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Mining sector policy

THE FUTURE IS YOU SOCIETE GENERALE

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1. INTRODUCTION

In the frame of its Corporate Social Responsibility policy, and as a signatory of the Principles for Responsible Banking, Societe Generale and its subsidiaries (the Group) intends to take into account the environmental, social (E&S) and governance issues associated with all its activities, to better control their impact and promote good practices, with an objective of continuous improvement.
The Group published E&S general principles which define the overall framework of its E&S risk management system for the responsible conduct of its banking and financial activities. Within this framework, transversal statements addressing issues common to all sectors have been developed, as well as sector policies where the Group looks more specifically into certain sectors identified as sensitive from an E&S standpoint and in which it plays an active role.
The Mining sector has been identified as one such sector.

The Group provides a range of banking and financial products and services to the Mining sector. Exploitation of natural resources plays a key role in supporting economic development in many countries, and in particular in developing and emerging ones. The Group recognizes the importance of the E&S risks and impacts associated with these activities. Mining may impact local communities and take place in remote locations, vulnerable environments, and countries with weak governance systems. In addition, the use in the economy of the extracted natural resource may have environmental impacts. On the other hand, mining activities are also set to play an important role in the energy transition as critical minerals will be needed to develop a low emission and digital economy.

The Group is willing to remain a value-adding partner to its clients in the Mining sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Group aims for the highest E&S standards when considering the provision of banking and financial products and services to the Mining industry.

2. SCOPE

2.1. Geographical scope

The Mining sector policy is applicable worldwide. The application criteria may take into account the robustness of the countries' governance framework where the assets are located.

2.2. Scope of the Group's activities

This sector policy applies to all consolidated companies over which the Group exercises exclusive control.

It applies to the following banking and financial products and services: credit, debt and equity markets, guarantees and advisory activities.

2.3. Scope of sector activities

This sector policy covers the following activities and client companies owning mining assets involved in them:

- Exploration.
- Mines planning and development (including associated facilities).
- Mines operation.

- Mines closure and rehabilitation.
- On-site processing of extracted ores.

3. MINING SECTOR ESG RISKS

A non-exhaustive list of potential E&S and governance risks considered by Societe Generale in its risk management framework is provided in the E&S general principles.

When evaluating corporates' activity in the Mining sector, particular attention will be paid to the following risks:

- Impacts on natural habitats, and areas protected for biodiversity or cultural considerations.
- Increased access to previously remote areas (which can result in impacts by third parties such as clearance of forest, or conflict with local communities).
- Use of large volumes of water for beneficiation which could reduce the availability and/or quality of water for downstream users and fisheries.
- Direct riverine or submarine tailings disposal, or risks of acid mine drainage.
- Development of deep-sea mining technologies.
- Greenhouse Gases (GHG) emissions.
- Collateral environmental pollutions such as truck traffic and associated road constructions.
- Inadequate financial provisions for rehabilitating mine sites after closure.
- Poor health and safety management for workers and/or high accident rates, particularly in underground mines
- Increased health and safety risks for local communities (e.g. poor management of tailings dams, increased risks from erosion or subsidence).
- Risks of child labour or forced labour.
- Resettlement, or economic displacement (including of squatters or artisanal miners) caused by loss of habitations or assets (such as access to fisheries, farmland or forest resources).
- Impacts on local communities, and inadequate grievance mechanism.
- Impacts on indigenous peoples or lands used by indigenous peoples.
- Operations in areas of social conflict and/or deployment of armed forces for security purposes.
- Operations in areas where there is a legacy of tension and in countries with a history of weak regulatory frameworks, lack of transparency or high corruption and/or human rights violations.

In addition, governance risks are managed as part of the Know Your Customer (KYC) and other Compliance processes to guarantee alignment of the Group with applicable laws and regulations, including exclusions based on international sanctions.

4. SECTOR SPECIFIC E&S STANDARDS AND INITIATIVES

The Group being active worldwide, the E&S laws and regulations its clients have to comply with vary from one country to another or one region to another. The Group requests its clients to comply with the laws and regulations of each relevant country or region while encouraging them to apply the following E&S standards and initiatives.

A number of institutions, business associations of the Mining industry, and other civil society organizations have developed standards and initiatives[1] addressing the E&S impacts resulting from the sector activities. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment framework in the Mining sector:

- The IFC Performance Standards and World Bank Group Environmental, Health and Safety Guidelines applicable to the Mining sector.
- The ten principles and related position statements of the International Council on Mining & Metals (ICMM).
- The regulations of mining activities adopted by the International Seabed Authority (ISA).
- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas[2] , and mineral-specific initiatives relying on or consistent with this framework (such as the International Tin Supply Chain Initiative (iTSCi), the Conflict-Free Gold Standard of the World Gold Council or the Kimberley Process Certification for diamonds).
- The Extractive Industries Transparency Initiative (EITI).
- The Voluntary Principles on Security and Human Rights (2000), the UN Declaration on the Rights of Indigenous People (2008).

