Climate Action
in Financial Institutions

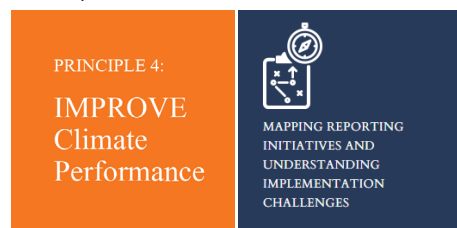### PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Internal Carbon Tax of Societe Generale

Principle

Related Work Stream(s)

PRINCIPLE 4:

IMPROVE
Climate
Performance

MAPPING REPORTING
INITIATIVES AND
UNDERSTANDING
IMPLEMENTATION
CHALLENGES

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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2012	As part of the environment policy, it's a Board management decision.	The internal carbon tax was implemented through existing structures, without consultants.	The tax revenues provide the resources.
Key Lessons			
• The internal carbon tax is a strong incentive tool that promotes integration of environmental impacts in the business model and innovation.			

Introduction

Since the launch of its carbon neutral programme in 2007, Societe Generale has consistently improved its environmental footprint. As part of this work, it was one of the first banks to establish an internal carbon tax, applied to all business lines and support functions, to finance the purchase of "carbon credits."

In 2012, the management wanted to go further and accelerate the process of transformation. It was therefore decided that the amount gathered would be entirely dedicated to initiatives improving the environmental impact of our entities and business lines, thereby creating an innovative and incentivizing programme.

Development and Design

The Societe Generale Group's environmental policy for 2014–2020 focuses on "carbon reduction," and has set a target: reducing carbon emissions per occupant by 20%, in 2020 compared to 2014.

This policy is supported by an internal carbon tax, paid by each Core Business and Functional Division, based on their carbon footprint (10€/tCO2). The revenues of this tax are then reallocated, through the Environmental Efficiency Awards, rewarding initiatives reducing the Group's environmental footprint.

The Environmental Efficiency Awards

The Group invites all of its entities (including branch offices, subsidiaries and Functional Divisions) to submit applications for the Environmental Efficiency Awards, regardless of the amount of the internal carbon tax paid by them or their Core Business.

To be eligible, an initiative must:

- Reduce the Group's environmental footprint in one of the following fields: IT, Paper, Real Estate, Transportation, Waste management. This reduction must be quantified (know or estimated figure) and backed up by proof and/ or explanations.

- Be realized, deployed, and paid, between January 1st of the previous year and May 31st of the year of the Awards Ceremony. Initiatives for which deployment extends further than these dates can only submit an application for the portion of the action realized during these dates.

Some criteria taken into account for application evaluation are:

- Initiative's impact of the Group's environmental footprint

- Environmental intention: importance of the environmental parameters in conduction of the project

- Voluntarism: going further than the respect of a regulation, or a Business As Usual approach

- Innovation and benefits for the Group's image

- Economic balance of the initiative (possible overcost and savings induced)

- Environmental return on investment (cost of initiative/CO2 reduction)

Quality and clarity of the provided information, and of the documents backing this information, as well as the availability of the initiative manager to provide more precise explanations when asked, are key elements to the evaluation of the application. Indeed, the involvement of people is important, because the success of the system also depends on how information is disseminated. The application period is from April 1st to the end of May.

The initiatives selection is a two-step process: a **Pre-selection Committee** is composed of the CSR manager of each Core Business, as well as thematic experts (Real Estate, IT, Paper, Transportation, Waste Management), and it approves the technical aspects of each application and the **Selection Committee,** taking into account the experts' recommendations, selects the rewarded initiatives and decides the amount granted per initiative.

Awards can cover up to 100% of the environmental part of the initiative costs. The maximum amount of each award is 200 000 €. Awards are paid at the beginning of the civil year following the Awards Ceremony, on the bank account provided by the awarded entities after winners have been announced.

Rewarded initiatives are announced on October, during the Environmental Efficiency Awards Ceremony, organized by the Group's General Direction.

Experience and Impact

Key figures since the Awards were created (3 years): 19 countries in 4 continents; 119 initiatives awarded; €3.1 m allocated on average per year to the winning internal initiatives; €13m of annual savings in average; 4,700 tons de CO2 avoided in average per year (1.4% of the Group emissions); 30 GWh of energy

saved on average per year (3.4% of the total energy consumption of the Group).

The internal carbon tax is:

- an incentive tool to reduce its environmental impacts, empowering internal actors in defining their carbon action plans.

- a mobilizing tool, raising awareness that the greenhouse effect is a subject that is both ecological, economic and financial, the effects can be mitigated through practical and useful operations

- a ludic tool because this competition allows the fun and games, creating a true emulation, which stimulates creativity

It also stimulates innovation thanks to the amount of rewards that allows the creation of innovation units dedicated to research and development of environment friendly products and services which are then offered to customers and employees.