

# CORPORATE AND SOCIAL RESPONSABILITY

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2019 EQUATOR PRINCIPLES REPORT



**THE FUTURE  
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GENERALE**



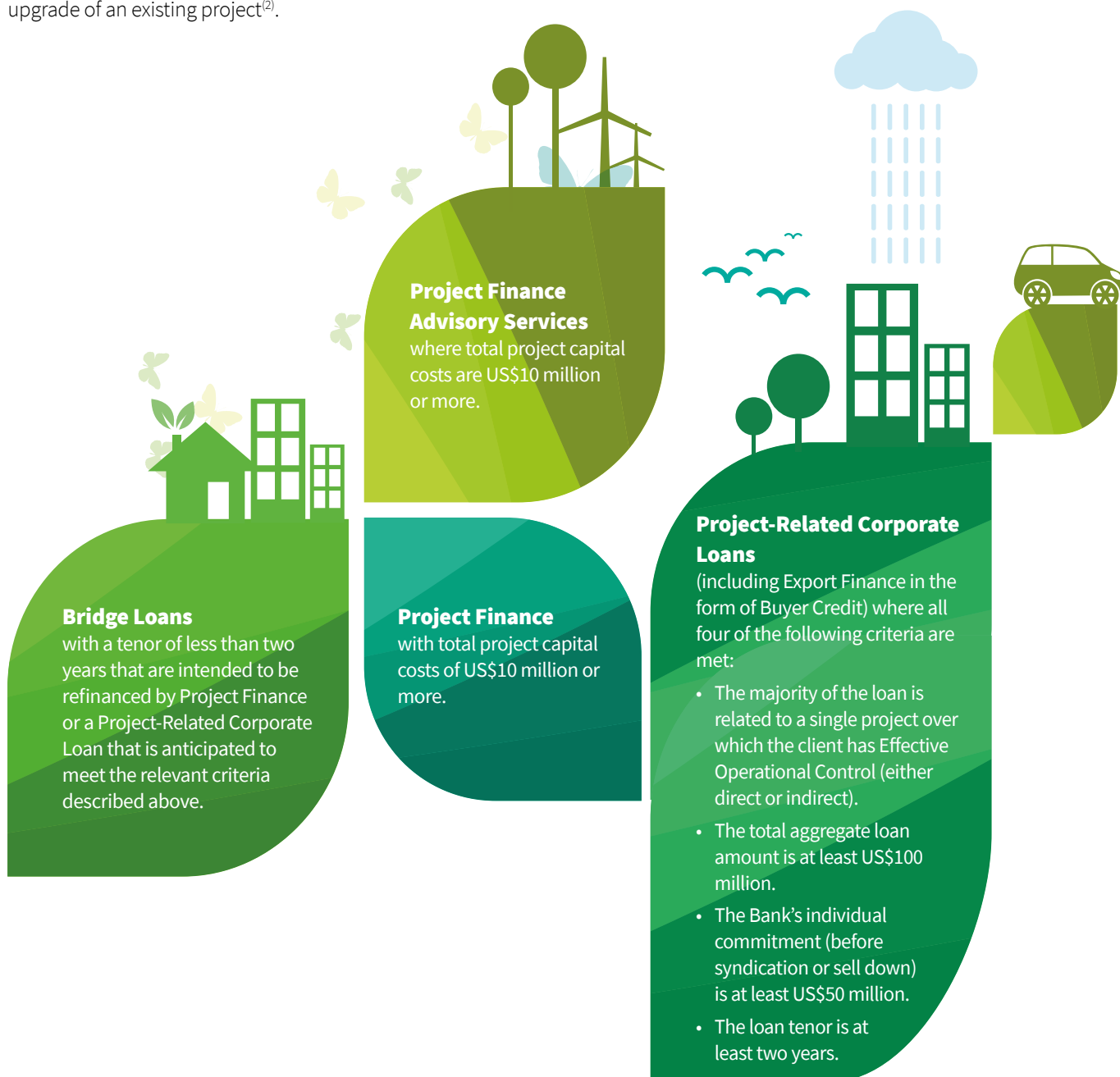
# EQUATOR PRINCIPLES

**The Equator Principles is a risk management framework adopted by financial institutions, for determining, assessing and managing E&S risk in projects.**

They have been adopted by 105 international financial institutions in 38 countries to date, covering the majority of international project finance debt within developed and emerging market<sup>(1)</sup>.

