Societe Generale SA – Ordinary General Meeting of 17 May 2022

Responses to written questions from shareholders

Questions from ASSACT SG – an organisation governed by the law of 1901

Is it still wise to allocate 915 million euros for share buybacks, as proposed in the resolutions submitted to the shareholders’ vote?

Questions from François Plassais, individual shareholder

RUSSIA

GOVERNANCE

OUTLOOK

Questions from BankTrack, a non-profit organisation governed by the Law 1901 (questions submitted by email on 13 May 2022):

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2) How does the financing of biomass relate to Societe Generale’s net zero target, given the carbon emissions caused by forest biomass?

3) Does Societe Generale ask energy companies to not convert existing coal plants to forest biomass projects? Has it engaged with ENGIE specifically on its biomass activities?

4) Will Societe Generale stop financing biomass projects and companies such as Engie, Vattenfall and RWE?
Written questions from Shareholders – Societe Generale Group’s answers 17 May 2022 –
Insertion on 14 June 2022 of an answer to a question on page 6

Questions from ASSACT SG – an organisation governed by the law of 1901 (questions sent by email on 12 May 2022):

Although first-quarter results confirm that our group is in good health, they do not take the financial impact of the Rosbank exit into account, as it has not yet been finalised. There is no doubt that the cost of this will be substantial and will affect our annual results for 2022. In view of this, is it still wise to allocate 915 million euros for share buybacks, as proposed in the resolutions submitted to the shareholders’ vote?

There would be no reason to postpone the execution of the plan, even though the allocated sums for these buybacks have already been provisioned for 2021 financial year. The group’s employee shareholders and former employees would like to know your position on this point. We wish to know whether this has changed following the otherwise sensible decision to pull out of Russia, although we are sad to see our colleagues leave the group.

Answer given by the Board of Directors:

The Board of Directors wishes to point out that the implementation of share buyback programmes — which have been widely welcomed by the market in both the United States and Europe — is of real benefit to shareholders. This benefit is all the greater when the stock market price is discounted in relation to the intrinsic value of the company which is at present the case for the banking industry — for example 61.1 euros as of 31 December 2021 for Societe Generale’s share price, currently far below the value of its tangible net assets. These buybacks not only provide support for the value of the shares at the time they are implemented, but also increase earnings per share over time as there are fewer shares in circulation after the cancellation of the shares bought back in this way.

With regard to the proposed 915 million repurchase programme for the year 2021, it is indeed important to recall, as you point out, that it has already been deducted from the Group’s funds as of 31 December 2021. As a result, its completion — which will not be before the end of the first half of the year — will have no impact on the group’s capital ratio, which is approximately 3.7% above the regulatory requirement — at 12.9% as of 31 March 2022 — and that after taking into account a large part of the capital impact of the disposal of our Russian activities in the first quarter. The residual capital impact of this transaction at closing is expected to be limited to approximately 6 basis points.

Therefore, in view of the accretive nature of such repurchases for the shareholder and the solidity of the Group’s equity, even after the completion of the sale of our Russian activities, the implementation of the share repurchase programme proposed to the General Meeting remains fully worthwhile.
Questions from François Plassais, individual shareholder (questions submitted by e-mail on 13 May 2022):

RUSSIA
The “Russian” disengagement has just reached its conclusion with a difficult legacy for SG but...
- Why so late, and why such obstinacy in this endeavour when negative internal and geopolitical factors and major warnings have been evident for so many years? What will the extent of the final cost be?

RISKS
- How can we talk about safeguarding the Group's interests and of prudent and wise management in the face of this heavy destruction of value, and the lack of foresight and responsiveness?
- Widely speaking, how do you explain your decisions and determination when the benefits are so comprehensively absorbed by massive unproductive factors and burdened by heavy depreciation, forcing you to persistently resort to the usage of the eloquent term “underlying”?
- In this situation, and given such excessive optimism, does this place a question mark over the quality of the Group's risks, which suddenly appear to be more adventurous than daring?

