

Oil & Gas sector policy



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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, the Group (as defined in 2.2 of this sector policy) intends to take into account the environmental, social (E&S) and governance issues associated with all its activities, to better control its 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. Energy sector Group policies seek to identify and manage E&S issues throughout the whole value chain in which Societe Generale is active from the extraction of energy resources to transportation, distribution and storage, power and heat production, and end user energy consumption. In a process of continuous improvement, the Group regularly identifies and develops complementary sectoral policies to better address E&S issues within this value chain.

Energy is at the core of the economy and the energy transition, and more broadly the achievement of the objectives of the Paris Agreement, are major transformation challenges for this sector. 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. The Group has joined the Net Zero Banking Alliance¹ which defines concrete and time-bound actions to align portfolios with a trajectory compatible with the Paris Agreement. Societe Generale was one of the first global banks to commit in 2020 to a short-term objective of reducing its exposure to the oil and gas production sector (by 10% in 2025 vs. 2019) and has since then revised its ambitions upwards.

In September 2023, Societe Generale set new objectives :

- acceleration of the reduction of upstream Oil & Gas exposure to -80% by 2030 vs 2019, with an intermediary 2025 step of -50% (vs previous commitment of -20% by 2025);
- a new objective to reduce by 70% the absolute GHG financed emissions linked to the oil and gas portfolio by 2030 (compared to 2019) to now cover the entire value chain on scope 1 and 2 and scope 3 linked to the end-use of oil and gas production.

Societe Generale is willing to remain a value-adding partner to its Oil and Gas clients engaged into the energy transition of the economy. 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.

¹ Net Zero Banking Alliance : <https://www.unepfi.org/net-zero-banking/>

2. SCOPE

2.1. Geographical scope

This sector policy is applicable worldwide.

2.2. Scope of the Group's activities

This sector policy applies to Societe Generale and all consolidated companies over which it exercises exclusive control (together, the "Group").

It applies to banking and financial products and services provided by the Group, except to:

- the investment activities of the Group's insurance entities whose investment policies are detailed in Societe Generale Assurance's non-financial performance report²;
- the Group's asset management activities whose investment policies are detailed in SG Private Banking Sustainable Risk Policy³;
- the distribution by the Group of investment funds outside the Group, for which external asset managers are encouraged to adopt the standards of this sectoral policy.
- account holding and cash management services provided to subsidiaries of integrated oil and gas companies (IOCs).

2.3. Scope of sector activities

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

- Oil and gas exploration and drilling or oil mining (including oil sands).
- Oil and gas field planning, development and production.
- Oil and gas refining and processing (including liquefaction for natural gas into LNG), excluding petrochemical activities.
- Oil and gas transportation, storage and export infrastructures.
- Oil and gas trading activities.

Note that:

- companies producing biofuels (and related dedicated transactions, products and services) also fall, where relevant, in the scope of Societe Generale Industrial agriculture and forestry sectors policy.
- financings involving Floating Production Storage and Offloading (FPSO) and Floating Storage Units (FSU) also fall, where relevant, in the scope of Societe Generale Shipping sector policy.

Activities related to the gas-fired power and liquid fuel-fired power (LFO and HFO⁴) are covered in a dedicated policy (Thermal power).

² [Rapports RSE - Société Générale Assurances \(societegenerale.com\)](#)

³ [Regulatory information \(societegenerale.com\)](#)

⁴ Light Fuel Oil and Heavy Fuel oil.

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.
- 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 conflicts with communities 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 requests its clients to comply at a minimum with the E&S laws and regulations of each relevant country or region in which they operate 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 Oil and Gas sector. 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 are regularly developed. 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 CLIENT ENGAGEMENT

5.1. Implementation process

While it is incumbent on the Group's clients to manage the E&S risks associated with their operations and to comply with the applicable E&S laws and regulations, the Group evaluates, for its part, the consistency of their activities with the Group's E&S commitments.

The Group's 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, information made available by its clients or from external data providers. 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.

As part of the implementation of the sector policy, three types of application criteria have been defined:

The **E&S exclusion criteria** are criteria on the basis of which are excluded from the Group's activities some corporates, some dedicated transactions or some financial products and services.

The **E&S priority evaluation criteria** are criteria for which an analysis is requested as part of the evaluation process. For client's evaluation, if the relevant 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 transactions on dedicated 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.

The E&S evaluation criteria are applicable in a proportionate manner based on the importance of the E&S risks inherent to the clients' activities and to the underlying activities related to dedicated transactions, products and services.

5.2. Client engagement

The results of the evaluation regarding 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.

In the specific case of clients operating in the upstream segment of the Oil & Gas value chain, with the exception of clients excluded under section 6.1:

The Group will continue to propose banking and financial products and services to these clients but will be attentive to their objectives and investments to move towards a low-carbon economy through reinforced commitment criteria. The Group will conduct an annual review of these clients' climate strategies, informing a committee of the Societe Generale group, under the chairmanship of the senior management and it may include:

- client carbon footprint
- climate commitments
- diversification of its activities
- the resources deployed such as R&D and the level of investments devoted to activities in support of the energy transition
- the governance put in place to implement the climate objectives

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.