## SCOPE

The EP apply globally, to all industry sectors and to four financial products, when supporting a new project or the expansion or upgrade of an existing project<sup>(2)</sup>.



1. Source: Equator Principles Association, <http://www.equator-principles.com/about>

2. In November 2019, the EP Association adopted and released the fourth iteration of the EP, EP4, due to come into effect in October 1st 2020. The EP4 scope of application has been extended to five financial products with the inclusion of Project-Related Finance and Project-Related Acquisition Finance, Source: Equator Principles Association, <https://equator-principles.com/blog/>

# FRAMEWORK – SOCIETE GENERALE'S COMMITMENTS

## SOCIETE GENERALE COMMITMENTS FRAMEWORK

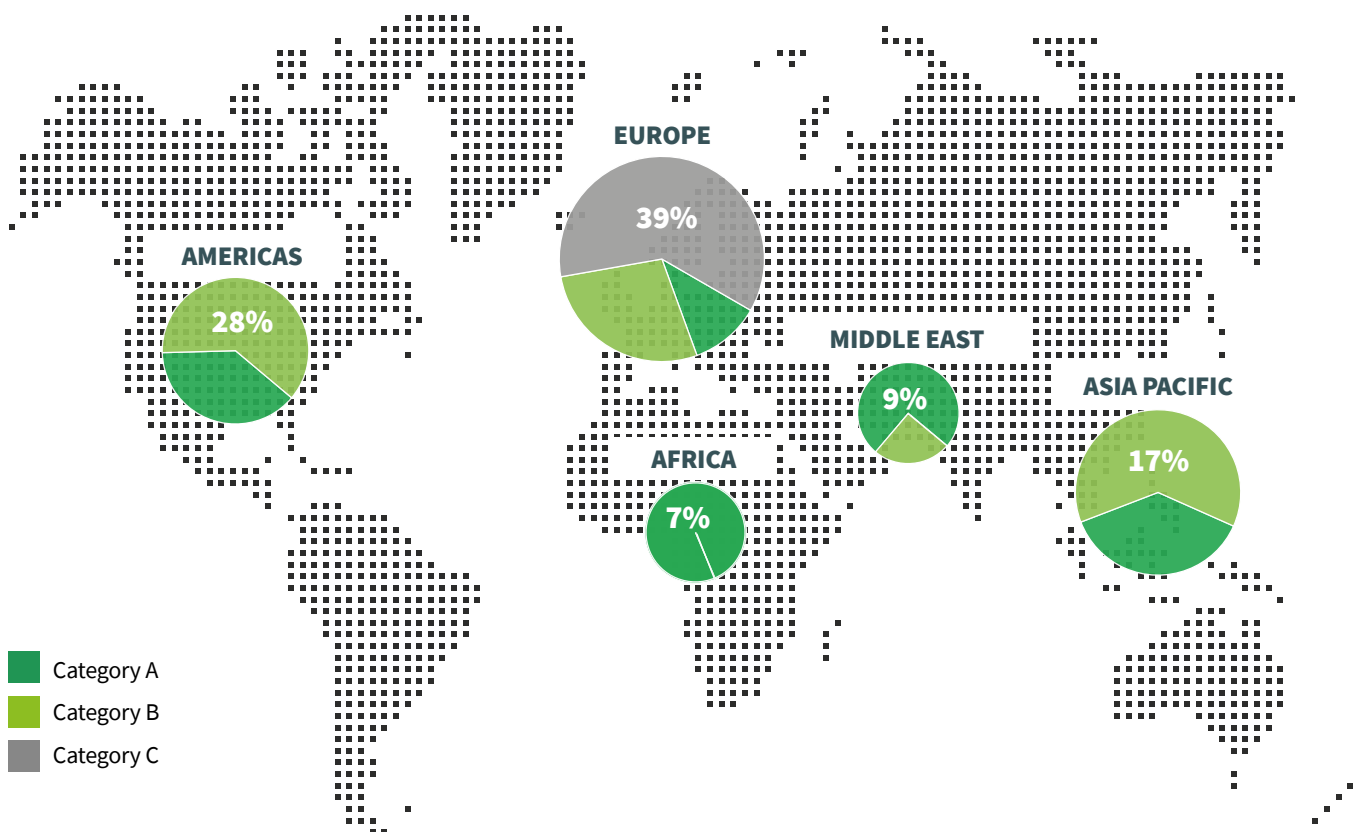
As an EP Financial Institution (EPFI), Societe Generale has committed to implement the EP in its internal E&S policies, procedures and standards and to refrain from providing loans falling within the scope of the initiative which do not comply with the EP. This strong commitment is supported by robust internal procedures, tools and competence.

