

Shipping sector policy

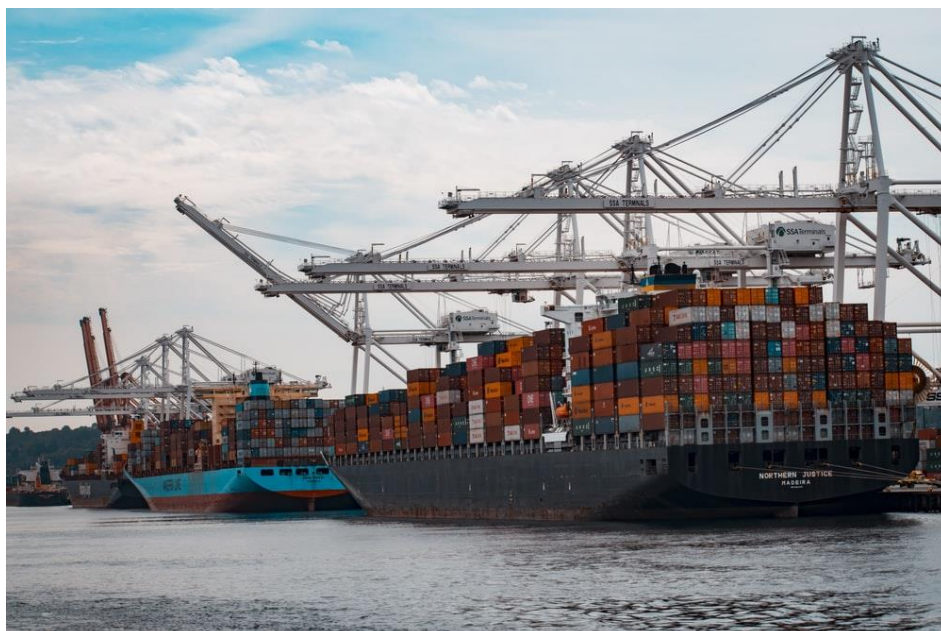


TABLE OF CONTENTS

1. INTRODUCTION	3
2. SCOPE	3
2.1. Geographical scope	3
2.2. Scope of the Group's activities	3
2.3. Scope of sector activities	3
3. SHIPPING SECTOR ESG RISKS	4
4. SECTOR SPECIFIC E&S STANDARDS AND INITIATIVES	4
5. IMPLEMENTATION PROCESS AND COMMITMENT	5
5.1. Implementation process	5
5.2. Commitment	6
6. APPLICATION CRITERIA	6
6.1. Clients criteria	7
6.2. Dedicated transactions, products and services criteria	8
7. DISCLOSURE AND UPDATES	9

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 Shipping sector has been identified as one such sector.

The Group provides a range of banking and financial products and services to the Shipping sector. The international Shipping industry plays a major role in carrying world trade and is a catalyst for economic development, both locally and globally. However, shipping activities can also be associated with a range of E&S issues, such as contribution to climate change through the greenhouse gases emissions during a ship's operation, or E&S impacts related to ship dismantlement.

The Group 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 Group aims for the highest E&S standards when considering the provision of banking and financial products and services to the Shipping industry.

To this effect, the Group has been one of the founding signatories to the [Poseidon Principles](#) in collaboration with the Global Maritime Forum, and in league with a significant number of the Shipping industry's leading banks, to promote a low carbon future for the global Shipping industry.

2. SCOPE

2.1. Geographical scope

The Shipping sector policy is applicable worldwide. The application criteria may take into account the robustness of the countries' governance framework where the infrastructures covered by the policy 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 banking and financial products and services: credit, debt and equity markets, guarantees and advisory activities.

2.3. Scope of sector activities

This sector policy applies to client companies:

- Directly involved in the merchant Shipping sector, including ship-owners, ship operators, ship managers and charterers.
- Involved in shipbuilding, repairing and dismantling activities.

