Oil & Gas 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 Oil & Gas sector has been identified as one such sector.

The Group provides a range of banking and financial products and services to the Oil & Gas sector, which is part of the Energy sector value chain. The Group's Energy sector policies seek to identify and manage E&S issues throughout the whole value chain in which the Group is active, from the extraction of energy resources, to transportation, distribution and storage, power and heat production, and end user energy consumption. If necessary, the Group will identify and develop additional sector policies in the future to better address E&S issues within this value chain.

Energy is at the core of the economy and a priority sector for the achievement of the Paris Agreement objectives. The Group recognizes it has a role to play in the transition to a low-carbon economy and supports governments and private sector efforts towards the diversification of energy sources and wider use of renewable energy in markets in which it operates. The Group has joined the Net Zero Banking Alliance which defines concrete and time-bound actions to align portfolios with an objective of net zero emissions by 2050.

Energy transition challenges are particularly acute for the actors of the Oil & Gas sector. The Group is willing to remain a value-adding partner to its clients and assist them in their transition, while ensuring that such support is provided in a responsible and considered manner. Societe Generale also recognizes that oil and gas activities may take place in complex operating environments, remote locations and countries with weak governance systems. They may also impact local communities and require heightened E&S risk management and due diligence.
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 Oil and Gas industry.

2. SCOPE

2.1. Geographical scope

The Oil & Gas 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 products and services:

- Banking and financial products and services: credit, debt and equity markets, guarantees and advisory activities.

- Investment activities of the Group's insurance entities.

2.3. Scope of sector activities

This sector policy covers the following activities and client companies owning, developing or operating assets related to:

- Oil and gas exploration & drilling or mining (including oil sands).
- Oil and gas field planning, development and operation.
- Oil and gas refining and processing, excluding petrochemical activities.
- Oil and gas transportation, storage and export infrastructures.
- Oil and gas trading activities.

Both conventional and unconventional oil and gas resources, as well as biofuels production, are covered by the sector policy. Financings involving Floating Production Storage and Offloading (FPSO) and Floating Storage Units (FSU) are within the scope of this sector policy. Where relevant, Societe Generale Shipping sector policy also applies.

3. OIL & GAS 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 Oil & Gas 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).
- Air emissions and carbon intensity of the production.
- Reliance on gas flaring as a management strategy for associated gases.
- Methane leakages.
- Water consumption for processing and cooling operations, with potential negative impacts on water flow and/or quality.
- Potential for pollution of ground and surface water.
- Wastewater management.
- Waste management, including discharge of offshore drilling waste.
- Oil spill risks.
- Impact of toxic chemicals.
- Fire and explosion risks.
- Poor health and safety management for workers and/or high accident rates.
- Increased health and safety risks for local communities.
- Impacts on local communities, including resettlement or economic displacement caused by loss of land or assets.

- 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.
- Displacement of food crops and potential impact on the food and feed market prices (biofuels).

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 Oil & Gas industry, and other civil society organizations have developed standards and initiatives 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 Oil & Gas sector:

- **E&S management**
    - the IFC Performance Standards and World Bank Group Environmental, Health and Safety Guidelines applicable to the Oil & Gas sector.
    - the International Energy Agency Golden Rules for a Golden Age of Gas (2012).
    - the good practice guidance of the International Petroleum Industry Environmental Conservation Association (IPIECA) and of the International Association of Oil and Gas Producers (IOGP).
- **Climate impact**
    - the Oil and Gas Climate Initiative (OGCI).
    - the Climate and Clean Air Coalition (CCAC) Oil and Gas Methane Partnership.
    - the CDP Climate Change Program.
    - the European Union Fuel Quality Directive 2009/30/EC.
- **Human Rights** - the Voluntary Principles on Security and Human Rights (2000), the UN Declaration on the Rights of Indigenous People (2008)
- **Transparency** - the Extractive Industries Transparency Initiative (EITI).
- **Gas Flaring** - the Global Gas Flaring Reduction Partnership (GGFR) and the Zero Routine Flaring by 2030 led by the World Bank.
- **Emergency Response** - For maritime operations, the IMO Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC, 1990).
- **Marine Pollution** - the 2003 amendment to Annex 1 of the International Convention for the Prevention of Pollution from Ships (MARPOL) concerning the prevention of pollution by oil, and remaining criteria of the MARPOL Convention when applicable. The Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR Convention).

