

SECTOR POLICY



FORESTRY AND FOREST PRODUCTS

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1. INTRODUCTION

Within the framework of its Corporate Social Responsibility policy, Societe Generale (the “Bank”) intends to take into account within its group the environmental and social (E&S) issues associated to all its activities, to better control their impact and promote good practices, with an objective of continuous improvement. The Bank thus defined E&S General Guidelines which set key standards and parameters for a responsible engagement in all its banking and financial activities. In addition to this general framework, Cross-sectorial Policies dealing with E&S issues common to all sectors are being developed, as well as Sector Policies where the Bank looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The logging sector (“Upstream Sector”) and the sector manufacturing and trading its products (“Downstream Sector”), (together the “Forestry Sector”) have been identified as such sectors.

Societe Generale provides a range of banking and financial services to the Forestry Sector. Sustainable management of forests worldwide is key to ensure preservation of biodiversity and of social benefits for local communities, as well as delivery of climate-related and other environmental services. The Bank is willing to remain a value-adding partner to its clients in this sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Forestry Sector.

2. COMMITMENT

Societe Generale is committed to incorporating in its decision-making processes the review of the E&S impacts potentially associated with the activities of its clients. The Bank will work with clients who meet or aim at meeting its sustainability standards. Societe Generale will take appropriate measures if these standards are not met, or if the client no longer aims at meeting them.

This Sector Policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Bank and the various stakeholders.

3. RISK ASSESSMENT

While it is incumbent on the Bank’s clients to manage the risks associated with their own operations, it is important to Societe Generale to evaluate the consistency of its engagements with clients against the E&S principles of the Bank.

When evaluating clients’ activity and/or transactions in this sector, particular attention is paid to the following aspects:

- Deforestation or conversion of natural habitats leading to irreversible impacts on biodiversity;
- Disturbance of protected areas or of other key biodiversity areas¹;
- Harvesting and trade of forest products from endangered species²;
- Harvesting, trade and downstream uses of timber from illegal or unknown origin;
- Climate-related impacts due to forest areas clearance or unsustainable practices such as forest fires;
- Soil erosion;
- Water pollution;

¹ As defined in Societe Generale Cross-Sectorial Policy on Biodiversity.

² As identified by Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

- Labour rights and working conditions, including occupational health and safety;
- Disputes over land tenure and land use;
- Resettlement or economic displacement of populations;
- Loss of ecosystem benefits for local communities and impacts on indigenous peoples or lands used by indigenous peoples.

4. SECTOR-SPECIFIC STANDARDS AND CRITERIA

Societe Generale 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. At a minimum, Societe Generale requests its clients to comply with the E&S laws and regulations of each relevant country, while encouraging them to apply Bank's E&S standards.

A number of institutions and civil society organisations have developed standards and initiatives³ addressing the E&S impacts resulting from the sector activities. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment in the Forestry sector:

- The [Convention on International Trade in Endangered Species of Wild Fauna and Fauna \(CITES\)](#) is an international agreement which aim is to ensure that international trade in specimens of wild animals and plants (including forest products) does not threaten their survival.
- Both European Union ([Forest Law Enforcement, Governance and Trade - FLEGT - Action Plan](#), which includes the EU Timber Regulation) and the United States ([Lacey Act](#)) have put in place regulations to prohibit the import of illegal wood and to increase supply and demand for wood coming from responsibly managed forests. Part of EU FLEGT are the [Voluntary Partnership Agreements \(VPA\)](#) agreed between the European Union and a number of exporting countries.
- Since the 90s, the Forestry Sector has been characterised by the development of sustainability certification schemes, which have defined forest management standards, implemented certification and accreditation processes, and created mechanisms for controlling claims down to the final consumer. The [Forest Stewardship Council \(FSC\)](#) and the [Programme for the Endorsement of Forest Certification schemes \(PEFC\)](#) are both recognised as providing an adequate level of comfort on these aspects.
- Furthermore, Societe Generale adopted in 2015 the Banking Environment Initiative's [Soft Commodities Compact](#) with the Consumer Group's Forum, which objective is to align the banking industry's services with the ambition to help achieve zero net deforestation by 2020. The Soft Commodities Compact recognizes FSC and PEFC as adequate certification schemes to achieve this objective for the forestry sector.
- The [CDP Forests Program](#) is a voluntary disclosure initiative for companies that have potential operational or supply chain E&S risks related to impacts on forests.

