Answers to the written questions of 6 shareholders

The actual wording of the following questions has been summarised (without distorting the meaning) where it was not deemed useful to present them verbatim for the purpose of understanding their meaning.

1. Questions from Mr. Julien Jarmoszko, individual shareholder (questions submitted by e-mail on 15 April 2020):

SG’s stock market, financial and strategic performance has been disastrous for more than 10 years. This disastrous performance has grown even worse under the management of Mr. Oudéa.

- How can the Board of Directors tolerate so many failures?
- Why has the Board invested in so few SG shares?

Answer given by the Board of Directors:

The Board of Directors understands that the stock market performance of Societe Generale share does not meet your expectations. It should be noted, however, that since the 2008 crisis, the market values of major international European banks have been significantly lower than their carrying values. Since 2009, Societe Generale’s share price has evolved in line with the Euro Stoxx Banks index (-76% vs. -77% for the sector), including its recent underperformance. Similarly, Societe Generale’s total share return, which factors in the change in the share price and the dividend, has also evolved in line with the sector for the last 10 years (-66% for SG vs. -67% for the sector).

The Board of Directors expresses its complete confidence in the ability of Frédéric Oudéa and the General Management to guide the Bank through the current crisis, much as they guided it out of the financial crisis and the Kerviel fraud and during the euro crisis. The Board of Directors would like to stress that the same support is also given by the Group’s shareholders, with 96.22% reappointing him to office for four years at the General Shareholders’ Meeting held in 2019.

For the last several years, under the aegis of the Board of Directors, Frédéric Oudéa and the Management of the Societe Generale Group have undertaken an extensive transformation aimed at improving the business model, strengthening the balance sheet and cutting costs. This work, significantly under way, has resulted in: first, more selective capital allocation in favour of the Bank’s more profitable activities, where it holds a leading position and generates synergies with the rest of the Group, while the Group has stepped away from businesses failing to generate enough profit or reach critical mass; second, significant enhancement of Group capital and liquidity ratios; third, lower costs in absolute value terms, as demonstrated by 2019 and Q1 2020 earnings (Group underlying OPEX down 1% and 3.6%, respectively). Societe Generale Group plans to continue implementing these three pillars of value creation.

The Directors each own more than 1,000 shares, in line with or even exceeding the usual number for French listed corporations, which ensures that their interests are aligned with shareholder interests while at the same time guaranteeing their independence in assuming their responsibility in the long-term interests of the company.
2. Questions from Mr. Pierre-Yves Grimaud, individual shareholder (questions submitted by e-mail on 20 April 2020):

My questions have to do with the 2019 financial report, and more specifically Note 3.2.1 “Trading derivatives” (pg. 350) of the 2020 Universal Registration Document. Interest rate instruments are recorded at "fair value" in the balance sheet for €91,146 million under Assets and €88,501 million under Liabilities, i.e. roughly €90 billion on either side. You also indicate that the notional amount of these commitments is €11,988,127 million, i.e. €11,988 billion. In other words, these instruments are recorded in the balance sheet for less than 1% of their notional amount.

1. Were these figures (notional amount and fair value) thoroughly verified by Societe Generale’s external auditors (Deloitte and E&Y)? Did these auditors validate each of the models used by Societe Generale? (On page 470, the Statutory Auditors refer to the hedging of French Retail Banking outstandings, however these outstandings represent an infinitesimal portion of the total portfolio, and the Statutory Auditors do not issue an opinion on the figures. And on page 538, their report on complex financial instruments does not offer an opinion on the reported data).

2. The €11,988 billion in outstanding trading derivatives as at 31 December 2019 must represent an extremely large number of contracts: exactly how many contracts are we talking about here?

3. How are these contracts stored and how often are they revised to ensure 1) that their clauses are observed at all times (audit of covenants for example) and 2) that the counterparties are capable of meeting their obligations at all times? Are the results of such audits systematically reported to the Bank’s General Management? How often?

4. More generally speaking, the notional amount of interest rate, foreign exchange, equity, commodity and credit derivatives stood at €16,686 billion, i.e. 12x 2019 total consolidated balance sheet assets or 245x consolidated own funds. Is this amount regularly reviewed with the ECB and what is the limit not to be exceeded?

5. In this period of confinement and telework, and with oil prices more volatile than ever, what specific measures have you implemented to eliminate the risks of human error or fraud in hedging transactions?

Answer given by the Board of Directors:

1. The opinion expressed by the Statutory Auditors covers the financial statements as a whole; consequently, they do not express an opinion nor can they offer assurance on an individual account, taken in isolation, included in the financial statements. We would refer you to the description of the “Key Audit Matters” and “Risks identified”, included in the Statutory Auditors’ Report on the Consolidated Financial Statements for Fiscal Year 2019 (pg. 469 and following of the 2020 URD).