New regulations and voluntary standards will be developed in the future. The Group will closely follow these developments, use them as references in implementing its Mining sector policy and update it if necessary.

5. IMPLEMENTATION PROCESS AND COMMITMENT

5.1. Implementation process

While it is incumbent on the corporates the Group is linked with to manage the E&S risks associated with their operations and to comply with the applicable laws and regulations, it is important to the Group to evaluate the consistency of its activities with its E&S commitments.

The E&S general principles set out the main features and implementation processes of the Group's E&S risk management system. The Group decisions are based on public information or information made available by the client. The Group shall make its reasonable endeavors to ensure the quality and reliability of this information but accepts no liability whatsoever in connection with any such information.

Three types of application criteria have been defined.

[1] These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines…
[2] While the OECD Due Diligence Guidance has been developed for downstream companies to monitor their supply chain, part of the framework is directly applicable to upstream companies such as Annex II.

The **E&S exclusion criteria** are intended to exclude certain types of corporates, dedicated transactions or services or financial products from the Group's activities.

The **E&S priority evaluation criteria** are criteria for which a specific and systematic answer is requested as part of the evaluation process. For client's evaluation, if the criteria are not fulfilled, a positive evolution from the company current practices is expected in a limited and reasonable timeframe and can be formalized through action plans or contract clauses. For dedicated transactions on projects, alignment with the criteria is expected as part of the project development; for dedicated advisory services ahead of a project's development, the client's commitment to develop the project according to these criteria is evaluated.

The **other E&S evaluation criteria** aim to identify the other risk factors of the sector, that will also be considered as part of the evaluation, and also to specify the best practices that the Group wishes to encourage.

5.2. Commitment

The results of the evaluation in regard to the different criteria will provide evidence for decision-making process to the Group. The Group will only work with clients within the implementation scope of the policy who meet or aim at meeting the applicable E&S criteria.

During the E&S review of the Mining sector clients, if a client is found to be failing a criterion of the Policy, a dialogue will be engaged aiming at finding ways to improve the situation through a time bound process.
In case of disagreement between the Group's first and second lines of defense and/or lasting discrepancy between a client policy and the Group's policy, the issue will be examined by the Group Responsible Commitment Committee[3]. The Group will take appropriate measures if its E&S criteria are not met, or if the client does not aim at meeting them.

The Group may refuse to provide banking or financial products or services to certain corporates or refuse to be involved in certain transactions as a result of this evaluation, even if the exclusion criteria defined in this sector policy are not applicable. The Group may also require additional actions or engage in an additional due diligence process before concluding on the acceptability of a client or a transaction.

6. APPLICATION CRITERIA

Based on the analysis of the initiatives listed in Section 4. and of best practices of multilaterals and other financial institutions, the Group has defined the following E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial products and services in the Mining sector.

In addition:

- Client companies with uranium mining activities (and related dedicated transactions, products and services) fall in the scope of Societe Generale Civil Nuclear Power sector policy.

[3] The Group's Responsible Commitment Committee examines and arbitrates complex transaction/customer cases with a high risk in terms of the Group's reputation or non-alignment with its standards in terms of Corporate Social Responsibility, culture and conduct or ethics.

- Client companies with thermal coal extraction activities (and related dedicated transactions, products and services) fall in the scope of Societe Generale Thermal Coal sector policy.

Applicable criteria of these sector policies will be used in addition to the criteria listed below.

6.1. Clients criteria

Exclusion criteria

The Group will not provide financial products or services to:

- Any company involved in asbestos mining.
- Any corporate entity[4] involved in Mountaintop removal coal mining in the Appalachians.

The Group will not enter into a new relationship with:

- Any corporate entity with more than 50% of their revenue linked to metallurgical coal extraction.

Priority criteria

When conducting a corporate E&S assessment of a client involved in this sector, the Group considers the following criteria:

- Whether the client company has E&S risks measures in place, commensurate to its impacts, and addressing in particular:
    - Health and safety.
    - Tailings management.
    - Impacts on biodiversity.
    - Impacts on human rights, with specific consideration of child and forced labour as defined in the International Labour Organization (ILO) Conventions, and, where applicable, management of impacts on indigenous people.
    - Engagement with local stakeholders.

- When operating in conflict-affected and high-risk areas, whether the client company has implemented measures to ensure responsible management of the relationships with public or private security forces.