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 Oil & Gas 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's 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.

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 work with clients within the implementation scope who meet or aim at meeting the applicable E&S criteria.

During the E&S review of the Oil & Gas 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[1]. 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.

[1] See Glossary

In particular, the review of clients and transactions of the Oil & Gas sector is also guided by the long-term commitment made by the Group to align its portfolios with a climate scenario, which was reinforced when joining the Net Zero Banking Alliance. This commitment has led the Group to set an objective to reduce its upstream Oil & Gas financing by 10% by 2025 compared to 2019 (also see the annual Group Climate Disclosure report). For its investment portfolio, Societe Generale Assurances is also committed to reduce its exposure to upstream Oil & Gas by 10% by 2025 relative to 2019.

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 Oil & Gas sector.

In addition:

- Client companies with biofuel activities (and related dedicated transactions, products and services) may fall in the scope of Societe Generale Industrial agriculture and forestry sectors policy.
- Client companies with shipping activities (and related dedicated transactions, products and services) fall in the scope of Societe Generale Shipping sector policy.
- Client companies with coal to liquids activities 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 new financial products or services to:

- Any exploration and production company for which the following resources represent more than 30% of its production[2].
- Any diversified company for which exploration and production of the following resources represent more than 30% of its revenues[3]:
    - Arctic oil,
    - Ecuadorian Amazon oil,
    - Oil sands or other extra heavy oil,
    - Shale oil or gas.

Priority criteria

When conducting a corporate E&S assessment of a client owning, developing or operating assets in this sector, the Group considers the following criteria:

- Whether the client company has E&S risks management measures in place, commensurate to its impacts, and addressing in particular:

[2] For companies involved in multiple categories, the cumulative involvement will be considered
[3] For companies involved in multiple categories, the cumulative involvement will be considered

- Health and safety.
- Impacts on biodiversity.
- Impacts on human rights, with specific consideration of labour rights, as defined in the International Labor Organization (ILO) Conventions, and, where applicable, management of impacts on indigenous people.
- Engagement with local stakeholders.

- Whether the client company monitors and discloses the direct greenhouse gases emissions generated by its activities in the scope of the policy, taking into account the availability of the information for non-operated assets.
- When operating facilities, whether the client company has a methane leak detection and management program.
- When operating facilities in the upstream Oil & Gas sector, whether the client company has a plan to minimize its reliance on venting and flaring practices.
- When involved in upstream operations involving fracking in shale reservoir types, whether the client company has implemented best E&S practices addressing the main issues identified in the International Energy Agency "Golden Rules" as applicable.
- 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 owning, developing or operating assets, the Group also considers the following criteria:

- Whether the client company publishes company-level information on environmental and social performance.
- Whether the client company has made climate commitments and in particular, whether it has set a methane intensity target[4].
- When operating facilities in the upstream Oil & Gas sector, whether the client company has made a commitment to eliminate legacy routine flaring as soon as possible and no later than 2030 in accordance with the World Bank zero routine flaring initiative.
- 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.

Societe Generale encourages its clients to join best practice initiatives of the Oil & Gas sector for E&S risk management, such as:

- The EITI to support transparency and good governance.
- The Voluntary Principles on Security and Human Rights.
- The IPIECA.
- The OGCI.

[4] Relying, for instance on the methodology developed by OGCI.

6.2. Dedicated transactions, products and services criteria

Exclusion criteria

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

- Exploration, production or trading of:
  - Arctic oil
  - Ecuadorian Amazon oil.
  - Oil from oil sands, or other extra heavy oil.
- Infrastructures or other assets exclusively dedicated to the transport, storage and processing of Arctic oil, Ecuadorian Amazon oil or oil from oil sands or other extra heavy oil.
- Exploration and production of shale oil or gas.
- Greenfield projects or significant expansions of LNG production or exportation located in North America (Canada and USA)[5].
- Trading of LNG cargo transporting LNG from North America into France.
- Production of first-generation biofuels.
- Development, construction or expansion of upstream oil and gas operations 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 oil and gas operation with material adverse impacts on the Outstanding Universal Value of a UNESCO World Heritage Site.

