

SECTOR POLICY



PALM OIL

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1. INTRODUCTION

Within the framework of its Corporate and 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 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 Palm Oil sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Palm Oil industry and its derivatives, recognizing the importance of palm oil production as a way to meet growing local and global demand for food and as a major source of revenue for producer countries. 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. Societe Generale recognises the importance of the E&S risks and impacts associated with these activities, including deforestation and related climate impacts and destruction of valuable habitats, when sound environmental and social practices are not followed. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Palm Oil industry.

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 its 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 and conversion of natural ecosystems and habitats into agricultural land;
- Greenhouse Gases (GHG) emissions and other climate change impacts due to forest fires, forest or peat-land clearance, and growing and transformation practices;
- Soil erosion, compaction and degradation;
- Pollution of ground and surface water through the use of pesticides and fertilizers;
- Labour rights and working conditions, including occupational health and safety;
- Impacts on smallholders’ livelihoods;

- Risks of land grabbing; Disputes over land tenure and land use; Resettlement or economic displacement;
- Impacts on indigenous peoples or lands used by indigenous peoples;
- Importance of palm oil production to cater to local food markets;
- Downstream users practices regarding use of palm oil in food products, labelling and supply chain control;
- For biofuels production, impacts of the full life-cycle of production and utilization, that may in certain cases outweigh the benefits as compared to fossil fuel counterparts; displacement of food crops and overall impact on the food and feed market prices.

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 the Bank's E&S standards.

Recent years have seen the emergence of multi-stakeholder initiatives in the agriculture and forestry sectors, which aim at developing guidelines and in some cases, certification schemes in specific commodity sectors. The [Roundtable on Sustainable Palm Oil \(RSPO\)](#) is one of these initiatives and unites more than 1,000 stakeholders¹ from all sectors of the Palm Oil industry to develop and implement global standards for sustainable palm oil. Societe Generale is supportive of the RSPO efforts and encourages its clients within the palm oil growing sector and downstream chain to become members and apply the RSPO principles and criteria where relevant. These include commitments to transparency and long-term economic and financial viability, compliance with applicable laws and regulations, environmental responsibility, conservation of natural resources and responsible development of new plantings, and consideration of workers and affected communities.

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 RSPO as an adequate certification scheme to achieve this objective for the palm oil sector.

Based on the analysis of the RSPO recommendations and of best practices of multilaterals² and financial institutions, Societe Generale has defined the following E&S criteria which are incorporated into its decision making process when considering provision of banking and financial services in the Palm Oil 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:

- Clients with upstream palm oil production units are expected to be or become members of RSPO³.

¹ Ordinary Members as of June 2015

² Including the [2011 World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector](#)

³ Other internationally recognized certification schemes may be considered acceptable to Societe Generale.

- 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 with downstream operations are encouraged to put in place purchasing policies to mirror the above requirement for their upstream suppliers, with a view to progressively increase the volume and proportion of RSPO certified palm oil entering their supply chain.
- Clients active in the biofuel sector are in the scope of Societe Generale Alternative Liquid and Gaseous Fuels Sector Policy. They are encouraged to enter one of the [voluntary schemes or agreements recognised by the EU Commission in application of EU 2009 Renewable Energy Directive \(RED\)](#)⁴.

b. Dedicated transactions criteria

When conducting an E&S assessment of a transaction⁵ in this sector, Societe Generale has the following requirements:

- For new transactions related to plantations:
 - Plantations are RSPO certified, or engaged in a time-bound process with a view to obtaining certification or independent verification of the RSPO principles and criteria⁶. Societe Generale recognises however that RSPO implementation is still in its early development in some regions. By exception in such cases, Societe Generale will conduct an appropriate due diligence based on the RSPO principles and make a balanced judgement considering country-specific needs and standards.
 - Plantations have not been created by replacement, since November 2005⁷, of primary forest or any area required to maintain or enhance one or more High Conservation Values⁸.
- Societe Generale refrains from being involved in dedicated financings which direct purpose is the production of first generation biofuels⁹.

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, in the Cross-sectorial Policies and in the Agriculture, Fisheries and Food Sector Policy, these criteria provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

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 Palm Oil upstream and downstream chain.

⁴ Including the RSPO RED which is a voluntary add-on to the RSPO scheme

⁵ See Implementation Process in Societe Generale E&S General Guidelines

⁶ Other internationally recognized certification schemes may be considered acceptable to Societe Generale.

⁷ This criteria and cutoff date have been defined by RSPO and are part of RSPO certification process.

⁸ High Conservation Value (HCV) is a concept initially developed by the Forest Stewardship Council. Full definition can be consulted on the [HCV Resource Network](#) webpage.

⁹ See Societe Generale Alternative Liquid and Gaseous Fuels Sector Policy

Upstream companies include growers and companies responsible for primary processes (e.g. mills), while downstream companies include traders, processors, manufacturers, wholesalers and retailers. The latter 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 account risks materiality and may be adapted to countries.

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

7. SCHEDULE – REVISIONS

This Palm Oil 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.