GOVERNANCE
- In your opinion, will this latest major event yet again serve to tarnish the image and influence of future results? Are there other endogenous perils likely to have an equally large impact on future years?
- What about meeting your targets over the years, reflecting the underperformance of the sluggish share price over the last decade?
- Since the 2007/2008 crisis, does the profusion of such cases highlight a structural weakness and a lack of governance? What are the Board of Directors, its Chairman and the CEO doing to safeguard against this? Will 2022 be another year of sacrifice?

OUTLOOK
- Can we expect to see projects that are less expensive, less chaotic and unstable, more compatible with changes in the markets, and less subversive governance strategies, ultimately leading to fulfilled commitments that will protect SG from consequences that are still all too often characterised by constant atypical exposures, setbacks and marked deterioration?
- What about the future of the Group henceforth, and which medium/long-term course of action will you therefore introduce to expand and diversify your activities? Will today's policy lines be sufficient and in line with the stated ambitions? Will you be able to outperform... sustainably? Up until now, many decisions have had excessively damaging consequences for the Group.

Answer given by the Board of Directors:

In its press release of 11 April 2022, Societe Generale announced the disposal of its banking and insurance activities in Russia while making sure to maintain continuity for its employees and customers.

Since assuming control of Rosbank, Societe Generale had undertaken to bring its subsidiary up to the best standards in the market in terms of customer service, technology and governance:

- In commercial terms, Rosbank has continued to develop its business by focusing primarily on its areas of expertise, namely banking, insurance and financial services. In a very competitive environment, Rosbank has succeeded in differentiating itself by showing itself to be not only one of the safest banks on the market, but also a forerunner in promoting energy transition and green financing.
- In technology terms, Rosbank has modernised its information systems and notably equipped itself with a cutting-edge digital platform that offers a wide range of banking services and resulted in a high

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level of adoption. The development of this omnichannel offer has enabled a reduction in size of the branch network, which is now centered on Russia's major cities.

- In terms of governance, Rosbank has developed a robust control and compliance system — in line with that of the Group — enabling it to operate with considerable financial security.

Its efforts, combined with a rapidly-growing banking market, have enabled Rosbank to increase its business performance and reduce volatility thanks to a prudent approach to credit risks — including retail portfolios focused on collateralised financing (automotive & real estate) and corporate loans concentrated on the best names in the market.

The disposal of Rosbank and the Russian insurance business is expected to have limited impact on the Group’s CET1 capital ratio, at approximately 20 basis points on an asset value basis as of 31 December 2021.

The disposal is expected to result in the following main items being recorded in the Group's income statement (under “net profit or loss on other assets”):
- the write-off of the net book value of the divested activities (~€2 billion);
- an extraordinary non-cash item with no impact on the Group’s capital ratio — ~€1.1 billion — which corresponds to the normative reversal of the conversion reserve in the Group’s income statement.

Overall, after a strong rise during previous quarters, the stock market performance of Societe Generale shares, and of banking stocks more generally, has indeed suffered since February from the crisis in Ukraine leading to a sharp rise in geopolitical and economic uncertainties. In such circumstances, Societe Generale’s share price still does not reflect the intrinsic value of the Group whose tangible net assets at €61.5 per share have risen by more than 10% compared to their pre-crisis level —€55.6 per share at end 2019.

Over the last few years marked by crises of different kinds and varied impacts — e.g. subprime, sovereign, liquidity, crisis in Ukraine, etc. — Societe Generale has undertaken and already completed several fundamental strategic projects designed to strengthen the Group’s business model around strong franchises and to create a bank suited to a constantly changing environment — increased digitalisation, behavioural changes, financing of energy transition, negative interest rate environment, strengthening of the regulatory framework. Thus, after completing in 2019 the programme to refocus around core businesses, the Group has more recently successfully refocused its market activities and initiated the merger of its French retail banking networks, all the while strengthening its position as a leader in digital banking with Boursorama. The merger of the Societe Generale network and the Crédit du Nord group’s banks aims to create a new champion that meets the expectations of its 10 million customers as fully as possible. Similarly, the announcement of the acquisition of LeasePlan by ALD marks an important turning point in creating a leader in the very buoyant mobility market.

