

Mr Johan Frijns
Director
BankTrack
By email to johan@banktrack.org

September 9, 2019

Dear Mr Frijns,

Thank for your letter dated 29 July 2019 and your continued interest in the Principles for Responsible Banking.

As you are aware, the Principles are ambitious and aspirational, and they contain a strong underlying commitment to transparency, accountability and impact. Their purpose is to provide signatory banks with guidance and one comprehensive framework to support each bank's approach to addressing sustainable development across its entire business.

Banks that sign up to the Principles are taking a leading step forward towards aligning their operations with society's goals and supporting their customers, clients, employees and investors in adopting sustainable practices that create measurable, significant and positive impacts to realize the UN Sustainable Development Goals and the Paris Agreement on climate change. This includes strong underlying requirements and mechanisms around transparency and accountability which require banks to manage what matters most by setting targets and publicly reporting back to stakeholders on progress made.

Given the urgency of the recognized need to transform the business world, signatory banks are expected to start implementing the Principles immediately after signing up. However, given the diversity of the banks around the world that have and are expected to adopt the Principles, flexibility is needed to allow progress at the appropriate pace for the markets in which each bank operates and based on their respective prior experience in the area of sustainable development. This approach allows for future signatory banks to benefit from the practical experiences of the Founding Signatory banks as well as from other stakeholders such as research centers and experts, through the network community created through the UNEP Finance Initiative.

As for Societe Generale, we have already taken steps to align with the Principles and considered how the Group will approach and further implement them. You will find in Annex answers to the specific questions you raised regarding our preparedness and ambition in implementing the Principles for Responsible Banking.

Development of the Principles included a six-month consultative process, in which more than 500 stakeholders provided valuable feedback, including BankTrack. As a result, more than 100 banks are now poised to become signatories at the formal launch of the Principles in September 2019. With this high number of initial banks committed to supporting the achievement of the Sustainable Development Goals and the Paris Agreement for climate change, through the Principles for Responsible Banking, significant impacts will be realized around the globe.

We look forward to sharing with you and our other stakeholders, after the launch of the Principles in September 2019 and in our public reporting as per the timeline and requirements of the Principles and their implementation Framework, further elements regarding the targets we will set and the subsequent progress we will achieve towards these. We encourage you and our other stakeholders to review this public reporting, so that you are aware of the impacts we will be working to realize.

Thank you again for your interest in this important initiative, the Principles for Responsible Banking, and your positive contribution to the public consultation process that contributed to its development.

Your sincerely,

Sylvie Pr ea
Group CSR Director

ANNEX**1. Alignment**

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

a. Can you explain briefly what **concrete steps** your bank will take to 'align your business strategy to be consistent with and contribute to society's goals, as expressed in the Paris Climate Agreement'?

Societe Generale has started to work on portfolio alignment since 2016. Following the Group COP 21 commitment to reduce "Group activities in the coal sector with a view to being in line with the International Energy Agency (IEA) degrees scenario (2DS) by 2020", Societe Generale has developed an in-house methodology for tracking its involvement in the Coal Mining and Coal-Fueled Power sector and set reduction targets which have been incorporated into the Group's sector policies. This methodology has been shared amongst our peers. We recently updated our [Thermal coal sector policy to reinforce our commitments](#).

In 2019, we co-founded the [Poseidon Principles](#), which establish a framework for assessing and disclosing the climate alignment of ship finance portfolios.

As a signatory in 2018 of the [Katowice Commitment](#), Societe Generale has committed to measure the climate alignment of its lending portfolio, and to explore ways to progressively steer financial flows towards the goals of the Paris Agreement.

Societe Generale has also tested a credit portfolio alignment methodology developed by the 2°C Investing Initiative (2DII) and is testing other methodologies as well on its financing portfolios.

b. What **concrete consequences** will adopting this principle have for your current and future involvement in the fossil fuel industry (coal, oil and gas)?

Methodologies for portfolio alignment are complex. We intend to work with other banks and stakeholders to ensure essential standardization and comparability of results, while keeping on testing these methodologies on our main sector portfolios, including energy.

In parallel, we implement our existing Environmental and Social (E&S) sector policies such as the [Thermal coal policy](#) that includes specific targets.

The Group is also putting in place specific assessments of transition risk as described in our [recently published TCFD report](#).

2. Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

a. Which **positive and negative impacts** of your business operations has your bank already identified?

Work is under way on both aspects. Defining common classifications of activities is key, as well as getting reliable data from the corporates or external sources.