2. By our count there were 53,557 transactions with a total notional amount of around €70,000 billion (EUR-equivalent value at 29/04).

3. Counterparty risk is managed for each counterparty, with limits set according to their solidity, and thus their ability to meet their obligations, including in stressed market scenarios.

4. The amounts quoted are off-balance sheet and thus cannot be compared to the balance sheet or own funds. For comparison’s sake, credit RWA on the markets are €23bn versus a Group total of €345bn, i.e. 6.6% at 31/12/2019.
5. To address the health situation, the telework set-up was tested in early March both in Europe and the US (drawing inspiration from what had been done in Asia the previous month). The teams were divided up and remote connection capabilities were increased. Based on these tests, a telework framework was submitted to all the regulators in our various jurisdictions of operation. This framework strengthened the supervision of trading and capital markets activities so as to continuously ensure the adequate supervision of all financial and non-financial risks: all controls performed before the crisis continued to apply in the same way. For each sub-activity, we defined the minimum number of employees required to be on-site for security purposes. In addition to traditional controls, regular management reports, and daily status checks of the exact location of all the members of each team, were implemented. A general report is reviewed by Management on a weekly basis, specifically addressing telework-related events.

The high volatility of oil prices and events surrounding the oil industry have not created any particular issues in our businesses. It should be noted that the Group decided in 2019 to step back from commodities trading. Traditional supervisory controls and additional controls set up to monitor telework cover all financial and non-financial aspects of the oil industry.

Questions from Mr. Pierre-Yves Grimaud, individual shareholder (questions submitted by e-mail on 30 April 2020):

Shouldn’t Societe Generale reduce its payroll while refocusing on its core business and reviewing its pay policy, particularly for regulated populations? Shouldn’t it call into question its private banking, corporate finance and acquisition finance advisory, and capital markets activities?

Answer given by the Board of Directors:

The Group strives to offer fair and attractive compensation that helps retain employees and boosts the Group’s performance over the long term. Individual pay is notably defined in accordance with benchmarks, and Societe Generale cannot deviate from market practices if it wants to remain an attractive employer. In an environment of revenues impacted by low interest rates, the Group has launched measures for the last several years aimed at limiting its costs, for example by reducing its headcount in certain activities such as investment and retail banking. However, these reductions must be viewed against the rise in costs associated not only with the digital transformation, but also the increased number of staff in the control, compliance and risk functions.

Turning to your question on regulated populations, we feel it is necessary to first remind you that variable pay granted to members of the regulated population is subject to specific regulatory constraints (variable pay limited to 2x fixed pay, at least 40% of variable pay deferred over 3 years, at least 50% of variable pay in shares – the policy applied by Societe Generale to its regulated employees is stricter than the regulatory requirement in that we require 2/3 of deferred variable compensation to be paid in shares or share equivalents). The variable pay granted to regulated populations is thus already significantly impacted by the share price fluctuations. Furthermore, payment of deferred variable compensation is subject to minimum financial performance targets, for which we set a minimum Core Tier 1 performance and profitability (Group and employee’s BU or entity) level, as well as appropriate behaviour conditions in terms of risk management and compliance.

Because payment of variable compensation is deferred over time for members of the regulated population, the total amount of compensation actually paid in 2019 includes a significant portion of payments in respect of previous fiscal years, and the amounts paid in respect of variable compensation components indexed to the Societe Generale share price are impacted by fluctuations in the share price during deferral and holding periods. Accordingly, the €177 million in variable pay that you refer to includes portions of variable compensation paid in respect of seven different fiscal years.
For the reasons given above, variable compensation paid is separate from variable compensation granted and can vary significantly depending on the change in the share price and target achievement rates.

The calibration of variable remuneration granted, and its allocation to the business lines, factors in performance indicators such as the costs and risks associated with the businesses (liquidity, credit, market, operational risks, and capital requirements), qualitative components such as market practices in terms of pay (benchmarks are regularly determined with external organisations), and the conditions in which the results were generated. We also take into consideration the independent assessment performed by the Risk Division and the Compliance Division of the main business lines having a material impact on the Group’s risk profile, which looks at how they manage credit, market, operational and compliance risks. Furthermore, the Finance Division factors in the total amount of variable pay considered at Group level in the budget projections which serve as a basis for the regulatory capital ratio forecasts. The pay policy is fully incorporated in the capital planning process and does not jeopardise compliance with fully-loaded targets, in accordance with ECB recommendations.