Societe Generale has developed [Group's Environmental and Social \(E&S\) General Guidelines](#) and a set of 12 sector and cross-sector E&S policies which refer to EP commitments and specify the standards that the Bank wishes to apply to sensitive sectors as well as to certain cross-sector issues, based on international best practices. These E&S General Guidelines are public and have been formalized in internal rules signed by the Chief Executive Officer.

In order to enable implementation of these E&S commitments throughout the organization, procedures have been set at the Group level and signed by the Corporate General Secretariat. These procedures explain how to handle the E&S challenges associated with transactions or customers to whom the Bank provides banking and financial services. As such, EP transactions are run through these procedures.

Societe Generale procedures for E&S evaluation and the Group implementation of the Equator Principles are annually subject to an external audit by the independent third-party body EY in accordance with the working draft of the Guidance Note on External Review of Equator Principles Implementation<sup>(1)</sup>.

## EP TRANSACTIONS SIGNED BY REGION AND CATEGORY IN 2019 (NUMBER OF TRANSACTIONS)



1. EP internal Guidance Note.

# SOCIETE GENERALE'S DECISION MAKING PROCESS

## EQUATOR PRINCIPLES IMPLEMENTATION

**Front officers** hold primary responsibility for the implementation of the EP. They identify transactions which fall within the scope of the EP, categorize the projects, review the E&S documentation (due diligence report where applicable or other documentation received from the client) and draft an E&S form for all projects. A detailed review by **an internal E&S expert** is required for all projects categorised A or B. More than 15 people, with hands-on experience on E&S Impact Assessment, field surveys, corporate E&S analysis and due diligence, are integrated in E&S advisory teams in the different branches of SG, alongside the commercial teams. The internal E&S experts provide a second E&S review and engage in discussions over E&S impacts and mitigation and management measures with the client, the E&S independent expert or counterparts from other financial institutions where necessary. They may also visit the project site. As a result, it is compulsory that the internal E&S experts provide their opinion on the opportunity to pursue the deal (with potential E&S conditions) or not. This applies to lending and financial advisory operations.

**The procedures in place within the Group cover at least the scope defined in the current version of the Equator Principles. They integrate all the EP principles and describe for each of them the implementation process within the Group.**

## IDENTIFICATION

**Categorisation of the project:** the potential E&S risks and impacts attached to the project are identified to commensurate the E&S due diligence that will need to be conducted. It is important to stress that categorisation is not a rating of the E&S performance of a project but reflects the magnitude of potential E&S risks and impacts prior to mitigation measures: category A projects are intrinsically more likely than other projects to have important E&S risks and impacts due to their size, nature (including sector), or the vulnerability of the natural or social environment they are located in. The point of early categorisation is to ensure that all relevant E&S issues will be carefully identified assessed and, if unavoidable, minimized, mitigated and/or offset. The E&S advisory team reviews and validates all project categorizations.

## EVALUATION

**Evaluation, Remediation, Disclosure:** under EP, the client is required to conduct an E&S assessment of the project (category A and category B), develop an Action Plan demonstrating how adverse impacts and risks are mitigated and monitored, discloses information and consults with project affected communities, and establishes a grievance mechanism, as appropriate.

**Independent review and monitoring:** an independent E&S expert with duty of care to the future lenders is involved to assess the project's alignment with EP requirements and/ or verify monitoring information for all category A and, as appropriate, category B projects.

**E&S standards<sup>(1)</sup>:** in designated countries, the regulatory,

1. Under the EPIII framework.

permitting and public comment process requirements are considered an adequate and sufficient set of E&S standards. In non-designated countries, compliance with the IFC Performance Standards and World Bank EHS Guidelines is required in addition to compliance with the local applicable E&S framework. Sustainability issues covered are broad and include labour standards, impacts on local communities (including resettlement), impacts on indigenous populations, impact on cultural heritage, pollutions and impact on natural resources and biodiversity.