Other criteria

When conducting a corporate E&S assessment of a client involved in this sector, the Group also considers the following criteria:

- When operating in conflict-affected and high-risk areas, whether the client company discloses material payments to local governments and authorities (including taxes, royalties or license fees), taking into account confidentiality undertakings.

[4] Corporate entity directly operating or owning coal mining assets.

In addition, Société Générale encourages its clients to join best practice initiatives of the Mining sector for E&S risk management, such as:

- The ICMM.
- The EITI to support transparency and good governance.
- The Voluntary Principles on Security and Human Rights.
- Mineral-specific sustainability initiatives where applicable.

6.2. Acquisition transactions, products and services criteria

Exclusion criteria

The Group will not provide financial transactions, products and services aiming at the sale or acquisition of metallurgical coal mining or asbestos mining assets.

6.3. Dedicated transactions, products and services criteria

Exclusion criteria

The Group will not provide dedicated financial transactions, products and services when the underlying activities are:

- Metallurgical coal extraction activities.
- Asbestos mining activities.
- Infrastructures primarily linked to metallurgical coal extraction or asbestos mining.
- Artisanal and small-scale mining activities[5].
- Mines disposing any type of mining waste into rivers or into shallow water (epipelagic zone) of natural water bodies, lakes and marine bodies.
- Development, construction or expansion of mining activities located within a UNESCO World Heritage Site, a Ramsar site, a nationally protected area (IUCN categories I-IV) or a site of the Alliance for Zero Extinction.
- Any operation with material adverse impacts on the Outstanding Universal Value of a World Heritage Site.

Priority criteria

When conducting an E&S assessment of a dedicated transaction, products or service in this sector, the Group considers the following criteria:

[5] Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing and transportation. ASM is normally low capital intensive and uses high labour-intensive technology (OECD definition)

E&S risk management

- For mines located outside high income OECD countries, whether the IFC Performance Standards and World Bank Group EHS Guidelines for Mining are complied with, when applicable.

Environmental impacts

- Where cyanide is used, whether its use is consistent with the principles and standards of practice of the International Cyanide Management Code.
- Where mining waste disposal into natural water bodies not excluded by the exclusion criteria above is relied upon, whether a third-party alternative assessment has been conducted which concludes that there is no environmentally and socially sound land-based alternative and that this solution is the best available practice considering the local environment.
- When the activities associated with the transaction or service are located within, or with potential material impacts on Key Biodiversity Areas or protected areas, whether a third-party assessment of the potential impacts on biodiversity and related ecosystem services has been carried out. The assessment will have demonstrated that:
  - The client is implementing a mitigation strategy which prioritizes efforts to prevent or avoid adverse impacts to biodiversity, then to minimize and reduce those effects, to repair or restore them, and finally to offset or compensate them, with a view to achieving no net loss, and preferably gain, of biodiversity.
  - Adequate consultation of local population and other stakeholders, where relevant.

  For activities located within, or with potential material impacts on a protected area, if the exclusion criteria are not triggered, evidence is provided that the development is legally permitted and consistent with any regulatory management plans for such area.
- For new mines, whether a commitment has been made by the client to engage in site restoration at closure and post-closure phases.

Social impacts

- Whether a health and safety management plan (including tailings management consideration where relevant), has been developed.
- Whether the client has a policy applicable to the project to ensure no use of child or forced labour (as defined in the ILO Conventions).
- Where security forces are used for the project, whether the client operates in compliance with IFC Performance Standard 4.
- Whether local stakeholders' engagement is developed and if necessary, a process of Informed Consultation and Participation (ICP).
- Where indigenous peoples are affected, and in the circumstances prescribed by IFC Performance Standard 7, whether their Free, Prior and Informed Consent (FPIC) is obtained in due time as a result of the ICP.
- For projects located outside high income OECD countries, whether material payments to local governments (including taxes, royalties or license fees) are disclosed in accordance with local regulations or other applicable regulations. Where such regulations are not applicable, sponsors or clients are encouraged to voluntary disclose such information and support transparency initiatives such as the EITI.

The Group applies the Equator Principles to the transactions and services falling in the scope of this initiative. The criteria above are applied in conjunction with, or addition to the underlying standards of this initiative.

7. DISCLOSURE AND UPDATES

This sector policy is applicable from the date of its publication to all services provided therefrom, with exceptions for pre-existing business commitments or opportunities at an advanced stage of negotiation.

This sector policy may evolve in time, in accordance with legislative or regulatory evolutions and as a result of the discussions between the Group and its various stakeholders. Therefore, the Group reserves the right to modify this sector policy at any time. Updated versions will be posted on the Group's website, where the E&S general principles and the E&S transversal statements and other sector policies are also available.
This document cannot be interpreted as a contractual commitment.

This sector policy has been established in French and in English. The English version is a free translation.