

Société Générale comments on 2019 Human Rights Benchmark

Category 1: Policy commitment.

1.1 Has the bank adopted a policy statement to respect human rights?

In 2019, SG reaffirmed its commitment towards human rights through:

- SG's commitment towards the respect of human rights was reaffirmed in March 2019 by the publication of SG Human rights statement (see document link on the right). This statement has been presented to the board and to General management (CEO and deputy CEOs) as it was one of the commitments taken in last year's Modern Slavery Act statement signed by the CEO.
- SG published its second Duty of Care Plan in the Group registration document (see hyperlink on the right – p. 293):

SG is subject to the French Law on the Duty of Care. This law requires a duty of care plan to be established and implemented, in order to identify risks and prevent serious breaches in respect of human rights, fundamental freedoms, the health, safety and security of persons, 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.

On the basis of the Universal Declaration of Human Rights (1948) and the fundamental conventions of the International Labour Organization, the Group has identified ten key challenges in relation to human rights on which the activities of a company can have an impact (forced labour and slavery; child labour; respect for indigenous populations and their right of ownership; discrimination; freedom of association; the health, safety and security of persons; decent working conditions; decent remuneration; decent social protection; the right to privacy).

This plan includes KPIs and has been integrated to the presentation of the registration document to the board.

- SG published its third statement related to the UK Modern Slavery Act (see hyperlink on the right).
- SG renewed the UNI Global Union agreement on Human rights in February 2019.

1.2 Is the policy commitment approved at the most senior level of the business?

SG's annual Modern Slavery Act statement is signed by the CEO after presentation to the board for review. Please see the hyperlink on the right.

Moreover, the Human rights statement published in 2019 has also been presented to the board and to general management as it responded to a commitment taken in last year's Modern Slavery Act statement (signed as said previously by the CEO).

1.3 Does the bank's policy commitment extend to the bank's client and investee relationships?

Apart from the UNI Global Union agreement that mostly focuses on HR (employees), SG major commitments on human rights (including the Human rights statement, the Duty of Care plan and the Modern Slavery Act statement) cover 3 main pillars and the following stakeholders relationships:

- Human rights pillar: employees
- Supply chain / purchasing pillar: suppliers, service providers and sub-contractors
- Activities pillar: all financing and investment activities (all activities are covered by SG E&S policies, E&S General Principles and the code of Conduct)

Extract of the E&S General Principles "The E&S General Principles stem from the legal and regulatory framework applicable to the Group's activities, as well as from the voluntary initiatives it has joined. They are implemented through processes and procedures adapted to the different activities of the Group.

The E&S General Guidelines outline the key standards and parameters enabling a responsible engagement of Societe Generale in all its activities."

Extract of Duty of Care plan: "Societe Generale first began identifying the risks of breaches of human rights, fundamental freedoms, health, safety and security and the environment associated with its activities a number of years ago. This risk identification served as the basis for the Group's existing E&S management tools and procedures. In 2018, the Group added to its identification of the risks of serious breaches by mapping the inherent risks for each of the Plan's three pillars.

It first identified the risks inherent to the banking sector, as well as the sectors of its suppliers and subcontractors and those to the activities to which it provides products and services."

Extract of SG Code of Conduct : "We act in accordance with and cooperate with those international initiatives we have chosen to endorse, which include:

- the United Nations Global Compact;
- the Statement by Financial Institutions on the Environment and Sustainable Development (United Nations Environment Programme);
- the Equator Principles;

We are developing our business activities while respecting society and the environment. In conjunction with our stakeholders, we use energy and natural resources economically and we incorporate environmental and social factors in our financing and investment decisions and in our businesses."

Category 2: Due diligence process.

2.1 Does the bank describe how it carries out human rights due diligence?

The monitoring of adverse impacts on human rights is included in the E&S Risk Management System (ESRM) set out in the identification /evaluation /action framework of the evaluation procedures.

Products and services directly associated with the

most exposed activities and regions need to undergo more in-depth diligence.

The ESRM is set out in our E&S General Principles, i.e. guidelines for business engagement, and the sector/cross-sector policies appended to them. These policies set out the major HR and E&S risks identified and the criteria for HR and E&S DD to be carried out at customer or transaction level.

In addition, the E&S Watchlist (internal - covering additional sectors or activities) enables to identify the clients for which a deeper Human rights and E&S due diligence needs to be carried out (for instance prospect/clients/transactions with Human rights and E&S controversies according to external databases). A systematic search is integrated to the KYC process within CIB.