## ACTION

**Actions and Opinions:** as an EPFI, Societe Generale categorises the project, makes its own evaluation of how the steps taken by the client fulfill the EP requirements (assisted by independent E&S expertise where relevant), integrates EP covenants in the documentation and annually reports on the processes and projects. These requirements are reflected in the internal "Opinion memo" issued by the Societe Generale E&S advisory team and are part of the decision by the Bank's Risk Division as well as the Compliance process. In case of disagreement between the front officer and the E&S advisory team, the file is escalated to the highest levels of responsibility within the Corporate Investment Bank or, as the case may be, at Group level for arbitration. The overall governance of the Management of E&S risk has been updated in 2019 with the definition of clearer responsibilities for the second line of defense (managed by both the Credit risk and Compliance departments) regarding alignment with the Group's commitment and reputational risk. Legal documentation or advisory mandate reflect the decision making. EP standard clauses (conditions precedent and monitoring of drawdowns, covenants, representations & warranties) have been drafted jointly by the E&S advisory team and Societe Generale Legal department.

**Middle Officers** are responsible for controlling that legal documentations are in line with the decisions and for the monitoring of EP clauses. Where relevant, they can be supported by the E&S advisory team. In case of material deviation to these EP clauses, Societe Generale may decide to withdraw its financing.

## INTERNAL TRAINING

In Societe Generale a training program about the Bank's E&S General Guidelines and the E&S evaluation of transactions and clients process in general, and EP implementation in particular, is rolled out every year. Around 340 employees within the Corporate and Investment Bank and the International Retail Banking division received face to face training in 2019, in addition to continued online learning allowed by the development of eLearning tools. Those training sessions reached the main actors involved in the credit management process, such as Front officers but also the Risks, Compliance and Middle Office Departments, hence the teams potentially working on EP transactions and focused on new joiners, including the 10 new E&S experts recruited by the regional divisions in Africa, as well as in the main subsidiaries in Eastern Europe and Russia.

# EQUATOR PRINCIPLES REPORTING

## EP REPORTING UNDER EPIII

In 2015, the EP Association introduced new reporting obligations in order to improve transparency on transactions financed by members of the association. As a consequence, each EPFI shall report, at least annually, on transactions that were subject to the Equator Principles and have reached Financial Close and on its Equator Principles implementation processes and experience.

## SOCIETE GENERALE 2019 EP DATA

In 2019, 46 transactions, namely 35 project finance transactions, 2 project-related corporate loans, and 9 project finance advisory mandates falling within the scope of the Equator Principles III (2013), were closed. Among these transactions, 38% are related to renewable power projects.

These data are certified by our external auditor (EY).

The Societe Generale's 2019 EP Reporting Table (see after) shows the detailed distribution of the financial products and services signed in 2019 which fall in the EPIII scope. The breakdown follows the guidelines developed by the EP Association.

In 2019, 35% of the transactions signed were category A, 41% category B and 24% category C. Most of the underlying projects are located in Europe, as well as in the Asia Pacific and Americas regions. For each transaction, the E&S Due Diligence process conducted by Societe Generale was commensurate with the nature, scale and stage of the Project, and with the level of environmental and social risks and impacts. The internal E&S Due Diligence was supported by an Independent E&S Review for all the Project Finance loans categorised A or B.

Moreover, for the 13 category A and B transactions associated with Projects located in non-designated countries, the application of the EPs implies a development of the underlying Projects in alignment with the relevant IFC Performance Standards and World Bank Group EHS Guidelines, in addition to compliance with local E&S laws, regulations and standards.

In 2019, Renewable Power Projects account for **82%** of EP financings closed in the power sector

For the 37 financing transactions (i.e. Project Finance transactions and Project-Related Corporate Loans) signed in 2019, Societe Generale's allocation represents a total of EUR 3.4 billion, of which EUR 1,5 billion were allocated to renewable power projects, i.e. 82% of total Bank EP commitments in the Power sector this year.

Among these, Societe Generale successfully backed, alongside the International Finance Corporation (IFC), Guinea Alumina Corporation's project<sup>(1)</sup> for the construction of a bauxite mine in the Boke region (Guinea) together with the development of associated infrastructures, including the upgrade of a rail system and the construction of a new port terminal. This project is one of the largest investments in the country in the past 40 years and helps the country establish itself as a world-class producer and exporter of bauxite, a strategic mineral to produce aluminum. This project has a transformative impact on the country with an annual estimate of 5% contribution to Guinea's Gross Domestic Product (GDP) and also positively impacts local communities with over 4,600 people employed in the construction of the project at peak, of which more than 85 percent were Guineans. This project also plays a role in the energy transition, aluminum being a major enabler for the transition toward lower greenhouse gas levels according to the World Bank. The key E&S risks and impacts identified include biodiversity and ecosystem services – project areas being associated with critical habitats –, physical and economic displacement, population influx and cumulative