Any deviation from this policy may be granted, on an exceptional basis, by a Societe Generale group oversight committee chaired by senior management.

6. APPLICATION CRITERIA OF THE POLICY

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 to the Oil & Gas sector of banking and financial products and services.

6.1. Client criteria

Exclusion criteria

The Group will not provide any financial products or services to:

- any Company⁵ for which exploration and production of the following resources represent more than 30% of its revenues⁶:
 - Arctic oil and gas,
 - Ecuadorian Amazonian oil,
 - Oil sands or other extra heavy oil,
 - Shale oil or gas.

In the specific case of Companies⁷ generating almost all of their revenues from upstream Oil and Gas activities (i.e. exploration, development and production), the 30% threshold will be applied to their production⁸.

- any private Company⁹ (ie. not majority-owned by a state), which generates almost all of its revenues from upstream Oil and Gas activities (i.e. exploration, development and production). Existing exposure will be phased out until extinction, in compliance with existing contracts.

Evaluation priority criteria

When conducting a corporate E&S assessment of a client owning, developing or operating assets in this Oil and Gas 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:
 - Health and safety.
 - Impacts on biodiversity.
 - Impacts on human rights, with specific consideration for child labor and forced labor, as defined in the International Labor Organization (ILO) Conventions, and, where applicable, management of impacts on indigenous people.
 - Engagement with local stakeholders.
- The client company has made climate commitments, ideally under the supervision of the company's Board of Directors, the executive committee or any other management committee.

⁵ See Glossary

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

⁷ See Glossary

⁸ For companies involved in multiple categories, the cumulative production involvement will be considered

⁹ See Glossary

- When involved in upstream Oil and Gas activities, the company has set a methane intensity target.
- Whether the client 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 use of Venting and Flaring practices.
- Where operating facilities in the Upstream Oil and Gas sector, whether the client company has committed to eliminating Routine Flaring as soon as possible and no later than 2030.
- When involved in upstream operations involving fracking in shale reservoir types, whether the client company has implemented best E&S practices addressing the main relevant issues identified in the International Energy Agency “Golden Rules”.
- 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 evaluation 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 information on its environmental and social performance.
- 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.
- IPIECA.
- OGCI.

6.2. Dedicated transactions, products and services criteria

The Group applies the [Equator Principles](#) to the transactions and services falling in the scope of this initiative. The below-criteria are applied in conjunction with, or in addition to the underlying standards of this initiative.

Exclusion criteria

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

- exploration, production or trading of:
 - Arctic oil,
 - Ecuadorian Amazonian oil,
 - Oil from oil sands, or other extra heavy oil.

- exploration and production of shale oil or gas.
- infrastructures or other assets exclusively dedicated to the transport, storage and processing of Arctic oil, Ecuadorian Amazonian oil or oil from oil sands or other extra heavy oil.
- exploration, development and production of Greenfield oil and gas fields
- new Midstream Infrastructures Associated to Greenfield oil and gas fields
- FPSOs associated with Greenfield upstream oil and gas fields and, after 2025, any FPSOs.
- integrated LNG projects fed with Greenfield gas fields.
- new projects or significant expansion of LNG production or exportation fed by shale gas or Arctic gas
- trading of LNG cargo transporting LNG from North America into France.
- production of biofuels using food and feed crops as feedstock, except where feedstock meets acceptable sustainability sourcing criteria.¹⁰
- 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.

“Greenfield” means oil and gas fields and associated reservoirs for which the latest Final Investment Decision (FID) was made after 31 December 2021.

Evaluation priority criteria

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

E&S risk management

- For projects located outside high income OECD countries, whether the 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.

¹⁰ See Glossary

- 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 have been engaged with and, if necessary, that a process of Informed Consultation and Participation (ICP) has been implemented.
- 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.

7. APPLICATION DATE AND UPDATES

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

This sector policy may evolve in time, in accordance notably 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 sector policy has been established in French and in English. In case of inconsistency between the French and the English version, the French version shall prevail.

8. GLOSSARY

- **Acceptable sustainability sourcing criteria** for biofuel feedstock include:
 - i) Not produced from land with high biodiversity value, high carbon stocks, or peatland (pre-2008);
 - ii) Not featuring high risk of land use change;
 - iii) Compliant with other sustainability criteria within Societe Generale Industrial Agriculture and Forestry sector policy.
- **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:** refers to the legal entity and companies in its scope of consolidation. Consequently, for the calculation of the indicators in this policy for a Company, reference must be made to its consolidated financial statements.
- **Extra heavy oil** is commonly defined as oil with an API gravity of less than 10°.
- **Flaring** is the open-air burning of natural gas.
- **Food and feed crops** mean starch-rich crops, sugar crops or oil crops produced on agricultural land.
- **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.
- **Midstream Infrastructures Associated to:** For the sake of this policy, infrastructures (pipelines, storage, liquefaction and export terminals of oil, natural gas or LNG) whose viability and existence depend in majority on the development of Greenfield oil and gas fields upstream activities
- **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.