Based on the analysis of these initiatives and of best practices of multilaterals and financial institutions, Societe Generale has defined the following E&S criteria to incorporate into its decision making process when considering provision of banking and financial services in the Forestry Sector:

a. Client criteria

Clients are encouraged to implement the best E&S practices of the sector. When conducting a corporate E&S assessment in this sector, Societe Generale applies the following criteria:

³ These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines...

- Clients active in the Upstream Sector must undergo independent third party Verification of Legal Compliance⁴ for their operations outside [High Income OECD countries](#) and the European Union. They are also expected to be engaged in a sustainability certification scheme⁵ for their operations. Recognizing that certification is a long and resource consuming process, Societe Generale is willing to support companies which are on a path towards certification if their efforts are documented and time-bound;
- Clients of the corporate and investment bank active in a significant way in the upstream palm oil sector in markets at high risk of tropical deforestation can verify by 2020 that their operations are consistent with zero net deforestation;
- Clients active in the Downstream Sector are also encouraged to get their operations certified. For them, this means getting a Chain of Custody certification and giving preference to certified products sourcing where possible. In addition, clients active in timber trade, or buying timber, as well as in pulp and paper sector, are expected to check legal compliance of their supply⁶.
- Forestry Sector clients are encouraged to participate to the CDP's Forests Program so as to promote transparency regarding the overall impacts of the supply chain.

b. Dedicated transactions criteria

Moreover, when conducting an E&S assessment of a transaction⁷ in this sector, Societe Generale has the following requirements:

- Evidence of compliance with the below points⁸ confirmed by independent third party review for the transactions in the Upstream Sector where operations are not yet certified under a sustainability scheme, and not located in a [High income OECD country](#),
 - Operations respect local communities' traditional or customary rights;
 - They do not affect High Conservation Values⁹ zones;
 - Plantations have not been created by replacement, since November 2005¹⁰, of primary forest or any area of High Conservation Value.
- Transactions in the Downstream Sector provide similar information for their supply sources.

c. Equator Principles

Societe Generale applies the [Equator Principles](#) and its underlying standards to the transactions falling in the scope of this initiative.

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies, in particular the Biodiversity Policy, these standards provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

⁴ Such verification may have been done under importing countries' framework (bi-lateral agreements such as VPA, exclusion of illegal timber products regulations, or public procurement policies), or by voluntary legality verification, as performed by a reputable auditor.

⁵ FSC and PEFC certifications are acceptable to Societe Generale.

⁶ Such verification may have been done under importing countries' framework (bi-lateral agreements such as VPA, exclusion of illegal timber products regulations, or public procurement policies), or by voluntary legality verification, as performed by a reputable auditor.

⁷ See Implementation Process in Societe Generale E&S General Guidelines

⁸ Alternatively, FSC « Controlled Wood » certification is acceptable to Societe Generale.

⁹ High Conservation Value is a concept developed by FSC. Full definition can be found on [HCV Resource Network](#) website.

¹⁰ This criteria and cutoff date are consistent with Societe Generale Palm Oil Sector Policy.

5. SCOPE

This Sector Policy applies to all the banking and financial services provided by the Societe Generale Group entities to its clients involved in the Forestry Sector.

The Upstream Sector includes companies involved in growing, maintenance, development and harvesting of timber in plantations or natural forest land. The Downstream Sector includes traders, wholesale wood suppliers, processors and manufacturers (such as companies involved in sawmilling or the manufacture of panel products and wooden furniture), and pulp and paper companies. Downstream Sector clients will be assessed on the basis of their supply chain responsibility policies and processes.

6. IMPLEMENTATION PROCESS

As established in the E&S General Guidelines, Societe Generale integrates the assessment of potential E&S risks and impacts into its decision-making processes both at the client assessment level and, where necessary, at the transaction assessment level.

The development of these processes will take into consideration risks materiality and may be adapted to countries.

Societe Generale decisions are based on the information made available to the Bank. Societe Generale puts all its reasonable endeavours to ensure the quality and reliability of this information.

7. SCHEDULE – REVISIONS

This Forestry Sector Policy is applicable from the date of its publication to all services provided therefrom.

Procedures will be put in place progressively, as necessary, throughout the Bank to ensure full integration of these requirements in the usual decision processes. Review mechanisms will allow for continuous improvement.

Societe Generale reserves the right to modify this Sector Policy at any time. This document cannot be interpreted as a contractual commitment.

Updated versions will be posted on [Societe Generale's website](#), where the E&S General Guidelines and all published Cross-sectorial and Sector Policies are also available.

This Sector Policy has been established in French, versions in other languages are free translations.