SECTOR POLICY

THERMAL COAL

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1. INTRODUCTION

Within the framework of its Corporate Social Responsibility policy, Societe Generale (or the Group) intends to take into account the environmental and social (E&S) issues associated with all its activities, to better control their impact and promote good practices, with an objective of continuous improvement. The Group 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 Group looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The Thermal coal sector has been identified as one such sector.

Power generation from coal is the most CO_2 intensive of power sources and significantly contributes to climate change. To be consistent with the objective set by the parties to the Paris Agreement in December 2015 of limiting global warming below 2°C, reliance on coal-fuelled power needs to be significantly reduced in the coming decades. Societe Generale acknowledges it has a role to play in the transition to a low-carbon economy and supports governments and private-sector efforts towards diversification of the energy sources and wider use of renewable energy in the markets in which it operates. Therefore, the Group has committed to reduce the banking and financial services it provides to the thermal coal sector in consistency with the Paris Agreement and the Collective Commitment to Climate Action of the Principles for Responsible Banking.

ENERGY E&S SECTOR POLICIES

Societe Generale's Energy E&S Sector Policies seek to identify E&S issues throughout the whole value chain in which the Group is active, from retrieval of the energy source; to power and heat production; to transportation, distribution, storage; and end user energy consumption. The Group will identify and develop additional Policies as necessary in the future to assist it in better addressing E&S issues within this value chain. The Energy E&S Sector Policies of Societe Generale and their current status include:

	Energy E&S Sector Policies
Oil and Gas	Oil and Gas Sector Policy
Thermal Energy	Thermal Coal Sector Policy
	Thermal Power Sector Policy
	Civil Nuclear Power Sector Policy
Renewable Energy	Dams and Hydropower Sector Policy

2. SCOPE

This Thermal coal Sector Policy applies to all the banking and financial services provided by the Group entities to Companies[1] commercially involved[2] in the following activities:

- Thermal coal[3] mining, storage, transport, trade, transformation
- Coal-fuelled power production[4], transport, trade or distribution.

[1] See Glossary
[2] See Glossary
[3] See Glossary
[4] See Glossary

3. 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 Group's E&S standards.

A number of institutions have developed standards and initiatives[5] addressing the E&S impacts resulting from activities in the thermal coal sector. The standards and initiatives of the organisations listed below provide guidance for Societe Generale E&S assessment framework in the thermal coal sector.

- The UN Framework Convention on Climate Change (UNFCCC), related protocols and agreements, including the Paris Agreement of December 2015.
- The climate scenarios determined by the International Energy Agency (IEA) through its analysis of energy technology perspectives and published in its annual World Energy Outlook.
- The CDP Climate Change Program.

Based on the analysis of these initiatives and of best practices of multilaterals and financial institutions, Societe Generale has defined the following targets and E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial services in the Thermal coal sector:

a. Long term commitment

For its financing, asset management and investment portfolios, the Group is committed to progressively reducing to zero its exposure to the Thermal coal sector at the latest in 2030 for Companies with mining or power production Thermal coal assets located in the EU or OECD countries and 2040 for Companies holding such assets elsewhere.

b. Client criteria

In order to move towards this long-term commitment, Societe Generale will be restricting its support to Companies involved in the thermal coal sector in two steps. This approach allows time for in depth discussions with existing clients of the sector to assist in their transition, while acknowledging the need to disengage from the Thermal coal mining sector at a quicker pace.

From the publication date of this policy, Societe Generale will refrain from providing new financial products and services to the following Companies:

- prospects which:
  - are Thermal Coal Developing Companies[6] or
  - have more than 25% of their revenue linked to the Thermal coal sector[7] or
  - do not have communicated a transition plan aligned with the 2030/2040 thermal coal phase out objectives of Societe Generale.
- existing clients which have more than 25% of their revenue linked to the Thermal coal sector and do not have communicated a time-bound transition plan to exit[8].

[5] These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines…
[6] See Glossary
[7] See Glossary
[8] Or which have more than 50% of their revenue linked to the Thermal coal sector, regardless of their transition plan

Societe Generale will also refrain from providing new financial products and services to Corporate Entities (prospects or existing clients) of the thermal coal mining sector[9] which:

- are developing or planning to develop Thermal coal mining capacity or
- belong to groups which have more than 20% of their revenue linked to the Thermal coal sector or produce more than 10 million tonnes of Thermal coal per year or
- do not have communicated a transition plan aligned with the 2030/2040 thermal coal phase out objectives of Societe Generale.

In addition, from the end of 2021 at the latest, Societe Generale will refrain from providing new financial products and services to any Company with mining or power thermal coal assets which :

- is a Thermal Coal Developing Company or
- does not have communicated a transition plan aligned with the 2030/2040 thermal coal phase out objectives of Societe Generale.

