

NON-FINANCIAL INFORMATION

Notes on Emerging risks

March 2022

Emerging risks

To serve the financing and investment needs of our clients and maintain the relationship of trust we have with supervisors and regulators, we identify and measure the impact of risks on our financial strength.

Attentive to the emergence of new risk factors, we are constantly adapting the means implemented to limit their impact on our business and that of our customers.

RISK	DESCRIPTION	IMPACT ON SOCIETE GENERALE	MEANS EMPLOYED
<p>Macroeconomic and geopolitical risks <i>(see also risk factor 4.1.1.1 of 2022 URD of the Group)</i></p>	<p>Financial markets and the economy as a whole remain strongly affected by intensifying geopolitical risks. The war in Ukraine which began in February 2022 is causing historically high tensions between Russia and Western countries, with significant potential impacts on global growth and on the price of energy and raw materials (especially foodstuffs) and humanitarian impact. The crisis caused by Covid-19 also continues to weigh occasionally on health systems and global production and logistics chains.</p> <p>The financial markets thus remain affected by strong uncertainties (geopolitical risks, inflation, rise in interest rates, health risks, trade tensions, increase in sovereign and private debt, etc.) likely to have a significant adverse effect on the economic activity and the demand for credit, and therefore on the Group's activity.</p>	<p>These risks, which can occur suddenly and whose effects may not be fully anticipated and covered, could have a significant unfavourable effect on the Group's financial situation. Given its geographic diversification, any significant change in the political, macroeconomic or financial context could weigh on the Group's financial situation.</p>	<p>The Group regularly monitors changes in its macroeconomic and geopolitical environment through its Economic and Sector Studies department and reviews, if necessary, its strategic orientations to take these changes into account.</p>
<p>Environmental risks <i>(see also risk factor 4.1.1.6 of the 2022 URD and 2021 Climate Report of the Group)</i></p>	<p>All environmental risks are likely to impact the Group's activities in the short, medium and long term.</p> <p>In particular, the risks associated with climate change are seen by the Group as factors that can aggravate credit, market, operational and insurance risks.</p> <p>We distinguish the risks:</p> <ul style="list-style-type: none"> ▪ physical: the direct impact of long-term climate change and the increase in extreme weather events on people and property; ▪ transition: resulting from the process of transition to a low-carbon economy, for example regulatory changes, technological breakthroughs or changes in consumer preferences; <p>Beyond that, the risks linked to environmental degradation (such as the risk linked to the loss of biodiversity) also constitute factors that aggravate the Group's risks.</p>	<p>Regarding changes related to climate risk, the Group could be mainly exposed to physical risks through its insurance activities with very limited exposure in regions and countries exposed to climate change.</p> <p>It could also be exposed to transition risk through its credit portfolio, over a limited scope of sensitive sectors subject to more stringent regulations or more technological breakthroughs, and through an impact on its reputational risk (in the event that the Group would not respect its commitments in favour of the transition or if these commitments were considered insufficient by its stakeholders).</p> <p>With regard to other environmental risks (and in particular linked to the loss of biodiversity), the Group could be exposed to credit risk on part of its portfolio.</p>	<p>Regarding the climate physical risk of its counterparties, the Group takes out reinsurance contracts in order to limit residual exposure to extreme losses.</p> <p>With regard to its own climate physical risk, the Group uses its operational risk management framework to assess the physical risks weighing on its assets and activities. The impact of the transition risk on the credit activity is managed, on the one hand, by the application of E&S principles and policies (which also limits the reputational risk of environmental origin) and, on the other hand, by the implementation of a credit policy in the most sensitive sectors, which is based on the calculation of a climate vulnerability indicator for each client.</p> <p>The Risk Department has clarified and strengthened its role in the control (second line of defence) of risks of environmental and social origin for credit exposures, in an increasingly active regulatory context. The Group is</p>

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			also following the recommendations of the TCFD (Task force on Climate-related Financial Disclosures), with the publication of a third dedicated report in March 2022.
<p>Intensification of competition and technological innovations <i>(see also risk factor 4.1.1.5 of 2022 URD of the Group)</i></p>	<p>The banking sector is marked in particular by an intensification of competition, the concentration of certain segments of financial services, the emergence of new players, such as fintechs and neobanks, and new technologies (blockchain, etc.). Competition with these new players could be exacerbated by the development of substitutes for central bank money (cryptocurrencies, central bank digital money, etc.).</p>	<p>All Group's activities face intense competition in the local and global markets in which it operates, whether from banking or non-banking players. As such, the Group is exposed to the risk of not being able to maintain or develop its market share in its various activities or of not being able to adapt quickly enough to technological developments.</p> <p>This changing environment can also lead to pressure on margins, detrimental to the profitability of its activities.</p>	<p>The Group capitalizes on its diversified and integrated model to implement synergies and respond effectively to the expectations of its customers. The digital transformation fully integrated into the strategic plan, and an ambitious innovation policy allow all businesses to constantly offer new differentiating products and services.</p> <p>This constant attention to customer satisfaction has earned Societe Generale wide recognition both nationally and internationally.</p>
<p>Cybercrime <i>(see also risk factor 4.1.4.1 of 2022 URD of the Group)</i></p>	<p>Given the growing number and sophistication of digital attacks, particularly ransomware, in a context of increased digitization of customer relationships, the risk of cybercrime is becoming increasingly significant for players in the banking industry.</p> <p>The Ukrainian crisis also increases the risk of cyber attacks.</p> <p>Information security and information systems are therefore a crucial issue in the relationship of trust that the Group maintains with its customers.</p>	<p>Despite the dedicated resources, the Group or one of its service providers could suffer targeted and sophisticated attacks on its IT network, resulting in service interruptions, embezzlement, loss, theft or disclosure of confidential data relating to the Group and to its customers. Such actions are likely to be at the origin of operating losses and have an adverse effect on the Group's business and results.</p>	<p>The Group system for combating cybercrime is led by the Head of Information Systems Security and Information and Communication Technology Risks within the Resources and Digital Transformation Department.</p> <p>This system is based on prevention, protection, detection, reaction and on the awareness of customers and employees. In all of the Group's locations, internal instructions and associated procedures, in accordance with local regulations, define the rules to be applied and the processing to be carried out in order to guarantee the protection and security of customer data. Guarantor of data security and respect for banking secrecy, Societe Generale devotes a significant budget to cybersecurity over the period 2021-2023 to better protect the assets and transactions of its customers and adapts the objectives according to the threat's evolution.</p>