SG E&S DD processes include:

- identification of the E&S challenges associated with transactions and customers:
 - o sectors with elevated E&S risk (sectors covered by a policy and those identified through the HR and E&S risk mapping launched in 2017 and updated in 2018/2019);
 - countries with elevated E&S risk (dedicated transactions procedures adapted to “designated and non-designated countries” as defined by the Equator Principles and countries/sectors identified in the new HR and E&S risk mapping;
- in-depth evaluation of those identified transactions and customers by front officers and in-house expert teams, to assess consistency with the Group’s E&S policies;
- negative information from NGOs on clients/transactions is processed to ensure that adequate evaluation is performed
- and when needed, action for remediation

The integration of E&S procedures is being continuously enhanced, and especially their incorporation within both our credit risk and reputational risk management policies to enhance the coverage of Group activities.

In order to comply with the Duty of Care law, the broad due diligence (DD) processes, including specific focus on human rights (HR) aspects is currently being reviewed. The review of the existing E&S risk management framework aims at identifying the risks of serious human rights and E&S violations that would either not be covered or would be insufficiently covered by a clear operational normative framework.

An eventually, Societe Generale performed a combined self-assessment exercise on E&S risk management for all its ESRM, through the Group’s global Compliance Risk Assessment exercise. This provided the Group with more detailed results on the level of implementation of its E&S (including human rights) risk management frameworks over a wider scope and enabled it to define the necessary improvement actions.

2.2 Does the process involve meaningful consultation with potentially affected groups?

Regarding responses to SG own stakeholders on the potential impact of SG activities we have several mechanisms in place, as described on our website (see hyperlink on the right) and in the Registration Document.

One major consultation / mean of dialogue is recurrent meetings and discussions with our main stakeholders including our employees, our clients, civil society including NGOs, our suppliers, shareholders.

Societe Generale strives to engage in constructive dialogue with its stakeholders (see “Dialogue with stakeholders” on the Group’s website: <https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders>).

In particular, the Group listens to and converses with NGOs that alert it to 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 Bank uses the Corporate and Social Responsibility (CSR) Department to centralise any request or contact by NGOs or other civil society members informing it about the impact of its financing services or other services.

In the course of 2018, Societe Generale participated in various working groups and discussion meetings with some 10 NGOs (including Friends of the Earth, BankTrack, Amnesty International, Oxfam and WWF), either in the form of bilateral meetings or broader consultation meetings organised by the associations themselves or, among others, by the OECD, the Equator Principles Association, and Entreprises pour les Droits de l'Homme (Companies for Human Rights).

The group also launched in 2019 a new whistleblowing mechanism on which our employees or suppliers for instance can raise issues regarding several topics including human resources and human rights.

Specific mechanisms are implemented on project finance for transactions entering the EP scope.

In this case, the client is required to conduct an E&S assessment of the project (category A and category B), develop an Action Plan demonstrating how adverse impacts and risks are mitigated and monitored, discloses information and consults with project affected communities, and establishes a grievance mechanism, as appropriate.

For example: "Among these, Societe Generale successfully backed the Nachtigal hydroelectric power station project(1) in Cameroon, the largest hydropower project ever built in Africa through project finance. The 420-MW plant will supply almost a third of Cameroon’s electricity, improving the reliability of the country’s power system, and its electricity will be sold at a competitive tariff that will benefit consumers. Accompanying the five years construction of the dam, there will be a regional socio-economic development program, which will start after consultations with local stakeholders, designed to identify their needs, including the creation of 1,500 direct jobs, most of them for local people."

2.3 Does the bank clearly allocate responsibility to specific functions?

Front officers are in charge of ensuring compliance with E&S regulations and environmental, social and human rights group commitments. Numerous trainings are performed and operational tools are provided to help them gain on expertise to this regards.

In addition, there are environmental, social and human rights experts teams in all major Business units, that support front officers on E&S including human rights due diligences, client reviews (at onboarding or regular review), provide tools and trainings...etc.

On many cases (including the more complex ones), CSR department is put in the loop as well as the second line of defence (risk or compliance).

Arbitration processes deal with more complex cases and include the review and position of heads of business units and can go to general management on environmental, social and human rights issues.

2.4 Does the bank have a process for assessing its relationship to an adverse impact?

On transactions entering the Equator Principle scope, the project is categorized according to the level of environmental, social and human rights impact, and environmental and social impact assessments are key elements taken into account in investment decision and in the conditions set.

On transactions / clients in a sector covered by an E&S policy or present on an internal watchlist, a review is done to evaluate the alignment with the policy requirements. These tools (E&S policies and watchlists) are covering the major E&S (including human rights) impacts and therefore the analysis performed enables to assess the potential adverse impact our service might cause or be linked with. This analysis can lead to a No go (refusal to go further).

The E&S policies reflect the Group's commitment to protecting human rights within the framework of its activities, particularly through sector-based initiatives integrating these issues.

2.5 Does the bank track the effectiveness of its response?

Two different French regulations require that SG identifies and analyses the majors E&S (including human rights and fundamental freedom) risks in its activities: the Duty of Care law and the Non-financial performance declaration. These laws impose that SG is transparent on the risks inherent to its activities, on the policies and means implemented to manage these risks and on the results / efficiency of these measures (including by communicating KPIs).

