Société Générale Group's Ethical Sourcing Program

The mission of Société Générale Group's Sourcing Division is to ensure the Group's sourcing performance by optimizing its external spend through ongoing search for the best cost/value ratio. Its baseline amounts to an annual 4.3 Bn Euro spend (including 2.7 Bn for France), 51% of which correspond to IT purchasing. The Group's Sourcing function includes 60 buyers in Paris and 27 based abroad (Czech Republic, Romania, USA, UK). This community of buyers handles about 70 sourcing categories including 139 products/services.

The 2006/2007 Ethical Sourcing Program (ESP)

The Sourcing Division wants to give a structured impetus to its CSR commitments and thus decided in 2006 to implement a long term plan for responsible sourcing: the Ethical Sourcing Program – ESP.
This program has 2 main priorities: the mitigation of social and environmental risks and the implementation of measures designed to encourage suppliers to progress in the area of CSR and aiming at increasing responsible sourcing.
To take up this double challenge, various actionswere conducted by a multidisciplinary workgroup made of the Sourcing Division's executive team, , managers and buyers, a dedicated CSR team, the head of the Sourcing Division's communication department and representatives from the Group's Sustainable Development Division. As a result of their work, a map of CSR risks and a methodology for supplier assessment were produced, governance and monitoring processes were designed, as well as a communication plan for internal use and towards the suppliers.

Designing the map of CSR risks for the products and services purchased

The map was produced in two steps:

- First, the members of the workgroup rated the environmental, social and economical risks of the 139 products and services one by one. These risks could be inexistent / low / high.
- Then, the workgroup confirmed the ratings and prioritized the risks according to their weight. The products and services for which at least two high risks out of three (economic, social and environmental) were identified were qualified "at risk".
  → Of the 139 products and services purchased by the Sourcing Division, 49 were identified with a high risk and 90 with a lower risk.

Feedback sheet n°5. Elaboration and implementation of a structured long term CSR plan within a Sourcing Division.

Supplier CSR assessment and management

Every sourcing initiative now includes the supplier's CSR risk assessment and, when necessary, the assessment of the product or service purchased.

Initial assessment based on a questionnaire

- 2 types of questionnaire may be submitted to the supplier according to the estimated level of risk:
  - A questionnaire said "standard" for products and services with a "lower risk". Made of 10 general questions, the questionnaire assesses the supplier's commitment in the area of CSR.
    This questionnaire was adjusted for the SME to be able to value their CSR actions and not be penalized in relation to major companies.
  - Specific questionnaires for "high risk" products and services. Specific questions regarding the product/service considered are added to the standard questionnaire.
- Transmission mode
  - Mailing campaigns are conducted in order to make sure that suppliers are not questioned more than once a year and to consolidate results via a data base stored in the Sourcing Division's e-Sourcing tool.
- Verification of the suppliers' answers
  - Upon receipt of the questionnaires analysis of the responses and, the buyer checks that documented proofs of the supplier's CSR initiatives are provided and rates the supplier accordingly.
  - Via CSR audits: Occasionally, the Sourcing Division reserves itself the right to conduct CSR audits at suppliers' companies. An external agency is then in charge of checking the supplier's declarations on site.
- Rating and acknowledgement of the rating in the selection criteria
  - The suppliers' answers are rated on a scale of 10. The ratings obtained are included in the selection criteria.

Monitoring

Action is taken with the suppliers with ratings lower than 5/10.

- The supplier is not selected: the information regarding the rating is communicated by mail.
- The supplier is selected: the information is transmitted by mail and in the event of "at risk" categories, the supplier is required to set up and communicate to the buyer a progress plan for its CSR performance. This plan is monitored by the buyer with the support of the Sourcing Division's CSR team.

Integration of the ESP in the Sourcing Division's e-Sourcing tool: **Tool@chats**.

The integration of the program in the Sourcing software has been completed.
The questionnaires have been integrated in the e-Sourcing tool and constitute a specific CSR RFx: The supplier responds directly in the tool, the rating is generated and checked by the buyer.
Reporting and consolidation of results is thus facilitated.

Communication to the bank's internal and external publics

The communication plan, implemented as of the first quarter of 2007, has two objectives:

In-house:

- Explaining to the buyers and internal stakeholders (our internal clients) the ESP approach in order to enable them to understand the new social, societal and environmental stakes in Sourcing and encourage responsible sourcing.

With suppliers

- Making them aware of Société Générale's commitments in the area of responsible sourcing and communicating on the initiatives undertaken in this area.

The communication plan includes:

- Formalisation of the effort through a CSR sourcing brochure which explains the policy led by the Sourcing Division of the Group; "Let's act together for socially responsible sourcing".
- Set-up of a dedicated site for suppliers on Société Générale's Group website, **www.socgen.com,** to communicate on CSR strategy, missions, ethics, risks, expectations and on the supplier relationship.

Organization and resources

To move from intention to systematic action, to build and then obtain buy-in, the ESP was handled in project mode.

Dedicated governance

The ESP plan is monitored by a dedicated team within the Sourcing Division. This team is made of the Sourcing CSR team, sourcing managers, one reference buyer, the Methods and Information Systems team and the communication team.
This team meets on a weekly basis to follow the progress of the plan (follow-up committee). They also organize a steering committee 4 times a year with the other stakeholders of the ESP plan within Société Générale Group: the Sustainable Development division, the Risk division and the legal teams. This committee decides of the major orientations of the CSR initiatives within the Sourcing division and especially of the ESP plan, with regard to the Group's CSR policy.

Ongoing monitoring

The ESP dedicated team supervises the progress of the plan by means of a dashboard which is updated on a regular basis. The indicators focus on the various parts of the plan: CSR training of the buyers in France and in international locations, assessment of suppliers (design of specific questionnaires and monitoring of the sourcing baseline covered by the standard questionnaire, in accordance with Société Générale's commitments (rating>=5), supplier progress plans, CSR audits.
The team also relies on buyers' feedbacks to always improve the processes.

For further details on
Société Générale Group Sourcing:
www.socgen.com - "Suppliers" section
For further information about the ESP:
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