ShareAction»

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Slawomir Krupa
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11 December 2024

Dear Mr. Krupa,

I am writing to you following the launch of ShareAction's latest report on banks' target-setting '**Mind the strategy gap: how disjointed climate targets are setting banks up to miss net-zero. An assessment of the decarbonisation and sustainable finance targets set by Europe's largest banks**'. We are extremely grateful for your sustainability team's contribution to our report and for all the positive engagement we have had with Societe Generale this year, notably your colleague Julie Ricard's attendance at our green finance roundtable this month. In addition, we look forward to engaging with your team in Paris on 12 December.

We are approaching 2025, the five-year countdown to 2030 – a key milestone banks are working towards in their net-zero trajectories. Climate disaster continues to worsen at an alarming rate. Scientists from the World Weather Attribution (WWA) report that 2024 saw the deadliest swathe of extreme heat waves ever recorded, including in Europe, where in July alone there were at least 23 fatalities due to intolerable temperatures across Portugal, Spain, France, Italy and Morocco. Recent severe flooding in Valencia, Spain, has affected 74,400 people, resulting in an estimated death toll of over 200 people.

Banks play a critical role in averting unliveable climates by reducing their finance to fossil fuels and increasing finance to sustainable alternatives. There has never been a more important time for banks to ensure their net-zero strategies are underpinned by scientifically robust and complementary decarbonisation and sustainable finance targets, designed to have a real-world impact on the green transition of the global economy.

Our report shows that banks have made progress on setting an array of targets to reach net-zero by 2050. Positively, Europe's 20 largest publicly listed banks have all committed to net-zero by 2050, and most banks now report progress against their sectoral decarbonisation targets annually in relative and absolute terms. However, our report finds that banks' sustainable finance and decarbonisation targets are disconnected from each other, employing inconsistent designs, diverging accounting practices, and different timeframes. It is particularly concerning that so few sustainable finance targets are grounded in climate scenarios or the investment needs of specific sectors to transition. It is particularly concerning that so few sustainable finance targets are grounded in climate scenarios or the needs of specific sectors. They lack both the scientific foundations and granularity that banks need to navigate complex transitions, overcome constraints on progress, and cultivate new opportunities for their services.

The incentive to artificially inflate targets rather than engage in the hard work of growing sustainable finance means the current generation of targets are unlikely to shift the necessary capital to meet their own net-zero goals, increasing the risk of a disorderly transition.

Our analysis showed that whilst all 20 banks have set at least one sector-specific decarbonisation target, only nine banks have set sector sustainable finance targets. This makes it difficult for investors to know how the bank is planning to decarbonise specific sectors, and whether it plans to allocate any of its sustainable financing to specific clients and/or activities to ensure it meets its decarbonisation intentions and achieve real world impact. For example, the absence of targets specific to the power sector makes it hard for stakeholders to understand how the banks' sustainable finance strategy supports their commitments to decarbonise their power portfolios and align with investment needs. Meanwhile, many sustainable finance frameworks fail to include enabling infrastructure such as grids and storage, which could undermine the banks' strategy to decarbonise power portfolios and ramp-up financing for renewable energy.

Since our report was published, Societe Generale has published a new €500 billion sustainable finance target. We estimated that Societe Generale's old target would have achieved a clean financing to fossil fuel financing ratio of 3.9:1 in 2030, falling far below what the International Energy Agency (IEA) says is needed to stay within 1.5C – a ratio of 10:1 by 2030. If Societe Generale confirms that the scope of its new €500 billion target is narrower, it could be that it is more ambitious which is a welcome improvement, but by our estimates it still likely falls short of what the IEA says is needed.

Whilst the new target seemingly reflects greater ambition, as with the former, Societe Generale has not disclosed a methodology for how it quantified it, leaving critical questions unanswered. The new target's sectoral coverage remains broadly unchanged – it includes "clean energy", "sustainable real estate", "low carbon mobility", and "other industry and environmental transition topics". While key categories are in scope, this is a missed opportunity for the bank to clarify how much it will allocate to each category to meet their investment needs and achieve the 2030 emissions reduction targets it has set for these sectors.

We are calling on banks to set targets which are ambitious, transparent and coherent. We are making five asks of Societe Generale:

1. **Ground its sustainable finance targets in a clear robust methodology, disclosing how sustainable finance targets are quantified relative to the bank's decarbonisation commitments** or credible scenarios, also acknowledging Societe Generale's historical responsibility as a significant fossil fuel financier in Europe.

