

# NON-FINANCIAL INFORMATION

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Notes on Emerging risks

*June 2023*

## 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><b>Macroeconomic and geopolitical risks</b><br/>(see also <a href="#">risk factor 4.1.1.1</a> of 2023 URD of the Group)</p>   | <p>Financial markets and the economy, as a whole, remain strongly affected by intensifying geopolitical risks. The Ukrainian war started in 2022 drags and continues to trigger high tensions between Russia and western countries, creating significant impacts on global growth and energy price.</p> <p>After a long period of low interest rates, the current inflationary environment led the central banks to increase the interest rates. These effects have an impact on credit activity as well as all banking activities.</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><b>Environmental risks</b><br/>(see also sections 4.13 "<a href="#">ESG risks</a>" and 5.2 "<a href="#">Being a responsible bank</a>" of 2023 URD and Chapter 14 "<a href="#">ESG risks</a>" of Group Pillar 3)</p> | <p>ESG risks are seen as aggravating factors of traditional risk categories (credit and counterparty risk, market and structural risk, operational risks, reputational risk, compliance risks, liquidity and funding risks, risks related to insurance activities) and are likely to impact the Group's activities, results, and financial position in the short- term, medium- and long-term.</p> <p>A distinction is made within environmental (and in particular climate) risks:</p> <ul style="list-style-type: none"> <li>▪ physical risks: this risk refers to the financial impact of environmental degradation, and especially climate change, including more frequent extreme weather events and gradual changes in climate.</li> <li>▪ transition risks: this risk refers to the financial loss of an institution that may result, directly or indirectly, from the process of adjustment towards a decarbonised and more environmentally sustainable economy.</li> </ul> | <p>With regard to climate risks, the Group could be exposed in particular to credit risk, through risk of transition on a scope of sensitive sectors subject to more stringent regulations or more technological breakthroughs and through physical risk bearing on his credit portfolio. It could also be impacted by a reputational risk (in the event that the Group does not respect its commitments in favour of the transition or if these commitments are considered insufficient by its stakeholders). The Group could also be impacted by other risks such as non-compliance risk or business and strategy risk.</p> <p>Regarding other environmental risks (and in particular related to loss of biodiversity), the Group could in particular be exposed to credit risk on part of its portfolio.</p> | <p>Regarding the physical climate risk of its counterparties, the Group takes out reinsurance contracts in order to limit the residual exposure to extreme losses.</p> <p>The impact of transition risk on credit activity is managed by the application of E&amp;S principles and policies (which also limit reputational risk of environmental origin) and by the implementation of a credit policy on the most sensitive sectors, which is based on the calculation of a climate vulnerability indicator relating to its customers. The Group also makes voluntary commitments regarding the alignment of its activities.</p> <p>The Group also continues to strengthen its risk management system, for example through the development of dedicated tools or the implementation of training. The Risk Department has also 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</p> |

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|------|--|----------------------------|--|
|      | <p>Beyond environmental climate factors, risks related to environmental degradation (such as the risk related to biodiversity loss) are also aggravating factors of the Group's risks.</p> |                            | <p>context. The Group has thus strengthened the content of the Universal Registration Document (URD) in terms of ESG risks and responded to the new CRR2 requirements (as defined by the EBA) in the Pillar 3 document.</p> <p>Regarding its own physical climate risk, the Group uses its operational risk management framework to assess the physical risks weighing on its assets and activities.</p> |