1. More information available at:

<https://wholesale.banking.societegenerale.com/en/insights/clients-successes/clients-successes-details/news/guinea-thousands-jobs-created-thanks-major-development-project/>

impacts due to other bauxite mining activities<sup>(1)</sup>. Compliance with SG policies and the Equator Principles have been ensured through: 1) thorough E&S due diligence including the review of the E&S documentation package prepared by the client, as well as of the reports produced by the lenders' Independent E&S Consultant (IESC), 2) E&S clauses integrated into the Loan Documentation accounting for IESC's recommendations (including referring to an agreed E&S Action Plan), and 3) Appointment of an IESC ensuring the monitoring and reporting of the Project's compliance with the Equator Principles.

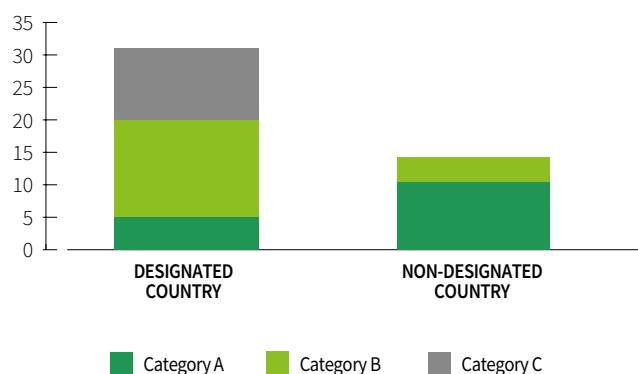
#### EQUATOR PRINCIPLES CATEGORIES

**Category A** – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented;

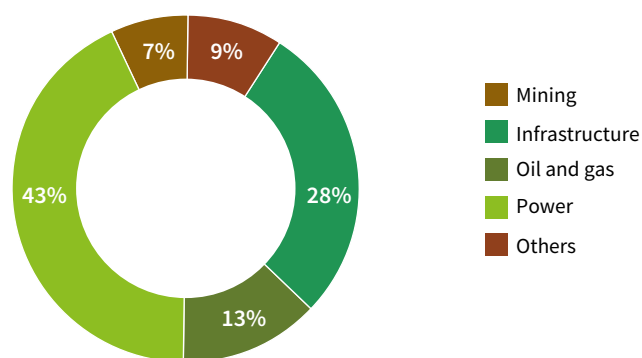
**Category B** – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;

**Category C** – Projects with minimal or no adverse environmental and social risks and/or impacts.

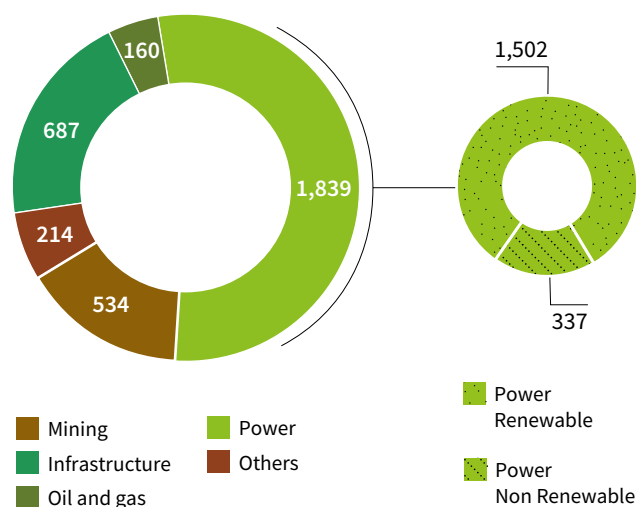
#### EP TRANSACTIONS SIGNED BY COUNTRY DESIGNATION AND CATEGORY IN 2019 (NUMBER OF TRANSACTIONS)



#### EP TRANSACTIONS SIGNED BY SECTOR IN 2019 (NUMBER OF TRANSACTIONS)



#### EP TRANSACTIONS SIGNED BY SECTOR IN 2019 (AMOUNTS OF SOCIETE GENERALE COMMITMENTS, M EUR<sup>(2)</sup>)



1. <https://disclosures.ifc.org/#/projectDetail/ESRS/24374>.