The calibration of total variable pay, including financial targets set in terms of risk appetite, remain entirely at the discretion of the General Management. The General Management reserves the right to recalibrate total variable pay in the event it might prevent the company from reaching a sufficient capital level to comply with the Group’s target prudential ratios.

For the last several years, the Societe Generale Group has implemented a strategy aimed at improving its capital allocation, focusing on the most profitable businesses, which have secured leading positions in high value-added market segments and generate synergies with the rest of the Group. To that end, the Group has at times been obligated to sell or discontinue certain activities or, conversely, to support the development of businesses deemed more promising or profitable. The Group plans to continue applying this agile management policy to its business model.

The Societe Generale Group has also undertaken to maintain strict cost discipline and to reduce its operating expenses in absolute value terms. Its underlying OPEX were down 1% in 2019 For 2020, the Group plans to reduce OPEX even further through the successful execution of cost savings plans in progress (€1.6 billion in gross savings, o/w €500 million in net savings recorded in CIB activities) and the implementation of an addition plan of around €600m-700m.

**Capital market activities:**

Our capital market activities have undergone extensive transformations since the 2008 financial crisis, with the goal of ensuring that they are rooted in strong product expertise, operated in the best interests of our customers, and maintain the best possible risk/reward profile.

The Group once again adjusted its capital market activities in 2019, by launching the discontinuation of OTC commodities trading, and closing its proprietary trading subsidiary (Descartes Trading). The Bank also restructured and refocused its cash flow/cash flow derivatives activities, primarily in the Fixed Income, Credit, Currencies and Prime Services businesses to make them more profitable.

With Descartes Trading closed in February 2020, the Group has fully exited speculative, hedge fund-type trading activities.

As regards the determination of capital requirements for capital market activities, the Group has found that regulatory requirements have grown much stricter in recent years under CRD3 and CRD4, both for market risks (introduction of Stressed VaR, the Incremental Risk Charge and the Comprehensive Risk Measure) and for counterparty risks in market transactions (introduction of the Credit Value Adjustment). Furthermore, when the Bank uses internal models to produce these indicators, the models in question are subject to specific governance (see Pillar III Risk Report and Universal Registration Document) and regularly reviewed by the regulator.
F&A:

Our advisory activities, in corporate finance and acquisition finance, are critical for the development of client relations. Not only do they position Societe Generale as an advisor and a key player in the financing of strategic deals, but they also make it easier for the products and solutions offered by multiple Group business lines to penetrate the market. Moreover, advisory activities do not use up scarce resources.

As for Senior Bankers, they play a major role, as they are responsible for promoting the Bank’s entire range of services (GBIS, BDDF and IBFS), in other words well outside the scope of GLBA alone. In a fungible market, we feel it is important to offer a pay package in line with the market in order to attract and retain talent.

As for the distribution of financing solutions in which we participate, our strategy is to continue reducing the capital used by the deployment of solutions such as syndication, secondary-market sales, CDS and insurance.

Private Banking:

Since January 2014, and in conjunction with the French Retail Banking division, Private Banking has made extensive changes to its relationship banking model in France, having extended its offer to its entire client base of affluent individuals. The establishment of Private Banking France allowed this client base to enjoy a service combining closer relations centred on our regional offices, Societe Generale Network branches and the know-how of our expert Private Banking teams. Private Banking requires a certain expertise, after all, in order to continue developing our revenue-generating added value, in terms of the products and services we offer, and to meet the specific needs of our wealth management clients. The Private Banking business is fully incorporated in our overall strategy aimed at providing long-term support to all our clients, and not just the customers of the French network. It also taps into the Group’s internal synergies with various specialised business lines (French Retail Banking, insurance, investment banking, in particular).

Under our strategic plan for 2020, we sold our activities in Belgium, and our Private Banking operations expanded and refocused on our core franchises via our offices in the United Kingdom, Luxembourg, Switzerland and Monaco. We created International Private Banking in July 2019 to house our operations in continental Europe (Luxembourg, Switzerland and Monaco) and to oversee the optimum, coordinated management and development of the international client base.
3. Questions from Forum pour l'Investissement Responsable (Forum for Responsible Investment) an association designated by the 1901 Act (questions submitted by e-mail on 27 April 2020):

Environment
1. What is the list of your activities which are not compatible with the Paris Agreement? What actions have you taken to step back from these activities in 2020?
2. How are your CAPEX/development plans aligned with a climate scenario compatible with the Paris Agreement?
3. How do you analyse the impact of your activities on global and local ecosystems (e.g. biodiversity)? What are your five main impacts on these ecosystems (positive and negative)?