The historical net income figures of 2021, the very strong performance during the first quarter of 2022 and the opportunities we see ahead of us attest to the value of these strategic choices and enable Societe Generale Group to face the future with confidence, backed by strong business lines, a balanced risk profile with a high stock of provision reserves and a solid balance sheet. The recent events in Ukraine —from which resulted a rapid decision to withdraw from Russia due to the sudden disappearance of the conditions for calm political and economic collaboration between Europe and Russia —are not likely to call into question the abovementioned major strategic directions that create value for the future, despite expected accounting impacts that can be fully absorbed.

These various developments could not have been implemented without constant interactions between the Executive Board and the Board of Directors, with the latter fully exercising its role in establishing the Group’s strategy. It devotes many meetings to this, not to mention one or two strategic seminars per year.
Rest assured that the actions of the Board of Directors, the senior management teams and the bank’s staff are driven by the desire to preserve the interests of Societe Generale’s shareholders, and that everything is being done to ensure that the share price reflects the Group’s true value as quickly as possible.
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Questions from BankTrack, a non-profit organisation governed by the Law 1901 (questions submitted by email on 13 May 2022):

Societe Generale is investing and crediting biomass projects of companies like Engie, RWE and Vattenfall with millions. According to our most recent research, Societe Generale has most recently financed Engie with EUR 1 billion in bonds and underwriting for the years 2020 to 2025, EUR 88.33 million in bonds and underwriting for the period of 2018-2028 and again co-financed EUR 5 million in credits from 2018-2025.

A recent report by the Joint Research Centre found that in 96% of the scenarios biomass produces greater levels of emissions than fossil fuel. Solid biomass, predominantly in the form of wood pellets, is used for power and heat generation. The burning biomass not only produces greenhouse gases, but also negatively impacts our land, ecosystems and health. It is an inefficient and expensive source of energy that relies on significant public subsidies to compete with wind and solar power. Therefore, in the majority of cases, burning biomass is not consistent with Net Zero Emissions by 2050.

ENGIE still operates 10 coal plants spread out between Portugal, Morocco, Chile, Brazil and Peru. ENGIE has decided to convert four of their thermal power units - one in Portugal and three in Chile - to biomass in 2025, and to sell two others. Up to now, ENGIE has sold most of its coal assets instead of shutting them down. While this strategy reduces the company’s coal portfolio (from 20.9 GW in 2015 to 2.9 GW currently), it does not result in material emissions reductions: emissions are simply transferred to other players.

Despite the clear climate implications and effects of forest biomass, Societe Generale’s thermal policy states that it will only pay particular attention to certain risks including energy efficiency and GHG emissions, air emissions and water use.

In short, ENGIE is planning to expand their biomass portfolio while having no policy in place to adequately address the issues that follow from burning biomass and monitor its carbon impacts on the environment. Our questions are therefore:

1) Is Societe Generale aware of the conclusions of the European Commission’s report on woody biomass that in nearly all cases, biomass produces greater levels of carbon emissions than fossil fuels?
2) How does the financing of biomass relate to Societe Generale’s net zero target, given the carbon emissions caused by forest biomass?
3) Does Societe Generale ask energy companies to not convert existing coal plants to forest biomass projects? Has it engaged with ENGIE specifically on its biomass activities?
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Answer from the Board of Directors

As a founding member of the Net-Zero Banking Alliance (NZBA), the Group is committed to reduce its carbon emissions, in priority in the most CO2 intensive sectors, and to play an active role in the transition to a carbon neutral economy. This is why the group committed to progressively reduce to zero its exposure to the Thermal Coal sector while supporting its clients in their energy transition. Concerning power generation sector the Groups is committed to reduce the average emission factor of its lending portfolio to this sector to 67 gCO2/kWh by 2040, with interim targets of 212 gCO2/kWh and 163 gCO2/kWh by 2025 and 2030 respectively.

The conversion of power assets from coal to alternative energies, like biomass, is part of the solution but the Group recognizes the needs to identify the right levers to better assess sustainable production and/or use of biomass, integrating the full cycle of crops.
In this perspective, the Group is carefully studying the scientific publications concerning the use of biomass, and more specifically on forest biomass (JRC report, IPPCC works, etc.) in order to structure its position and adapt its policies progressively.

On the other hand, the Group reinforced its “Industrial agriculture and forestry” sector policy in Feb. 2022, with a strengthened focus on biodiversity preservation and sustainable management on forests.

We do not comment discussions with companies.