The chapter 5 of SG registration document contains both the non-financial performance declaration and the duty of care plan. The external auditors review the main KPIs communicated in this chapter.

In addition, specific internal monitoring is done on the E&S and human rights risk assessment of our clients and transactions, information that is partially been looked at by external auditors, but that cannot be communicated externally for confidentiality reasons.

Category 3: Reporting.

3.1 Does the bank report formally on how it addresses its human rights impacts externally?

Thank you for your comment, that we fully understand. The problem is the complexity of the full risk analysis as SG risk analysis takes into account the sector of the client / transaction, specific issues relating to the transaction, the country of localisation of the project / client / assets, as well as the leverage and link with the potential impact. Moreover, time considerations were also added in for certain risk factors that are not particularly significant (or where SG has very little activities) at present but that may become more important in the future.

It is therefore very complicated for us to be fully transparent to this regards.

Nevertheless, on specific topics or in order to be transparent on the commitments taken we do publish specific reports such as : TCFD report on climate, the soon to be published Soft Commodities Compact report, the Equator Principles annual report... where more specific figures are provided on risk management.

Moreover, we do provide rating agencies with detailed information regarding risk management (MSCI, Vigeo-Eiris, RobecoSam, Oekom, Sustainalytics...).

3.2 Is reporting sufficient to evaluate the adequacy of its response to particular human rights impacts?

Please refer to the answer above. Due to the fact that our environmental, social and human rights risk management is complex, it is hard for us to provide all the information needed to demonstrate the adequacy of our response to particular human rights in detail.

We tried to provide some examples of measures taken on the 3 pillars (activities, human resources and purchasing) in our Registration document and to provide details in our Equator Principles report.

In addition, we tried to be as transparent as possible in our risk identification analysis and on how we try to adapt our mitigation measures to the level of risk identified.

3.3 Does reporting include indicators for identifying and addressing adverse impacts on human rights?

In 3.1 you highlighted the reporting done in the Registration document as well as in the Duty of care plan. There are indeed some KPIs provided there on E&S risk management. As said previously, it is complicated for us to provide further information at this stage but we wanted to highlight the fact that there are indeed KPIs such as the % of activities bearing a high risk in terms of E&S risk, the % of entities assessed as being satisfactory on E&S risk management and controls implemented and therefore hope that these indicators could be taken into account here.

Category 4: Remedy.

4.1 Does the bank provide for or cooperate in the remediation of adverse impacts to which it identifies it has caused or contributed?

SG details the process of remediation on project finance in its Equator Principles report for transactions entering the EP perimeter.

Moreover, the general E&S risk management approach is built on a 3 phases basis:

- 1) Identification
- 2) Evaluation
- 3) Action / remediation

On suppliers, the mitigation of HR violation risks within our direct supply chains includes: when a potential risk of HR violation by a supplier is identified (via a controversy check or a drop in a supplier's CSR rating) a remediation plan is put in place. SG reserves the right to carry out a supplier on-site E&S audit or to terminate the relationship.

Regarding the remediation within SG investment and financing activities, several means are used from:

- 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.

4.2 Has the bank established or participated in a grievance mechanism for individuals and communities who may be adversely impacted?

Societe Generale listens to and converses with NGOs that alert it to 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 Bank uses the Corporate and Social Responsibility (CSR) Department to centralise any request or contact by NGOs or other civil society members informing it about the impact of its financing services or other services.

The group launched in 2019 a new whistleblowing mechanism on which our employees or suppliers for instance can raise issues regarding several topics including human resources and human rights. This mechanism has been launched in response to the Duty of Care law and Sapin 2 laws.

More specific mechanisms are implemented on project finance for transactions entering the EP scope.

In this case, the client is required to conduct an E&S assessment of the project (category A and category B), develop an Action Plan demonstrating how adverse impacts and risks are mitigated and monitored, discloses information and consults with project affected communities, and establishes a grievance mechanism, as appropriate.

For example: "Among these, Societe Generale successfully backed the Nachtigal hydroelectric power station project(1) in Cameroon, the largest hydropower project ever built in Africa through project finance. The 420-MW plant will supply almost a third of Cameroon's electricity, improving the reliability of the country's power system, and its electricity will be sold at a competitive tariff that will benefit consumers. Accompanying the five years construction of the dam, there will be a regional socio-economic development program, which will start after consultations with local stakeholders, designed to identify their needs, including the creation of 1,500 direct jobs, most of them for local people."

4.3 Do the grievance mechanism(s) meet effectiveness criteria?

Please see above. The CSR department can be reached regarding any potential or adverse impact on any relationship or transaction by civil society or NGOs, on topics regarding the environment and human rights issues.