021 As part of the measures to raise employee awareness around the rules of client protection and efforts to combat discrimination, a library of the instructions and rules have been further communicated through internal website, specially on:

- MiFID 2 regulation;
- Insurance Distribution Directive (IDD);
- Products and Services offering;
- Protection of retail customers;
- Conflicts of interest – customers;
- Protection of customer assets;
- Customer complaints;
- Employee compliance .

2021 Having worked with the EP Association to prepare the launch of the EP4, Societe Generale continued to adapt its own tools and procedures accordingly in 2021, training its E&S experts and sales teams on this new version of the EP to ensure its smooth rollout.

URD 2022:

- ▶ The Code of Conduct, a vehicle for the Group's values (pages 275 to 277)
- ▶ Equator Principles (page 282)
- ▶ Applying the highest standards in client relationship management (pages 308 to 310)
- ▶ Tackling discrimination (page 309)
- ▶ Supporting vulnerable clients (pages 309 & 310)

PRINCIPLE 3: CLIENTS & CUSTOMERS

3.2 WORKING WITH CLIENTS AND CUSTOMERS TO ENCOURAGE SUSTAINABLE PRACTICES AND ENABLE SUSTAINABLE ECONOMIC ACTIVITIES

Pursuing dialogue with clients

The E&S assessment of the clients consists of identifying the E&S challenges arising from the client's sectors and location of activities or controversies, and then, for the riskiest ones, assessing the client's ability to manage these risks (CSR organisation, practices and maturity, management of E&S controversies and dialogue with stakeholders). This assessment can lead to intensive dialogue with the clients and specific actions (e.g., making a specific commitment with an existing client to improve its E&S practices). These discussions often cover Societe Generale's commitments (including E&S policies) applicable to the client.

Offering them a responsible investment and financing solutions

Societe Generale has structured responsible and innovative investment and financing solutions contributing to the United Nations SDGs as a way of fostering activities with a positive impact on the development of the economy and society, beyond the challenges of the energy transition. As a responsible bank, Societe Generale is determined to work with its clients, whether or not they currently meet all its sustainability criteria, to help them progress towards a fair, green and inclusive transition in keeping with its own commitments. All the sustainable offer is described in the URD 2021 and the Climate report 2021.

Also, In December 2019, the Group renewed its efforts to foster the energy transition and undertook to raise EUR 120 billion between 2019 and 2023 through a range of sustainable finance solutions (loans, bonds and advisory).

The EUR 120 billion breaks down as follows:

- Sustainability Bonds (as defined by the ICMA rules and the EU's Green Bond Standard), as well as all bonds indexed to climate targets;
- EUR 100 billion in sustainable bond issues led or co-led by Societe Generale. Sustainable bonds include both green bonds and
- EUR 20 billion for renewable energies, in the form of advisory and financing.

2021 Societe Generale successfully issued its first public social Positive Impact bond for EUR 1 billion. The inaugural public bond of Societe Generale in social Positive is structured as a senior non preferred bond with a maturity of 6 years, which can be called after 5 years. It attracted strong demand from investors with an order book exceeding EUR 2.1bn raised from over 110 investors, of which a vast majority are SRI investors. This bond issue is reflective of Societe Generale's commitment to sustainability and responsibility in financing a sustainable economy. The proceeds of this bond will be used exclusively to finance or refinance projects contributing to socioeconomic advancement and empowerment, affordable housing, access to education and professional training and access to healthcare. These projects are selected in strict accordance with the "Sustainable and Positive Impact Bond Framework" to meet the most recent standards. This methodology, independently assessed by ISS-ESG, meets the UNEP FI's "Principles for Positive Impact Finance" requirements and are fully aligned with the ICMA's Green, Social and Sustainability Bond Principles, as revised in 2021.



URD 2022:

- ▶ A holistic approach to Sustainability (pages 290 to 295)
- ▶ Financing the energy transition and working with customers to help them transform their business model (pages 298 & 299)



Climate report 2021:

- ▶ Supporting the sustainable development of our clients (pages 38 to 43)

PRINCIPLE 4: STAKEHOLDERS

WE WILL PROACTIVELY AND RESPONSIBLY CONSULT, ENGAGE AND PARTNER WITH RELEVANT STAKEHOLDERS TO ACHIEVE SOCIETY'S GOALS.