On potentially negative impacts, Societe Generale has been implementing the French law on Duty of care for 2 years, which requires a duty of care plan to be established and implemented, in order to identify risks and prevent serious negative impacts on human rights, health, safety or the environment as a result of the Group's activities. In particular, the plan must include mapping of the risks, measures for assessing and mitigating risks of serious breach or harm and an alert mechanism. SG annually publishes a Duty of Care Plan (see the Group [Registration Document](#) p291), including information on the result of the inherent E&S risk mapping, policies implemented to manage these risks and KPIs demonstrating policies efficiency..

On positive impacts, we have developed a framework for tracking Sustainable and Positive Investments (SPI) and Sustainable and Positive Impact Finance (SPIF) within the Group. Details can be found in the Group [Registration Document](#) p273). This framework will be further developed and in particular informed by the current developments at EU level on a taxonomy for sustainable activities.

b. Which **concrete targets** have you already formulated to reduce your negative impact, and where possible increase your positive impact?

The concrete targets taken by Société Générale can be seen on the [CSR page of the Group website](#). Climate-related targets are available.
Regarding negative impact, we have published E&S [sector policies](#) for the sectors where the most salient risks have been identified and will gradually review and update them based on the results of the risk mapping. Specific portfolio targets have been set.
Regarding positive impacts, additional targets can be found in investor relations booklets, and on the [Group website](#).

3. Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

a. Which **specific clients or business sectors** have you already identified as priority for engagement on encouraging sustainable practices?

An Environmental and Social Risk Management System is deployed throughout the Group. This framework is continuously being updated to reflect the risks identified in the E&S risk mapping performed in the Duty of care plan or based on E&S controversies identified on specific clients, prospects or sector / activities.
More information on implementation procedures can be found in the Group [Registration Document](#) p268.
As part of our E&S Risk Management System, we engage with the clients identified as bearing potential E&S risks to collect specific information for the evaluation where needed and/or discuss evolutions of their CSR policies.
Also see our [Equator Principles Implementation Report](#)).

b. What **specific procedures** does your bank have in place for identifying, issuing sanctions to, or divesting from clients whose operations continue to be unsustainable or damage prosperity for current and future generations?

The E&S policies include exclusion criteria and the E&S evaluation processes may also lead to a refusal of a transaction or new relationship.
As prevention means, the Group uses:
- engaging with our clients (communication of our requirements, questions on alignment with our policies, assessment of E&S risk management maturity, relationship with stakeholders on E&S issues...);
- setting E&S conditions (contractually / covenants or internally conditions to be met);
- setting business restrictions whether limited to certain activities / subsidiaries / geographies / assets / types of services or global restriction / exclusion / termination of the relationship.
The Group's conviction is that exclusion is not the only way to manage E&S risk and that the Bank can in many situations achieve more sustainable progress through engagement with clients, bilaterally and through collective initiatives.

4. Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

a. Which **concrete stakeholders** (names) have you engaged with until now when implementing the PRBs in your bank?

We interact with many stakeholders on CSR issues on a regular basis, among which our staff, clients, other financial institutions (UNEP-FI, Equator Principles, European and French Banking Federations...), regulators, governments and NGOs. As members of the core group of banks developing the Principles with UNEP-FI, we have had the opportunity to discuss them with these different stakeholders in the past year.

b. As we consider ourselves a prime stakeholder with a sincere interest in your PRB implementation process, with **who** (name, contact details) should we be in contact within your bank to follow this process?

The Group CSR Department is the contact point within the Group on Principles for responsible Banking implementation.

5. Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

a. Which **board members** have been assigned to oversee the proper implementation of the PRBs within your bank?

Board Members are informed of the CSR strategy of the Group on a regular basis and may request specific information.

b. Which **section/unit of your organisation** has been tasked with ensuring the proper implementation of the PRBs within your bank?

The CSR Department is in charge of implementing the Principles for Responsible Banking. Decision to join the core group of banks developing the Principles with UNEP-FI and then to sign the Principles was brought the General Management, as for all other Group CSR initiatives.

6. Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

a. What **reporting format** have you developed to review and report on your implementation of the PRBs?

We already publish CSR information in the Group Registration Document and through other dedicated publications. This information is available on the [Group website](#). We will formalize a gap analysis between the PRB reporting requirements and our actual requirements and will use a cross reference table for reporting on the Principles for Responsible Banking.

b. What **concrete procedure** have you put in place to allow stakeholders to engage with you on your implementation of the PRBs, or file a complaint in case of apparent non-delivery on the public commitments made by your bank?

Societe Generale listens to and engages with external stakeholders that alert it on E&S including human rights issues. Wherever possible, an internal enquiry is conducted, and a documented response is given, either in writing or at meetings, as appropriate. The CSR Department is contact point for any request by civil society stakeholders, while other relevant departments are involved in drafting answers or meeting with these stakeholders.

The Group launched in 2019 a new whistleblowing mechanism on which our employees or suppliers for instance can raise issues.