The Shipping sector policy covers passenger liners, dry cargo ships, tankers (crude oil, gas or chemicals) and other special

purpose or port service ships (including cable layers, dredgers, pilot ships, etc.). It also covers hydrocarbon floating storage units (Floating Production Storage and Offloading - FPSO and Floating Storage Unit - FSU).

Military ships and submarines are excluded from the scope of this sector policy due to the ad-hoc regulations they are subject to. They are covered in the Defense sector policy. While fishing boats are not covered either, the Industrial agriculture, food and forestry policy covers the fishing activities.

3. SHIPPING 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 Shipping sector, particular attention will be paid to the following risks:

- Risks of accidents involving petroleum products or chemicals (spill, fire or explosion).
- Solid waste management, including hazardous waste generated on ships.
- Wastewater and ballast water management, including bilge waters and cargo tanks wash waters.
- Use of harmful anti-fouling coatings.
- Greenhouse Gases – GHG (energy efficiency related) and other air emissions.
- Where relevant, occupational and environmental impacts of shipyards and vessel dismantling activities.
- Seafarers and passengers' health and safety management.
- Seafarers working and employment conditions.
- Security issues resulting from piracy or terrorism.
- Risks of child labour or forced labour.

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 Shipping industry, and other civil society organizations have developed standards and initiatives¹ 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 Shipping sector:

- **International Maritime Organisation (IMO) conventions**
 - SOLAS ([International Convention for the Safety of Life at Sea, 1974](#)) and COLREG ([Convention on the International Regulations for Preventing Collisions at Sea, 1972](#)) which lay down standards related to

¹ These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines...

safety. SOLAS has incorporated the ISM (International Safety Management) Code (1993).

- MARPOL ([International Convention for the Prevention of Pollution from Ships, 1973/1978/1997](#)) and appendices which contain requirements to prevent pollution from ships that may be caused both accidentally and in the course of routine operations.
- OPRC ([International Convention on Oil Pollution Preparedness, Response and Co-operation ,1990](#)), CLC ([International Convention on Civil Liability for Oil Pollution Damage, 1969](#)) and FUND ([International Convention on the establishment of an International Fund for Compensation for Oil Pollution Damage, 1992](#)) and related funds, which establish emergency measures in case of pollution and aims at adequate compensation for potential damage. OPRC-HNS Protocol ([Protocol on Preparedness, Response and Co-operation to pollution incidents by Hazardous and Noxious Substances, 2000](#)) considers other types of hazardous substances as well.
- CLL ([International Convention on Load Lines, 1966,2003](#)) which sets limitations on the draught to which a ship may be loaded.
- AFS ([International Convention on the Control of Harmful Anti-fouling Systems](#)), which prohibits the use of harmful organotin compounds in anti-fouling paints used onships.
- STWC ([International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978,1995](#)), which establishes uniform standards of competence for seafarers.
- BWM ([International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004](#)) which aims to prevent the spread of harmful aquatic organisms carried by ships' ballast water from one region to another.
- The [Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009](#) (not yet in force)
- **Other international conventions or standards relevant to the sector**
 - ISPS ([The International Ship and Port Facility Security Code, 2002](#)).
 - ISGOTT ([International Safety Guide for Oil Tankers and Terminals](#)).
 - [The Basel Convention](#) on the Control of Trans-boundary Movements of hazardous Waste and their Disposal and the [Rotterdam Convention](#) on the Prior Inform Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade that are relevant to ships transporting harmful substances, or in the context of a vessel's end of service life.
 - [ILO Maritime Labour Convention, 2006](#), which sets out seafarers' rights to decent conditions of work.
- The [Poseidon Principles](#) (2019), is an initiative led by financial institutions that provides a framework for integrating climate considerations into lending decisions to promote international shipping's decarbonization consistent with the policies and ambitions of the IMO.

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

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.