4.1 CONSULTING STAKEHOLDERS AND IMPROVING YOUR BANK'S IMPACTS

2021 The Group consulted key internal and external stakeholders at the end of 2020 to update the priorities of the Group's CSR ambition and ensure that it was aligned with risks and opportunities. The survey findings were aggregated in 2021 into a **materiality matrix**, presented in the URD 2022.

Societe Generale performed materiality analysis according to three complementary levels:

1. stakeholders surveyed ranked the 17 materiality considerations identified by an Internal Group Work Committee according to their impression of relative importance;
2. Group Management also ranked the materiality considerations according to their impact on the different value creation dimensions for the Company;
3. the recurrence of the considerations under review was analysed during stakeholder interviews. All their contributions were subsequently studied on a qualitative basis. The study was conducted in line with the main materiality assessment standards (GRI, AA1000, IIRC and ODD standards).

2021 In the course of 2021, Societe Generale consulted with or participated in working groups with some ten **NGOs**, either in writing, in bilateral meetings or through broader, more global consultations organised by the associations themselves, by the French Banking Federation (Fédération bancaire française – FBF) or Companies supporting Human Rights (Entreprises pour les Droits de l'Homme – UNEP-FI), amongst others.

2021 Societe Generale's resolve to play an active part in the transition towards a sustainable future spurred its decision to become a founding signatory of the Principles for Responsible Banking, as well as a founding member of the Net-Zero Banking Alliance.

Societe Generale endeavours to take a constructive attitude when engaging in **dialogue with its stakeholders**. The approach is described on the Group's corporate website.

As regards **civil society**, the Group is attuned to and engages in dialogue with NGOs that alert it to E&S issues. Wherever possible, an internal enquiry is conducted, and a documented response is given, either in writing or during meetings convened for that purpose. Societe Generale uses the Sustainable Development Department to centralise communication or contact from NGOs or other stakeholders informing it about the E&S impact of its financing services or other services.

Moreover, Societe Generale has a "Statements" section on its corporate website and maintains open dialogue with civil society through its Dialogue & Transparency rubric. The Group has voluntarily committed to a number of actions designed to accelerate positive societal transformation. The Group has therefore helped found or participated in various global cross-disciplinary initiatives, all presented in the Universal Registration Document 2022. All the Societe Generale's interactions with its stakeholders are presented in the Integrated report 2021.

Corporate website:

- ▶ Dialogue with our stakeholders
- ▶ Statements
- ▶ Dialogue & transparency

URD 2022:

- ▶ Commitments and working groups (pages 279 to 281)
- ▶ Net-Zero Banking Alliance (page 281)
- ▶ Consulting stakeholders to understand their expectations (pages 269 & 270)

Integrated report 2021:

- ▶ Meaningful dialogue (pages 30 & 31)

PRINCIPLE 5: GOVERNANCE & CULTURE

WE WILL IMPLEMENT OUR COMMITMENT TO THESE PRINCIPLES THROUGH EFFECTIVE GOVERNANCE AND A CULTURE OF RESPONSIBLE BANKING

5.1 GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

Societe Generale has developed a strict **framework to manage environmental and social risks** to ensure it rolls out these commitments throughout the entire organization. Five bodies play a specific role in CSR:

- the Board of Directors approves the Group's strategies and supervises their rollout, in particular with regard to CSR;
 - at least once a year, the Board of Directors review the Group's strategic approaches to CSR and their rollout;
 - General Management, which examines CSR themes through several committees: the Responsible Commitments Committee, the Group Risk Committee, the Group Strategy Committee and the Business and Service Units' Strategic Management Committees;
 - the CSR Department, the Head of which is a member of the Group Management Committee. Backed by a 14-strong team and supported by a network of over 300 ESG ambassadors in the Business and Services Units (at Q4 21), she is in charge of formulating a dedicated policy for the Group that is attuned to stakeholders, and of monitoring actions in this area.
- the Group BU/SU entities are tasked with implementing and aligning their initiatives with Societe Generale's CSR policy.

This governance also relies on:

- **Training & expertise:** to ensure a smooth and systematic rollout of this E&S risk management framework across the Group, a new compulsory online training module was developed in 2021 for all BUs and SUs covered by the framework. It is available in 11 languages, ensuring that the same content is consistently available to everyone in the Group wherever it operates (11,065 Group employees had completed the training module in 2021).
- **Roles and responsibilities:** since 2020, the Group updated and integrated E&S risk management principles into the Group's new normative documentation (Societe Generale Code) as well as the main roles, responsibilities, policies to be deployed within the Group. It has been endorsed by the Board of Directors and distributed to all business and service units.
- The compliance and risk lines of defense are required to verify the proper implementation of the Code regarding E&S topics.