2. Project finance advisory mandates are excluded.

# CONTRIBUTION TO THE EQUATOR PRINCIPLES DEVELOPMENT

Since the adoption in 2007, Societe Generale is actively involved in the work performed by the Equator Principles Association, for instance through its participation to the EP Association Annual Meetings every year and the EP workshops held for the occasion.

Since 2017, our Group participated actively to the two-year update and review period of the Principles which involved works on key thematic areas including: Social Impact and Human Rights, Climate Change, Designated Countries and Applicable Standards, and Scope of applicability of the EPs.

Following a process involving extensive dialogue with a variety of stakeholders, including EPFI clients, industry bodies, NGOs, civil society and other investors, the updated version of the Equator Principles, EP4, was adopted by the Equator Principles Association and officially launched at the

opening of its 2019 Annual General Meeting. Amendments and new commitments have been made in relation to the following topics: human rights, climate change, Indigenous Peoples and biodiversity. The scope of the EPs has also been extended to capture more Project-related transactions.

All EPFIs will be required to implement EP4 on any new Projects (including term sheets or mandates) signed on/ after 1 October 2020<sup>1</sup>.

In this transition period, Societe Generale is gradually adapting its internal processes and organising trainings, and already implementing EP4 when the Bank is in position to do so. The objective is to reach a full deployment of EP4 throughout the Group by the mandatory date 1 October 2020.

1. EP4 was initially due to come into effect 1 July 2020 but has been postponed by the EP Association to reflect COVID-19 pandemic challenges.



# SOCIETE GENERALE'S 2019 EP REPORTING TABLE

|                              | PROJECT FINANCE       |            |            | PROJECT-RELATED CORPORATE LOANS |            |            | PROJECT FINANCE ADVISORY SERVICES | BRIDGE LOANS                   |
|------------------------------|-----------------------|------------|------------|---------------------------------|------------|------------|-----------------------------------|--------------------------------|
|                              | BREAKDOWN BY CATEGORY |            |            | BREAKDOWN BY CATEGORY           |            |            | BREAKDOWN BY SECTOR AND REGION    | BREAKDOWN BY SECTOR AND REGION |
| Sector                       | Category A            | Category B | Category C | Category A                      | Category B | Category C |                                   |                                |
| Mining                       | 2                     | 0          | 0          | 0                               | 1          | 0          | 1                                 | 0                              |
| Infrastructure               | 2                     | 3          | 5          | 0                               | 0          | 0          | 3                                 | 0                              |
| Oil & Gas                    | 0                     | 3          | 0          | 0                               | 0          | 0          | 3                                 | 0                              |
| Power                        | 3                     | 9          | 5          | 1                               | 0          | 0          | 2                                 | 0                              |
| Others                       | 3                     | 0          | 0          | 0                               | 0          | 0          | 0                                 | 0                              |
| <i>Sub Total</i>             | <i>10</i>             | <i>15</i>  | <i>10</i>  | <i>1</i>                        | <i>1</i>   | <i>0</i>   | <i>9</i>                          | <i>0</i>                       |
| Region                       | Category A            | Category B | Category C | Category A                      | Category B | Category C |                                   |                                |
| Americas                     | 4                     | 8          | 0          | 0                               | 0          | 0          | 1                                 | 0                              |
| Europe, Middle East & Africa | 4                     | 3          | 10         | 1                               | 0          | 0          | 7                                 | 0                              |
| Asia Pacific                 | 2                     | 4          | 0          | 0                               | 1          | 0          | 1                                 | 0                              |
| <i>Sub Total</i>             | <i>10</i>             | <i>15</i>  | <i>10</i>  | <i>1</i>                        | <i>1</i>   | <i>0</i>   | <i>9</i>                          | <i>0</i>                       |
| Country Designation          | Category A            | Category B | Category C | Category A                      | Category B | Category C |                                   |                                |
| Designated Country           | 2                     | 11         | 10         | 0                               | 1          | 0          |                                   |                                |
| Non-Designated Country       | 8                     | 4          | 0          | 1                               | 0          | 0          |                                   |                                |
| <i>Sub Total</i>             | <i>10</i>             | <i>15</i>  | <i>10</i>  | <i>1</i>                        | <i>1</i>   | <i>0</i>   |                                   |                                |
| Independent Review*          | Category A            | Category B | Category C | Category A                      | Category B | Category C |                                   |                                |
| Yes                          | 10                    | 15         | 7          | 1                               | 1          | 0          |                                   |                                |
| No                           | 0                     | 0          | 3          | 0                               | 0          | 0          |                                   |                                |
| <i>Sub Total</i>             | <i>10</i>             | <i>15</i>  | <i>10</i>  | <i>1</i>                        | <i>1</i>   | <i>0</i>   |                                   |                                |

\* An Independent Review may not be required for all Projects e.g. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

# PROJECT NAME REPORTING FOR PROJECT FINANCE

According to the EPIII reporting requirements, the EPFI submits project name data to the EP Association Secretariat for publication on the EP Association website.