Social
4. The coronavirus crisis will undoubtedly have an adverse impact on the economic landscape, and particularly on VSEs/SMEs. Is your group planning to modify the payment terms and conditions of its suppliers and, if so, how and in what geographic areas?
5. How is your company preparing its employees for the major transitions sweeping your industry in the 21st century?
6. Do you have a definition of a “decent salary” that is not limited to the local minimum wage? If so, what is your definition? How does your company guarantee a decent salary for its employees, particularly in its main countries of operation?
7. Do the incentive schemes offered to your employees in France incorporate environmental and social criteria? If so, to what extent?
8. What percentage of funds in which the company savings plan is invested have a responsible investment certification (CIES, Finansol, Greenfin, SRI)?

Governance
9. Is the country-by-country distribution of taxes discussed by the Board of Directors as a whole and/or by the Audit Committee? Would you consider making the results public?
10. Are social cohesion problems due to pay gaps examined by the Board of Directors and are they covered by a policy?
11. Does the Board of Directors discuss the policy aimed at ensuring gender equality in terms of pay, careers and access to positions of responsibility and the targets to be achieved in this area?
12. Do you intend to publish the opinion of the Group’s social partners on your Non-Financial Performance Report (DPEF)?

Answer given by the Board of Directors:

1. What is the list of your activities which are not compatible with the Paris Agreement? What actions have you taken to step back from these activities in 2020?


This report identifies the business sectors with the highest exposure to transition risk, which represent 23% of the business loan book. For most of these sectors, climate considerations are both a risk and an opportunity. In 2019, the Group defined a Vulnerability Indicator used to conduct an enhanced credit analysis of the highest-exposed borrowers.

In recent years, the Group has also set climate alignment targets for its loan books in the coal and maritime transport sectors, and has also drafted exclusion policies for certain fossil fuels. These initiatives will be continued in 2020, in line with portfolio climate alignment efforts.

In 2019, Societe Generale used the Sustainable Development Scenario developed by the International Energy Agency for its climate projections.
2. How are your CAPEX/development plans aligned with a climate scenario compatible with the Paris Agreement?

As of 2015, at the time of the COP 21 UN Climate Change Conference, Societe Generale undertook to develop methodologies aimed at aligning its activities with the goals of the Paris Agreement. In 2016, the Group developed its first methodology and set alignment targets for the coal sector. In 2018, in line with this initial commitment, the Group signed the Katowice Commitment alongside four other international banks. The purpose of the commitment is to develop shared methods and open-source tools to measure the alignment of loan books. The Katowice Commitment served as inspiration for the Collective Commitment for Climate Action signed in 2019 by 34 banks, launched under the United Nations Principles for Responsible Banking.

The Collective Commitment for Climate Action defines the concrete initiatives, and their implementation timetable, that the signatories plan to take to align their activities with the goals of the Paris agreement, such as: the definition of alignment targets for sector portfolios over the next three years, support for customers in the energy transition, and annual disclosure of information on progress achieved.

These efforts are currently in progress and will allow us to converge towards shared tools to maximise the impacts of our commitments.

3. How do you analyse the impact of your activities on global and local ecosystems (e.g. biodiversity)? What are your five main impacts on these ecosystems (positive and negative)?

In 2014, Societe Generale established a cross-business policy specifically covering the protection of biodiversity, applicable to all of the Group’s banking and financial operations. In this field, however, we need to collectively move forward in the analysis and measurement of impacts. One of the difficulties lies in the lack of shared metrics. This is why we are actively involved in collective initiatives aimed at developing industry methodologies. In 2018, the Group joined the Act4nature initiative launched by Entreprises pour l’Environnement (EpE), with the goal of encouraging corporations and organisations to place more importance on biodiversity, given the rapid deterioration of natural habitats.

The Group is also a member of Club B4B+, focused on co-building and testing a Global Biodiversity Score. Together these efforts will help the Group better identify the potential impacts of its activities on biodiversity and what it can do to reduce them.

4. The coronavirus crisis will undoubtedly have an adverse impact on the economic landscape, and particularly on VSEs/SMEs. Is your group planning to modify the payment terms and conditions of its suppliers and, if so, how and in what geographic areas?

First, we would like to address the operational capabilities of the teams in charge of supplier payments. There are three offices in charge of payments (Paris, Bucharest and Bangalore). All invoice payments can be handled via telework.

“Management of paper invoices” has been halted, however, because the providers that receive and scan the invoices have discontinued these services since the confinement measures were enacted.