2021 Ever mindful of the challenges related to energy transition, the Group decided in 2021 to appoint to the Board of Directors a non-voting Director specially dedicated to these areas for a two-year term.

2021 The CSR Department has been renamed the Sustainable Development Department and has reported to General Management since 1 January 2022. It formerly reported to the Corporate Secretary;

2021 Two new structuring programmes were launched: 'ESG by Design' and 'ESG Analytics', with a view to accelerate the operational implementation of the Group ESG transformation roadmap and develop ESG reporting production facilities. ESG by Design is placed under the direct supervision of the Deputy CEO in charge of sustainability and is co-sponsored by the Risk department and the CSR Department. The programme will ensure compliance with supervisory expectation by delivering the predefined roadmaps for Climate and Environmental risk integration into the Group's risk management framework. The programme will further develop the processes and tools allowing the strategic steering of the Group's CSR commitments. This operationalisation will pay attention to the roles and responsibilities to tinge existing production processes with ESG features where necessary, for example in KYC, credit granting, new product design/structuring, IT architecture. The ESG Analytics programme aims to develop reporting production capacities for internal steering and mandatory regulatory reporting. Key features will involve ESG data industrialisation and data quality qualification.

URD 2022:

- ▶ CSR governance (pages 264 to 274)
- ▶ Operational implementation procedures (pages 286 – 287)

Climate report 2021:

- ▶ 'ESG by Design' and 'ESG Analytics' programmes (page 9)

PRINCIPLE 5: GOVERNANCE & CULTURE

5.2 CULTURE OF RESPONSIBILITY AMONG EMPLOYEES

Culture & Conduct programme

Promoting ethical behaviors and a responsible banking culture : at the end of 2016, the Board of Directors approved the launch of a Group Culture & Conduct programme aimed at supporting the Group's cultural transformation, ensuring compliance with the strictest integrity standards, and establishing a lasting relationship with its stakeholders built on trust. Now that the programme has been fully implemented, all BU/SUs are expected to push further ahead with integrating Culture & Conduct considerations into the performance of their daily activities. To help achieve this, a Culture & Conduct website dedicated to BU/SUs has set up a toolbox for them containing a summary of Group best practices to enhance the teams' knowledge on culture- and conduct-related topics, as well as a list of contacts to facilitate the exchange of best practices in the Group. In 2021, each BU/SU formalised its own Culture & Conduct road map.

CSR internal portal

Moreover, the deployment of the dedicated internal CSR portal launched in November 2020 is continuing to share with all staff the E&S principles and tools, align the practices among the Group, value the ESG performance of the businesses, and educate the employees in the whole Group on sustainable issues.

Collective compensation linked to CSR non-financials results

At last, in the collective compensation of Societe Generale SA employees in France, the amount of profit-sharing and incentive schemes depends on the annual achievement of two social responsibility targets which are measured according to Societe Generale Group's ranking at the main extra-financial ratings agencies S&P Global CSA (formerly RobecoSAM), Sustainalytics and MSCI.

2021 Pursuing and reinforcing the E&S training offer:

- Implementing E&S culture with an e-learning course, originated in 2020, to “raise awareness of environmental and social risks” and train target audiences to implement the CSR normative framework. This awareness module has been translated into nine languages and distributed widely in the BUs/SUs to more than 40,000 employees in 2021.
- Offering expert modules to the sales functions to reinforce customer support on energy transition with a training course focusing on the challenges of the energy transition, which was developed and delivered in 2020 to some of the Group's sales functions (in Global Banking and Investor Solutions), was switched up to a Group programme with a very wide audience. In addition, all Group employees had the ability to register for live presentations. In all, some 10,000 people from 12 BUs/SUs signed up for this programme.
- Societe Generale also offers two training programmes on factoring ESG criteria into financing and investment activities: ESG certification offered by the SFAF (the French association of financial analysts) and the EFFAS (European Federation of Financial Analysts Societies), as well as a SFAF course that does not offer certification. To date, 54 employees have earned certification in this field.
- Workshops organised to raise awareness of global warming and the energy transition: La Fresque du Climat, which started in 2020 and continues in 2021 across several Group entities in Investment Banking, Retail Banking and certain Service Units.
- A training course with customised modules focusing on the challenges of the energy transition was developed and distributed in 2020 and 2021 for client-facing staff: more than 10,000 employees have been trained by the end of 2021.
- Societe Generale engaged into the INVEEST program to further enhance skills in Energy Transition financing, especially for SMEs in industry.
- In French Retail Banking, a training course was organised at the end of 2020 focusing on the new E&S processes.
- Crédit du Nord trained close to 450 employees to engage with their client on E&S issues. In 2021, 716 clients or prospects had this exchange with the business advisors. These exchanges are formalised by a questionnaire, from which business advisors can learn about clients' compliance with Societe Generale's sectoral policies, their level of E&S commitment and their company's sensitivity to global warming