Project name reporting is applicable to project finance transactions that are closed, subject to obtaining client consent, subject to applicable local laws and regulations, and subject to no additional liability for the Bank as a result of reporting in certain identified jurisdictions.

Below is the list of the 35 EP project finance transactions which were closed in 2019.

| PROJECT NAME  | SECTOR         | HOST COUNTRY NAME        |
|---|----------------|--------------------------|
| Altiplano/LaPuna solar power plant                          | Power          | ARGENTINA                |
| Amur GPP Project  | Others         | RUSSIAN FEDERATION       |
| Autopista al Mar 1  | Infrastructure | COLOMBIA                 |
| Bois d'Olivet Wind Farm                                     | Power          | FRANCE                   |
| Cheniere Energy Partners   Sabine Pass Liquefaction Train 6 | Oil & Gas      | UNITED STATES OF AMERICA |
| Condor Energia  | Power          | CHILE                    |
| Crookwell 2 Wind Farm                                       | Power          | AUSTRALIA                |
| Cross River Rail Brisbane                                   | Infrastructure | AUSTRALIA                |
| Dampierre Wind Farm   | Power          | FRANCE                   |
| Dumat Al Jandal Wind Farm                                   | Power          | SAUDI ARABIA             |
| Eagle Gold Mine   | Mining         | CANADA                   |
| El Llano  | Power          | MEXICO                   |
| Formosa 2 Offshore Wind Farm                                | Power          | TAIWAN                   |
| Guernsey Power Station                                      | Power          | UNITED STATES OF AMERICA |
| Guinea Alumina Corporation                                  | Mining         | GUINEA                   |
| Hamriyah Independent Power Project                          | Power          | UNITED ARAB EMIRATES     |
| Hombreux Wind Farm  | Power          | FRANCE                   |
| Long Beach Container Terminal                               | Infrastructure | UNITED STATES OF AMERICA |
| LuWa  | Infrastructure | BELGIUM                  |

| PROJECT NAME   | SECTOR         | HOST COUNTRY NAME        |
|--|----------------|--------------------------|
| Midship Natural Gas Pipeline Project                   | Oil & Gas      | UNITED STATES OF AMERICA |
| Morgan's Point Ethylene Export Terminal                | Infrastructure | UNITED STATES OF AMERICA |
| Neart na Gaoithe Offshore Wind Farm                    | Power          | UNITED KINGDOM           |
| Nouveau Marché d'Intérêt National d'Azur, Nice         | Infrastructure | FRANCE                   |
| Parc solaire Ker Lepaud                                | Power          | FRANCE                   |
| Parc solaire Ker Park 2                                | Power          | FRANCE                   |
| Permian Highway Pipeline Project                       | Oil & Gas      | UNITED STATES OF AMERICA |
| Project Marigold                                       | Others         | MALAYSIA                 |
| Saint-Nazaire Offshore Wind Farm                       | Power          | FRANCE                   |
| Savoie Connectée                                       | Infrastructure | FRANCE                   |
| Superfast Broadband "Eure Normandie Numérique" Project | Infrastructure | FRANCE                   |
| TEKCIM   | Others         | MOROCCO                  |
| Terminal Internacional de Fluídos Tuxpan               | Infrastructure | MEXICO                   |
| THD Tarn-et-Garonne                                    | Infrastructure | FRANCE                   |
| Yandin Wind Farm                                       | Power          | AUSTRALIA                |
| Yunlin Offshore Wind Project                           | Power          | TAIWAN                   |

Calendar year in which the transactions were signed: all transactions were signed in 2019.

For more information on Equator Principles implementation, please contact [Contact.Devptdurable@socgen.com](mailto:Contact.Devptdurable@socgen.com)

For full description of Societe Generale CSR framework and activities in 2019, check Chapter 5 of our 2020 [Universal Registration Document](#).

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