In order to continue processing and thus paying as many “Paper” invoices as possible, the following action plan was implemented:

- On 16 March, suppliers received a communication asking them to switch to a digital channel. Exceptionally, photos of invoices are accepted, at the supplier’s request.
- Suppliers may employ an emergency procedure if necessary.
- For suppliers experiencing cash flow problems due to the Covid-19 crisis, which have upcoming services scheduled, a special process has been set up allowing deposits to be paid on invoices.
5. How is your company preparing its employees for the major transitions sweeping your industry in the 21st century?

Societe Generale’s ability to support transformations, promote change and anticipate changes in skill sets, all while taking the aspirations of its employees into consideration, is rooted in a comprehensive “Employment” system, subject to an agreement that was approved by the Group’s social partners. This system is made up of several components: a cooperative body, a business line observatory, an internal mobility system, a training system and support measures for restructuring plans (still exclusively voluntary at this point). By renewing the Employment agreement in 2019, for another 3 years, the parties acknowledged the effectiveness of this system and the need to maintain the measures implemented up to that point. Our Employment system encompasses all our major areas of expertise: digitisation of our activities, stricter regulation, development of environmental and social awareness, etc.

6. Do you have a definition of a “decent salary” that is not limited to the local minimum wage? If so, what is your definition? How does your company guarantee a decent salary for its employees, particularly in its main countries of operation?

The Group’s pay policy is based on the following principles:

- an approach that takes context and market conditions into consideration,
- alignment with the Group’s financial and operational targets, and also with its risk management goals and Code of Conduct,
- alignment with the Group’s general non-discrimination and diversity policy, which is part of its greater Corporate Social Responsibility policy.

Societe Generale Group uses social reporting tool “Planethic Reporting” to collect data and monitor the ESG indicators of the companies included in its financial consolidation scope.

Pay indicators are monitored closely, including for example:

- the number of agreements signed,
- employee benefits, above and beyond local regulatory obligations,
- calculation of the ratio between the entity’s smallest salary and local legal minimum wage.

On average, the smallest salary earned at our entities is 69% higher than the local legal minimum wage.

The Societe Generale Group is improving its CSR positioning and ranks in the top 25% of the RobecoSAM and Sustainalytics rankings.
7. Do the incentive schemes offered to your employees in France incorporate environmental and social criteria? If so, to what extent?

The incentive schemes offered by Societe Generale France have incorporated environmental and social criteria for several years (since 2014). This can be seen in the performance criteria based on the score given to Societe Generale by non-financial rating agency RobecoSAM, and in the target calling for an increase in purchases with companies employing persons with disabilities.

The total amount allocated to environmental and social targets represented, respectively 5.66% of the incentive scheme (in the strictest sense and excluding additional incentives) in respect of fiscal year 2018 and 9.29% in respect of 2019.

8. What percentage of funds in which the company savings plan is invested have a responsible investment certification (CIES, Finansol, Greenfin, SRI)?

All Societe Generale employee savings plans within the scope of France (company savings plans, group savings plan and collective pension plans) offer SRI (socially responsible investment) mutual funds certified by the CIES.

These certified funds represent one-third of the mutual funds in the diversified fund range (excluding employee share ownership funds) of SG’s company savings plan/group savings plan, with total assets under management of €326 million at 31 December 2019 (all investment vehicles combined).

9. Is the country-by-country distribution of taxes discussed by the Board of Directors as a whole and/or by the Audit Committee? Would you consider making the results public?

Transparency on taxes is a key component of the Tax Code of Conduct approved by the Board of Directors.

This information is disclosed on page 65 of the 2020 Universal Registration Document which, as is true every year for the registration document, was presented to the Board of Directors and the Audit and Internal Control Committee.

Management of Group tax affairs is reviewed once a year by the Board or one of its Committees.

10. Are social cohesion problems due to pay gaps examined by the Board of Directors and are they covered by a policy?

The pay policy is discussed several times a year by the Board of Directors, including matters pertaining to gender pay gaps.

Societe Generale has published its pay ratio for several years now (for 2019, see page 117 of the 2020 Universal Registration Document).

11. Does the Board of Directors discuss the policy aimed at ensuring gender equality in terms of pay, careers and access to positions of responsibility and the targets to be achieved in this area?

The policy aimed at ensuring gender equality in terms of pay, careers and access to positions of responsibility is presented in the 2020 Universal Registration Document.
12. Do you intend to publish the opinion of the Group's social partners on your Non-Financial Performance Report (DPEF)?

The Group does not publish the opinions of its social partners on its DPEF (Non-Financial Performance Report).