By the end of 2021, Societe Generale will review its entire portfolio and have dialogue with all client Companies with mining or power production thermal coal assets about their transition plans and coal phase out timeline.

As the Group is committed to assisting companies in their energy transition, Companies which do not meet the above criteria will however be offered financing Products and services dedicated to the energy transition[10]. Coal Developing Companies won't be able to benefit from such services from the date of publication of this policy for prospects and from end 2021 for existing clients.

All client Companies are also expected to be aligned with Societe Generale Mining Sector Policy and/or Thermal Power Sector Policy, depending on their activities.

c. Acquisition transactions criteria

Societe Generale refrains from being involved in transactions and advisory services aiming at the sale or acquisition of:

- assets in the Thermal coal sector or
- Thermal Coal Developing Companies or
- Companies which revenue is more than 25% linked to the Thermal coal sector.

d. Dedicated transactions criteria

Societe Generale refrains from being involved in dedicated transactions and services linked to:

- Thermal coal mining, transport or transformation or
- Coal-fuelled power production units and associated infrastructures, including transport and distribution infrastructures directly linked to Coal-fuelled power plants.
- Thermal coal trading.

e. Asset management and investment criteria

Societe Generale entities managing assets for their own account or on behalf of third-parties exclude from their universe of investment the Companies:

[9] See Glossary
[10] See Glossary

- which revenue is more than 10% linked to Thermal coal mining;
- which are in the energy sector and have more than 30% of their power production generated from Thermal coal.
- which are Thermal Coal Developing Companies

Divestment will occur over a reasonable period of time.

In addition, Societe Generale entities managing assets for their own account or on behalf of third-parties will ask Companies of the sector to communicate a transition plan aligned with the 2030/2040 Thermal coal phase out objectives of Societe Generale.
Regarding dedicated funds and bespoke mandated asset management, the criteria are applied unless the client explicitly refuses. Regarding delegated fund management, an engagement for application of the criteria will be conducted with the delegatee on a best effort basis.

Index-linked asset management are not within the scope of application.

These criteria are applied by the LYXOR Group entities. They are also applied by Societe Generale insurance entities as part of their investment policy.

4. IMPLEMENTATION PROCESS

As established in the E&S General Guidelines, Societe Generale integrates the assessment of E&S risks and impacts into its decision-making processes.

The Group will work with clients who meet or aim at meeting its E&S standards. During the E&S review of the Thermal coal sector clients, if a client is found to be failing a criterion of the Policy, a dialogue will be engaged aiming at finding ways to improve the situation through a time bound process.

In case of disagreement between the Group's first and second lines of defense and/or lasting discrepancy between a client policy and the Group's policy, the issue will be examined by the Group Responsible Commitment Committee[11]. Societe Generale will take appropriate measures if its E&S standards are not met, or if the client does not aim at meeting them.

Societe Generale decisions are based on public information or information made available to the Group by the client. Societe Generale makes all reasonable endeavours to ensure the quality and reliability of this information but is dependent on its accuracy.

5. SCHEDULE – REVISIONS

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

Societe Generale reserves the right to modify this Sector Policy at any time. This document cannot be interpreted as a contractual commitment. It may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Group and its various stakeholders.

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.

[11] See Glossary

GLOSSARY

Commercially involved in the thermal coal sector: either deriving a revenue from the Thermal coal sector or planning to do so.

Company: In determining indicators of Thermal coal related business, Societe Generale will consider the counterpart (either at group or corporate entity level) with which business is conducted or envisaged.

Coal-fuelled power production: Power production using coal as fuel, including coal-fired power, biomass co-firing (except total conversion to biomass projects) or gasification.

Corporate entity of the thermal coal mining sector: corporate entity directly operating or owning Thermal coal mining assets.

Group Responsible Commitment Committee: Societe Generale Group committee which examines and arbitrates complex transaction/customer cases with a high risk in terms of the Group's reputation or non-alignment with its standards in terms of Corporate Social Responsibility, culture and conduct or ethics.

Revenue linked to the thermal coal sector: For Companies of the power value chain, Thermal coal revenue is primarily evaluated based on the revenue derived from coal-fuelled power production.

Products and services dedicated to the energy transition: Dedicated products and services with a traceable objective linked to the energy transition. Clients will be systematically encouraged to disclose public information about the underlying assets in due course.

Thermal coal (also known as steam coal): coal grades used for power and heat generation, which generally includes peat, lignite and sub-bituminous ranges of coal. **Metallurgical coal / coking coal** is used in metallurgical process such as in smelting of iron to make steel.

Thermal Coal Developing Companies: Companies of the Thermal coal sector developing, or planning to develop, new thermal coal mines, new coal-fuelled power capacities strictly above 300 MW or new transportation projects dedicated to Thermal coal. Majority owners of the asset are considered. Companies purchasing Thermal coal assets will be considered as Thermal Coal Developing Companies if they do not commit to cease operating these assets within a reasonable period.