URD 2022:

- ▶ The Culture & Conduct approach (pages 276 & 277)
- ▶ Delivering a CSR training plan for all employees (pages 317)



Climate report 2021:

- ▶ Training and access to expertise on climate-related issues (pages 15 & 16)

PRINCIPLE 5: GOVERNANCE & CULTURE

5.3 GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

The Group's Responsible Commitments Committee (CORESP) has been created in 2019 and is chaired by the Group CEO or the Deputy Chief Executive Officer supervising the control functions. The CORESP is composed of the heads of the Compliance Department, the Risk Division, the Communications Department, the CSR Department and the heads of the relevant Business Units and Service Units (depending on the subject matter). The roles of the CORESP are as follows:

- take on new Group commitments, including CSR targets, or develop the normative framework (including sectoral E&S policies);
- review very high-risk issues related to CSR, culture and conduct, ethics or reputation;
- arbitrate complex transactions or customer cases that present a high risk in terms of the Group's reputation or non-compliance with its CSR, culture and conduct, ethics or reputation standards.

- 2021** The CORESP met twelve times in 2021 and explored the following topics:
- the change in the Group standards with regard to managing E&S risks, notably in the oil and gas sector, and preserving biodiversity;
 - the latest Group commitments, such as aligning its credit portfolios and the Group's own operations with the Paris Agreement's terms and the follow-up of the Principles for a Responsible Banking;
 - reviewing particularly sensitive clients and transactions from an E&S standpoint;
 - the objectives of new ESG by Design programme regarding the operationalisation of the strategic steering of the Group's CSR commitments

- URD 2022:**
- ▶ [Application of the principles of separation of responsibilities in the lines of defence \(page 273\)](#)

☑ While it has strengthened several of its monitoring and analysis tools, the implementation of the two new programs (ESG by Design and ESG Analytics) should ease further deployment of the Principles for a Responsible Banking across the whole organization. In 2022, the main commitments taken by the Group will be supervised by the Board, including the Principles for a Responsible Banking. In 2022, the group also expect to develop internal understanding of the impact of Biodiversity loss through internal training offer .


PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY


WE WILL PERIODICALLY REVIEW OUR INDIVIDUAL AND COLLECTIVE IMPLEMENTATION OF THESE PRINCIPLES AND BE TRANSPARENT ABOUT AND ACCOUNTABLE FOR OUR POSITIVE AND NEGATIVE IMPACTS AND OUR CONTRIBUTION TO SOCIETY'S GOALS.

6.1 PROGRESS ON IMPLEMENTING THE PRINCIPLES FOR RESPONSIBLE BANKING

Disclosure

Most of the information described in this second PRB progress report is presented in the Universal Registration Document issued in 2022. The 5th chapter of the URD, respects the expectations of the French Law on extra financial disclosures (Déclaration de Performance Extra Financiere) and is assessed by an independent third party. The URD is annually reviewed by the General management and the Board of directors. To increase transparency, the Group has published annually a Climate report based on TCFD recommendations and discloses yearly an Equator Principle report.

 **URD 2022:**
▶ [2021 update on PRB included in Universal Registration Document \(page 282\)](#)

 **Climate report 2021:**
▶ [Climate Disclosure](#)

 **Equator Principles report 2020:**
▶ [2020 Equator Principles report](#)

Societe Generale has continued to develop identification of E&S risks and opportunities, set ambitious targets, further reinforced the implementation framework, and disclosure on progress. In 2022 the Group will maintain this level of disclosure.

**THE FUTURE
IS YOU**



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