The Group does take the opinions of its employees into consideration. The Board of Directors, which approves the management report, including the DPEF, has two employee representative directors. The Group has several systems in place to assess the results of its policies, including by directly consulting its employees on their job satisfaction and working conditions (employee survey and local surveys).

4. Question from Mr. Lalaina Rakotomalala, individual shareholder (question submitted by e-mail on 10 May 2020):

In terms of capital markets activities, what is the future of credit activities, which have generated sharply negative revenues in 2020?

Answer given by the Board of Directors:

As you pointed out, our capital markets business was hurt by credit activities in Q1 2020. The Capital Markets division conducts four types of Credit activities:

- Distribution of primary market issues for clients seeking funding on the markets
- Market making in debt instruments, loans and certain cash flow derivatives, allowing us to maintain the necessary relations with investors to distribute primary market issues for our clients; we only have small operations in this segment, limited to what is absolutely necessary for our DCM activities.
- Market making in Credit ETFs, which are occupying a growing place in the markets because investors increasingly prefer ETFs to the excessive number of bonds; we enjoy solid positions in this activity, which will benefit from the consolidation of Commerzbank’s ETF operations.
- Structured credit products, which are investment solutions that allow our investment clients to diversify their portfolio outside of traditional equity products, as their performance is indexed to Credit underlyings; examples include (1) CLNs (Credit-Linked Notes), which are notes issued by Societe General that pay coupons to investors in exchange for exposing them to the credit risk of an issuer other than Societe Generale; (2) BLNs (Bond-Linked Notes), which are notes issued by one of our vehicles that pay investors a coupon in exchange for exposing them to a bond or a basket of bonds, and (3) Tranches, which are notes issued by Societe Generale that pay investors a coupon in exchange for exposing them to the credit risk associated with part of the distribution of a portfolio of issuer debt (the most often traded products are mezzanine tranches).

These activities play a key role. In the midst of the coronavirus crisis, when our clients had urgent need of funding, our teams rallied to place their issues in challenging conditions. Overall, 75 clients were able to issue EUR-denominated bonds during this period. One such client is a quasi-sovereign entity, Assistance Publique Hôpitaux de Paris, for which our teams carried out a private placement of €100m with a French insurer. At their own level, these teams helped keep sectors critical to the economy going during the crisis.

In the first quarter, there was one specific type of activity that did not do well - structured credit products - and even then, it was only a single product, specifically tranches of North American corporate debt. We have launched a comprehensive review of these products to determine if we will continue selling them in the future, and if so in what conditions.
Shale oil and gas

Societe Generale has funded the production, transport and export of shale oil and gas to the tune of over $11.9 billion since the Paris Agreement was adopted, much more than all other French peers. It has also invested $432 million in companies that manufacture these unconventional fossil fuels.

And yet, the current crisis has underscored the already well-known vulnerability of the very high-risk shale oil and gas sector.

- Shale oil and gas are highly risky investments from a financial standpoint, chronically unable to generate profits. In the last 10 years, companies specialising in the manufacture of shale oil and gas have not seen one year of positive FCF.
- What's more, shale oil and gas are a major threat for the climate. If we want to limit global warming to +1.5°C, we cannot allow any new fossil fuel operations. Conversely, 60% of global expansion in Oil & Gas by 2030 is set to take place in the United States and is based almost exclusively on shale oil and gas, i.e. 4x more than growth projected in Canada and 7x more than in Saudi Arabia.
- The sector ultimately causes irreversible contamination of the environment and health problems for populations forced to be exposed to these operations. This is why shale oil & gas operations were banned in France back in 2011 and should be eliminated from the Rothschild & Co. portfolio.

Gas projects in Mozambique

Societe Generale is currently involved in two new gas export projects, in and off the coast of the Cabo Delgado region in northern Mozambique, funding the project of ENI Coral South FNLG and as Total’s financial advisor for the Mozambique LNG project. A third project sponsored by ENI, Rovuma LNG, is also in the works for the same region.

The major impacts associated with these gas developments have been brought to your attention multiple times over the last two years. The situation has grown more serious in recent weeks. The region has become the centre of attacks and massacres orchestrated by jihadist groups. Danger has reached unprecedented levels, with hundreds of people killed and thousands driven from their homes. Reports from the field indicate that the military presence is impacting the relocation of displaced communities: contrary to what was promised by Anadarko, then Total, there is not enough land available for displaced populations. Aside from the military presence which is cherry-picking the land, all the service-providers want to get as close as possible to Afungi, where Total and ExxonMobil are operating, because the area is highly protected by the Mozambique army. Many communities dependent on fishing have also found themselves without access to the sea, as the roads are closed, cutting them off from any means of subsistence.

