SOCIETE GENERALE APPROACH TO NATURE

SOCIETE GENERALE

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1. INTRODUCTION

“Nature” encompasses **biodiversity, water, pollution, as well as natural resources and circular economy**.

The global decline in biodiversity and the depletion of natural resources threatens the ability of ecosystems to fully perform their essential functions, representing a major challenge. The global rise in temperatures is accelerating the erosion of ecosystem services, and so climate and nature issues have to be tackled in tandem[1]. In December 2022, COP15 concluded with the adoption of a historic agreement aiming at providing an ambitious roadmap to halt and reverse biodiversity loss by 2030: the **Kunming–Montreal Global Biodiversity Framework (GBF)**.

In a context where some economic activities may put pressure on ecosystems, Societe Generale takes the GBF into account to progressively structure its approach in relation to nature.

This document describes the framework implemented by Societe Generale for preventing and mitigating the potential risks of negative impacts on nature through its banking activities.

2. PRINCIPLES GUIDING THE GROUP’S APPROACH TO NATURE IN ITS BANKING ACTIVITIES

In light of the accelerating pace of biodiversity and natural resources loss worldwide, the Group wishes to further improve the evaluation of its clients’ impact on nature, seeks to prevent and mitigate the risks of negative impacts potentially related to its banking activities and to contribute to the development of collective knowledge both internally and through participation in external initiatives.

2.1. Regulations, international standards and initiatives in relation to nature

The Group operates within the legal and regulatory requirements of each territory regarding the protection and preservation of nature.

In addition, the standards and initiatives listed below provide guidance for assessing nature-related issues associated with Societe Generale’s clients:

- the Convention on Biological Diversity and the Kunming–Montreal Global Biodiversity Framework (GBF);
- the Taskforce on Nature-related Financial Disclosure (TNFD);
- the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- the Convention on Wetlands (Ramsar);
- the UNESCO Convention concerning the Protection of the World Cultural and Natural Heritage and Man and the Biosphere Programme;
- the IUCN protected area management categories system;
- the Alliance for Zero Extinction.

The Group also supports international initiatives aiming to clarify the role of companies, especially from the banking sector, in preventing and reducing the risks of negative impacts on nature of their activities:

- as a signatory of the United Nations Global Compact (UNGC) since 2003, the Group supports the ten UNGC fundamental principles, including Principles 7 to 9 related to Environment;

[1] *Cf. the “Nexus” assessment report by the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services).*

- Societe Generale endorsed in 2007 the Equator Principles (EPs), which is a common risk management framework adopted by financial institutions, for determining, assessing and managing Environmental and Social (E&S) risks of negative impacts attached to large-scale projects. Societe Generale implements the Equator Principles in its E&S policies, procedures and standards. This includes applying the IFC Performance Standards 3 (which relates to Resource Efficiency and Pollution Prevention) and 6 (which relates to Biodiversity Conservation and Sustainable Management of Living Natural Resources).

As methodologies and databases for the assessment of potential impacts on nature are still in the making, the Group favors a progressive and exploratory approach, **with a focus on continuous learning and improvement**.

Thereby, the Group participates in forums and sector initiatives, to promote the preservation of biodiversity and natural resources and to deepen the understanding of the issues that arise for the financial sector in that area (organized by *Entreprises pour l'Environnement* (EPE), the Community of Practice of UNEP-FI, the World Economic Forum, l'*Institut pour la Finance Durable* (IFD)).

Societe Generale is also part of the following initiatives:

- the **Act4Nature international** initiative, joined by the Group in 2018. It is a collective initiative of global actors aiming at encouraging biodiversity-related objectives and generating momentum for progress around the theme;

- **the B4B+ Club of CDC Biodiversité**, aiming to facilitate experience sharing around the Global Biodiversity Score tool and to contribute more broadly to reflection on biodiversity strategies and biodiversity footprint assessment;

- in 2022, Societe Generale signed, via its insurance and private banking activities, the **Finance for Biodiversity** initiative alongside other financial institutions to support the protection and restoration of biodiversity through their investments. As an illustration, they have incorporated the fight against deforestation in the definition of their investment universes and have assessed the footprint of their portfolios on biodiversity. They also participate in collective initiatives such as the *Fonds Objectif Biodiversité* (for Societe Generale Assurances) and Nature Action 100 (for Societe Generale Investment Solutions within private banking activities).