Priority criteria

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

E&S risk management

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

Environmental impacts

- Whether a site-specific methane leak detection and management plan has been defined for:
  - New developments in the upstream Oil & Gas sector.
  - Long distance gas transmission pipelines.
  - LNG facilities.
- For the development of new oil fields, whether a No routine flaring plan has been defined.
- For facilities in the upstream oil sector, whether existing assets have time-bound plans to eliminate routine flaring.

[5] After completion of the projects for which the Group is mandated.

- 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.

Social impacts

- Whether a health and safety management plan has been developed.
- For projects located outside high income OECD countries and 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).
- For transactions falling in the scope of the Equator Principles, where indigenous peoples are affected and in the special circumstances prescribed by IFC Performance Standard 7, whether their Free, Prior and Informed Consent (FPIC) is obtained in due time.
- 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 disclose voluntarily 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.

6.3. Investment criteria

Exclusion criteria

The Group's entities investing assets will exclude from their direct investments companies which revenues are linked to the exploration and production of oil sands, Arctic oil or gas, or shale oil or gas[6]:

- for more than 10% for existing investments.
- for more than 5% for new investments.

[6] For companies involved in multiple categories, the cumulative involvement will be considered

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.

8. GLOSSARY

- **Arctic region:** For the sake of this policy, the Arctic region is defined as the following:
  Offshore areas: "Arctic waters" as defined in the Convention on the Safety of Life at Sea (regulation XIV/1.3) and the International Maritime Organization (IMO) Polar Code (see map p 9 of Annex 10).
  Onshore areas: North of the Arctic Circle (north of 66°33′47.2″ N)

- **Company:** In determining business indicators, Societe Generale will consider the counterpart (either at group or corporate entity level) with which business is conducted or envisaged.

- **Diversified O&G company:** Company active in the whole value chain (exploration and production, midstream and/or downstream)

- **Extra heavy oil** is commonly defined as oil with an API gravity of less than 10°.

- **First Generation Biofuels** are biofuels produced from food crops by converting the sugar, starch or oil content into bioethanol or biodiesel.

- **Flaring** is the open-air burning of natural gas.

- **Free, Prior and Informed Consent (FPIC):** There is no universally accepted definition of FPIC. Based on good faith negotiation between the client and affected indigenous communities, FPIC builds on and expands the process of Informed Consultation and Participation, ensures the meaningful participation of Indigenous Peoples in decision-making, and focuses on achieving agreement. FPIC does not require unanimity, does not confer veto rights to individuals or sub-groups, and does not require the client to agree to aspects not under their control. Process elements to achieve FPIC are found in IFC Performance Standard 7.

- **Golden rules:** In 2012, the International Energy Agency (IEA)_released Golden Rules for a Golden Age of Gas, a special report that proposes key principles to address the environmental and social impacts of intensive large scale onshore unconventional gas development in order to pave the way for its widespread development on a large scale. The IEA "Golden Rules" underline the importance of transparency, measuring and monitoring of environmental impacts and engagement with local communities.

- **Group Responsible Commitment Committee**: Societe Generale Group committee which 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.

- **Oil sands:** Also known as tar sands or crude bitumen, oil sands are either loose sands or partially consolidated sandstone comprising a naturally occurring mixture of sand, clay and water, saturated with a dense and viscous form of petroleum (viscosity is >10,000 cp and API <10 degrees). They require heat, dilution or other tertiary processes for recovery.

- **Routine flaring** is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. (Source: Global Gas Flaring Reduction Partnership)

- **Shale oil and shale gas** are oil and gas resources trapped within shale formations. Their extraction frequently entails intensive large-scale developments including specific hydraulic fracturing techniques.

- **Venting** is the release of natural gas directly into the atmosphere without flaring or incineration.