Societe Generale could be held co-responsible for these human and social impacts. As a financial advisor to Mozambique LNG, you are in charge of assessing and monitoring its social and environmental impacts. Furthermore, the current security situation calls the very viability of these projects, and in general the use of these new gas resources, into question.

Coal

In July 2019, the government and the professional federations of the Paris financial centre called for all French institutions to adopt an exit strategy for the coal sector by mid-2020. The deadline is barely over a month away, but Societe Generale, unlike certain other major banks, insurers and investors, has yet to make a commitment to exit the coal sector compatible with achieving the goals of the Paris Agreement on Climate.

Unlike Crédit Agricole, Crédit Mutuel and AXA, Societe Generale has not taken the most obvious and important measure of excluding all companies still planning to develop business in the coal sector from all sources of financial support. You agreed to exit the coal sector by 2030 for EU and OECD countries and by 2040 in the rest of the world, and yet you continue to support companies that have clearly demonstrated that they have no intention of meeting this climate imperative. This can be said of many
of your clients right here in Europe, whose strategies conflict with the goal of exiting the coal sector by 2030, such as RWE (Germany) and EPH (Czech Republic).

**Question 1**

- In accordance with the Paris Agreement, aimed at limiting global warming to +1.5°C, does Societe Generale undertake to acknowledge the risks represented by the Group’s exposure to shale oil and gas, for itself, for its shareholders and for the climate, and to step back from this sector across its entire value chain?

**Question 2**

- Has Societe Generale taken into consideration the dynamics of militarisation in its assessments of the impacts of the Mozambique LNG project on human rights, and have they been updated in light of the major destabilisation of the region?

- Given that the government currently in power in Mozambique is involved in the “secret loans affair” which erupted in 2016, what anti-corruption measures have been implemented by Societe Generale for its support of Mozambique gas projects?

- Has Societe Generale taken part, or does it plan to take part, in funding or other financial services for Mozambique LNG and Rovuma LNG projects, and will they be backed by BPI France for the French State?

- As financial advisor on Mozambique LNG, how does Societe Generale explain that Anadarko made a deal (taken over by Total) with the Mozambique Ministry of Defence to directly pay the salaries of soldiers deployed around gas facilities? How do you explain why the soldiers in the Mozambique army were ultimately never even paid, further destabilising the region by disillusioning them, taking away any incentive to protect the people and even stealing food from the people they were supposed to protect in order to survive? How, as the financial advisor to Mozambique LNG, do you respond to such serious accusations of corruption?

- In light of these risks, does Societe Generale undertake to suspend any financial services for projects involving the exploration, use and exportation of Mozambique gas reserves?

**Question 3**

- Does Societe Generale plan, in the very short term, to review its coal sector commitments in order to realign them with financial sector best practices and the Paris Agreement?

- Does Societe Generale undertake to exclude companies still planning to develop activities in the coal sector, from any sources of financial support across its entire value chain, irrespective of their exposure to the sector?

- Will you base your continued financial support on companies publishing a plan, by 2021, to close and not to sell - all of their coal assets in accordance with the established and adopted timeline?

**Answer given by the Board of Directors:**

**Question 1**

Societe Generale can be counted as one of the banks that agreed to measure the alignment of all their portfolios with a transition scenario that would make it possible to achieve the goals of the Paris Agreement, when it signed the Katowice Commitment (2018) and the Collective Commitment for Climate Action launched under the Principles for Responsible Banking (2019).

In 2020, the bank plans to disclose a plan to reduce the long-term impact of its loan books in the energy industry, including the oil & gas sector.
For the time being, we rely on the IEA’s “Sustainable Development Scenario”, which maps out compliance with the commitments of the Paris Agreement, incorporates the role of the gas sector (including North American shale gas) for the years to come, and forecasts a decline in demand after 2030. Gas is more environmentally efficient than coal for the generation of electricity and thus is helping certain regions make the transition to a low-carbon economy.

Lastly, it is important to note that, for Societe Generale to approve funding of a project in this sector, it has to meet the strictest social and environmental criteria. Furthermore, Societe Generale regularly strengthens its financing standards and procedures.

**Question 2**

Societe Generale was mandated to serve as financial advisor on the Mozambique LNG project many years ago. From the beginning, we have satisfied ourselves that the operator (initially Anadarko Petroleum Corporation, replaced by Total in September 2019) is aware of the importance of the environmental and social (E&S) stakes, and undertakes to develop the project in accordance with international E&S standards, including the Equator Principles and the World Bank Performance Standards, the Voluntary Principles on Security and Human Rights, and the Common Approaches of the OECD.