2. **Set sectoral targets to underpin high-level sustainable finance targets, starting with renewable energy**, and outline a strategy for increasing finance for enabling infrastructure and early-stage technologies – Societe Generale is lagging peers Crédit Agricole and BNP Paribas which have both set renewable power targets. Whilst Societe Generale has set a target to allocate funding to enabling and early-stage technologies that support industry decarbonisation, without detailed disclosure, the impacts this financing has on specific sectors is not clear (see ask 4);

3. **Ensure its decarbonisation and sustainable finance targets are consistent and comparable by:**

    a. **Including the same products and services** – Societe Generale focuses on lending in its decarbonisation targets, but its high-level sustainable finance target also covers advisory mandates and capital markets. The latter is especially problematic considering Societe Generale supported at least one of the five largest fossil fuel bonds of 2023 (and unlike Crédit Agricole and BNP Paribas, has not committed to ruling out new oil and gas bonds);

   b. **Applying the same accounting principles** – We are pleased that with its new target announcement, Societe Generale confirmed that it now only accounts for its pro-rata share of facilitated sustainable finance. The bank previously included the total value of the facilitated deal, artificially inflating its sustainable finance contribution. Societe Generale should now apply 100% weighting to the deals it facilitates through capital markets, whether carbon-intensive or sustainable;

   c. **Using consistent time frames** – Currently, Societe Generale's targets are set over incoherent time frames spanning four to twelve years.

4. **Demonstrate how these targets – now coherent and consistent – are leading to real-world impact** by disclosing:

   a. **How Societe Generale's emissions reductions are driven by clients' performance and changes in exposure, and how changes in exposure are driven by its sustainable finance** – Societe Generale should report its overall absolute financed emissions reductions annually, as 16/20 peer banks have done, and how its sustainable financing is driving these reductions;

   b. **Which sectors, activities, and types of financing are in scope** of sustainable finance targets and the criteria used to define what constitutes sustainable finance. Societe Generale states that its target was developed based on "various external frameworks defined by the European Investment Bank, UNEPFI and the European green taxonomy". This does not provide a clear picture of the activities covered under broad categories such as "clean energy", and what criteria are used to define their eligibility. For example, we don't know if the bank considers controversial sources of energy – such as natural gas – to be sustainable, or whether enabling infrastructure critical to unlock sustainable financing opportunities – such as grids and storage – are eligible.

   c. **The real-world impact of the bank's sustainable financing, starting with energy** – once Societe Generale has established a target for renewable power, it should report on the impact of its financing to the sector as peers BNP Paribas and Crédit Agricole have done.

5. **Complement these targets with robust sector policies which consider human rights and environmental impacts** (such as financing exclusions for companies expanding oil and gas). In October 2020 Societe Generale provided $500 million in finance to Total Energie's controversial Mozambique LNG expansion project, for which human rights abuses and adverse environment impacts are well documented. Societe Generale is also the advisor for this project.

Banks should be doing a lot more than they are currently doing to finance the transition to a green and just economy. But, as our report recognises, the success of banks' targets also relies on external factors. Banks should transparently highlight which parts of their strategy critically depend on the actions of others and use their influence to ensure capital flows to sustainable activities at the scale and pace needed to avert the climate crisis. We encourage Societe Generale to set sector targets even in sectors facing regulatory challenges or other obstacles, and for the bank's leaders to highlight where and how these structural barriers could be alleviated in aid of more impactful sustainable financing. Importantly, target-setting is not a substitute for setting and adhering to robust sector policies, such as ending project and corporate finance for oil and gas companies with expansion plans.

We are committed to engaging with and supporting Societe Generale in the development of its policies and targets, and hope that our constructive dialogue will continue throughout 2025. As a next step, we expect you to take material action on your sustainable finance strategies by the end of 2025 by adhering to the asks above, or ShareAction and investors may consider taking escalatory action in 2026.

I ask that you respond to bankingteam@shareaction.org in writing by the **15th February 2025**. I truly wish you and your team a wonderful Christmas break and look forward to building on our valuable relationship in the new year.

Warm regards,

Jeanne Martin

Head of Banking Programme

ShareAction