In particular, the review of corporate clients and transactions of the Shipping sector is also guided by the commitment made by the Group through the Poseidon Principles to disclose the carbon intensity of its shipping portfolio and measure its alignment with the IMO objective to reduce the total annual Greenhouse Gases (GHG) emissions of the Shipping industry by at least 50% by 2050 compared to 2008. Societe Generale results are published in the [annual Group Climate Disclosure report](#).

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 Shipping sector.

In addition, client companies with oil and gas activities (and related dedicated transactions, products and services

involving for instance oil tankers, LNG carriers, Floating Production Storage and Offloading - FPSO, and Floating Storage Unit - FSU) fall in the scope of Societe Generale Oil & Gas sector policy. Client companies with thermal coal activities (and related dedicated transactions, products and services) 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

Priority criteria

When conducting a corporate E&S assessment of a client involved 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:
 - Health and safety.
 - Impacts on biodiversity.
 - Impacts on human rights, with specific consideration of labour rights, as defined in the International Labour Organization (ILO) conventions.
- For ship owners, whether the client company has a recycling policy to minimize the E&S risks associated with dismantling of the vessels, including labour conditions and environmental impact.
- For ship owners, whether the client company implements the following requirements of IMO Conventions:
 - the IMO International Ship and Port Facility Security Code (ISPS).
 - the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM).
 - the 2020 IMO Global Sulphur limit.
- For ship owners, whether the client company discloses its GHG emissions.

Other criteria

When conducting a corporate E&S assessment of a ship owner client, the Group also considers the following criteria:

- Whether the client company reports on its E&S performance on an annual basis.
- For ship owners, whether the client company has policies reflecting applicable international conventions, including those not yet in force such as the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.
- For ship owners, whether the client company has a corporate strategy for GHG emissions reduction and has set quantitative objectives regarding its alignment with IMO GHG reduction objectives.

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:

For vessels

- Vessels not classed as from delivery by a member of the International Association of Classification Societies (IACS) which conducts periodic technical surveys to verify compliance with its published criteria and all applicable international conventions on behalf of the Flag State.
- Vessels not insured as from delivery by a member of the International Group of Protection and Indemnity (P&I) Clubs.
- Vessels operating under any of the flags of the blacklists maintained by the Port State Authorities participating in the Paris MoU and Tokyo MoU.
- Vessels dedicated to Arctic oil, oil sands and coal transport.
- Oil tankers with no double-hull.

For shipbuilding, repairing and dismantling installations

- Shipyards 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 operation with material adverse impacts on the Outstanding Universal Value of a 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:

For vessels as underlying asset

- Whether policies targeting compliance with the IMO recommendations have been defined and in particular ensuring:
 - No use of harmful anti-fouling systems (as described by the AFS Convention)
 - Implementation of adequate procedures enabling the disclosure of relevant information to the IMO in relation to fuel oil consumption and GHG emissions data (MARPOL Convention).
- Whether the information enabling computation of the Annual Efficiency Ratio of vessels is collected, as described in the Poseidon Principles, and communicated to Societe Generale.
- For second-hand vessels, whether positive conclusions have been drawn following the consideration of:
 - The age of the vessel in comparison to its useful economic age.
 - The vessel's maintenance history.
 - The track record of its operator.
 - The energy efficiency of the vessel in consideration of IMO indicators, with implementation of a mitigation plan if needed.

For shipbuilding, repairing and dismantling installations as underlying asset

- Whether the client has policies applicable to the project regarding:
 - Anti-fouling paints and management of related waste.
 - Scrap recycling when involved in dismantling activities.

- 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.

- Whether the client has a policy applicable to the project to ensure labour rights as defined in the ILO Conventions.
- Whether a health and safety management plan has been developed.
- Whether local stakeholders' engagement has been developed and if necessary, a process of Informed Consultation and Participation (ICP). Where indigenous peoples are affected, and in the circumstances prescribed by IFC Performance Standard 7, whether their Free, Prior and Informed Consent (FPIC) is obtained in due time as a result of the ICP.

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.

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.