Subsequent to multiple attacks perpetrated by insurgents in the Cabo Delgado region, a Memorandum of Understanding was signed in 2019 by the operators of the Mozambique LNG and Rovuma LNG projects with the Mozambique Government. The MoU includes the deployment of additional soldiers to strengthen global security in the region (including the gas development projects). Mozambique LNG is providing logistical aid, in terms of housing, transport and food for the soldiers, but is not paying their salaries or buying weapons. As a reminder, Total and the Project have signed the Voluntary Principles on Security and Human Rights.

The participation of our Bank in the funding of the Mozambique LNG project and any other gas project in this country is dependent on the project’s alignment with the Group’s commitments, including E&S, human rights and anti-corruption commitments. Conventional techniques are used for gas extraction in Mozambique.

**Question 3**

For years, Societe Generale has set a goal of significantly reducing the weight of the thermal coal sector in its portfolios. We largely exceeded our initial target of limiting the percentage of coal in the energy mix funded by the Group to 19% by end-2020 (the percentage was 11.5% at end-2019). Also at 31 December 2019, 51% of the electricity mix funded by the Group was made up of renewable energies. The bank also decided to gradually eliminate its exposure to the thermal coal sector by 2030/2040 (EU & OECD/rest of world). The thermal coal policy will be updated in 2020 to clarify certain conditions for the achievement of these commitments.
6. Questions from Ms. Nicole Sablong, individual shareholder (questions submitted by e-mail on 15 May 2020):

Your "Grow with Africa" plan is ambitious, as it includes several high-potential non-French-speaking countries such as Ghana, Mozambique and especially Nigeria. However, your investment is currently limited to 5%.

What are your development plans in the medium and long term?

Answer given by the Board of Directors:

For Societe Generale, Africa is:

- 17 entities, from the Mediterranean Basin to Sub-Saharan Africa and all the way to Madagascar;
- 12,000 employees;
- 4 million customers, ranging from individuals to large international corporations, spanning the growing middle class to local SMEs;
- 7% of Group NBI in 2019, with ROE of 10%.

Africa is more than just a set of numbers, however. It is first and foremost:

- The result of a longstanding relationship between Societe Generale and the continent, which begin in the late 1950s and is rooted in the funding of the real economy;
- A growth reservoir for the Group, because, although the current crisis is expected to impact Africa in the coming months, the continent still boasts considerable prospects and opportunities for growth;
- An outpost for innovation, by capitalising on the continent’s tech transition and through a mobile-centric digital model.

The current crisis has demonstrated the overall resilience of our integrated and diversified network of full-service banks:

- Our entities continued servicing all segments, while ensuring a safe environment for our staff and our customers: most branches have remained open, with enhanced health measures, and our ATMs are in operation;
- Our decentralised structure proved its merit, with consistent and operational deployment at the regional and local levels, close to our customers in the field, meeting the challenges of the crisis head-on;
- The strong position and robustness of our entities gives them credibility as safe-haven institutions: we are building up our “capital of trust” not only with our customers but also the local authorities, putting us in a prime position to capture the post-crisis rebound.

Africa is central to the 2017-2020 “Transform to Grow” strategic plan: our ambition is to further consolidate our leading position in our markets. Our areas of focus:

- accelerating in the retail segment by gradually diversifying our activities and expanding our client bases, particularly wealth management and high-end clients, the core target segments of our strategy;
- cooperation and strong synergies with our specialised business lines targeting the corporate segment (GLBA and MARK), paving the way for our subsidiaries to become sought-after partners for African businesses;
- the SME component of the “Grow with Africa” plan, aimed at increasing outstanding loans to SMEs;
- development of our digital offer centred on YUP, our Mobile Money solution, which currently has 1.6 million clients, because digital transitions happen very fast in Africa – the breakthrough element is undeniably the connectivity boom – and the crisis has exacerbated this trend.

In conclusion, the banking sector has a predominant role to play in the development of the private sector in Africa. To that end, our strategy also relies on a CSR ambition focused in particular on
“Contributing to the sustainable development of Africa”. This is the firm conviction that gave rise to the “Grow WITH Africa” initiative.

Drawing on our in-depth knowledge of our regions of operation, we have identified 4 pillars of development with the potential to become growth drivers for broader sectors in the future, and which are mutually beneficial:

- **Funding infrastructures** critical to energy supply, transport and mobility, water and waste management, contribution to the development of sustainable cities;
- **Developing innovative finance for agriculture and energy markets** to ensure the broadest possible access, including by promoting renewable energy resources in regions off the grid;
- **Supporting the development of African SMEs**;
- **Offering services that promote the development of populations through financial inclusion**.