2.2. Interactions with the Group's stakeholders

In a process of improving the identification of potential negative impacts on nature through its E&S risk management processes, the Group encourages transparency and dialogue with its stakeholders.

The Group pays close attention to questions raised by its stakeholders concerning objective situations or risks of serious nature harms related to its activities.

With a view to continuous improvement, stakeholders' concerns are considered during the review and update of the E&S Sector Policies.

3. GOVERNANCE IN RELATION TO NATURE

The Group's E&S governance, which covers nature-related topics, is articulated as follows:

At General Management level

- A specific CSR committee (CORESP) oversees E&S policies. It is chaired by the Deputy Chief Executive Officer and is mainly made up of the members of the Group Executive Committee (heads of the Compliance, Risk and Communications departments), the Group Sustainable Development Department and the heads of the Business Units and Services Units concerned, depending on the subjects dealt with.

A CORESP dedicated to nature related strategy is held at least annually

- The Group's General Management proposes the CSR strategy to the Board of Directors.

At Board of Directors' level

- The Board of Directors validates the CSR strategy proposed by the Group's General Management. It oversees its implementation and reviews it at least once a year. Moreover, the Board of Directors is assisted by a non-voting Director who reviews and challenges proposals from the General Management regarding ESG topics.

At other levels within the Group

- The Group Sustainable Development Department, which reports to General Management (Deputy CEO), centralizes and coordinates the E&S framework evolution needs.
- Risk and Compliance Departments are acting as the second line of defense on E&S risks.
- Business Units implement the E&S risk management framework and appoint dedicated E&S expert teams if necessary.

With regards to nature-related E&S issues, **internal training actions** are implemented within the Group, at all levels of the governance.

4. FRAMEWORK FOR PREVENTING AND MITIGATING THE RISKS OF NEGATIVE IMPACTS ON NATURE POTENTIALLY RELATED TO THE GROUP'S BANKING ACTIVITIES

The Group developed an Environmental & Social Risk Management (ESRM) Framework for corporate clients via three key steps applicable in a proportionate manner based on the importance of the E&S risks inherent to the clients' activities and their size:

1. **Nature-related risks of negative impact identification**: this step entails identifying whether clients or dedicated transactions present inherent risks of damage linked to nature. Such analysis relies on several checks depending on the clients or underlying economic activities of dedicated transactions:
   - internal E&S vigilance and identification lists;
   - sector policies, containing E&S criteria specifically designed for sectors with intrinsic risks of negative impacts on nature (Mining, Agriculture, Thermal Power, Hydropower, Shipping, Civil Nuclear Power and Oil and Gas) (see table below);
   - eligibility for the Equator Principles, such as for Project Finance transactions where total project costs are above 10 million USD; and
   - E&S controversies screening.

2. **Nature-related risks of negative impact assessment:**
   - When an inherent nature-related risk of negative impact is identified in the risk identification step above, the Business Unit assesses the compliance of the clients or of the underlying activities of dedicated transactions with the Group's standards and weighs up the severity of any controversies. For transactions in the Equator Principles scope, the Group carries out environmental assessments as per applicable EP guidelines.

3. **Actions to prevent or mitigate nature-related risks of negative impact:**
   - Following the nature-related risks of negative impact assessment mentioned above, appropriate prevention or mitigation measures may be taken, and a regular monitoring may be implemented.
   - For transactions in the scope of the Equator Principles, the clients are required to conduct an E&S assessment of the project and to propose measures to address, mitigate and monitor adverse impacts and

risks, disclose information and consult with communities affected by the project, and establish a grievance mechanism, as appropriate. When necessary, the bank can verify the alignment with the Equator Principles with the support of an independent E&S consultant and require audits and/or on-site visits by independent consultants and monitor the implementation of the E&S Action Plan.

Illustration – In accordance with its sector policies, the Bank exercises particular caution regarding:

- UNESCO World Heritage and Ramsar sites, areas benefiting from national protection (IUCN categories I–IV), Alliance for Zero Extinction sites, and any other protected or key biodiversity areas;
- commodities associated with deforestation and land conversion, including palm oil as well South American soy and beef;
- oil exploration or production projects in the Arctic or in the Ecuadorian Amazon.

This statement is posted on the Group's website and shall be updated as needed. It has been established in French and in English. In case of inconsistency between the French and the English version, the French version shall prevail.