

CORPORATE AND SOCIAL RESPONSABILITY

2020 EQUATOR PRINCIPLES REPORT



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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 118 international financial institutions in 37 countries to date, covering the majority of international project finance debt within developed and emerging market⁽¹⁾.

SCOPE

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



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

2. In November 2019, the EP Association adopted and released the fourth iteration of the EP, EP4, which came into effect on 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

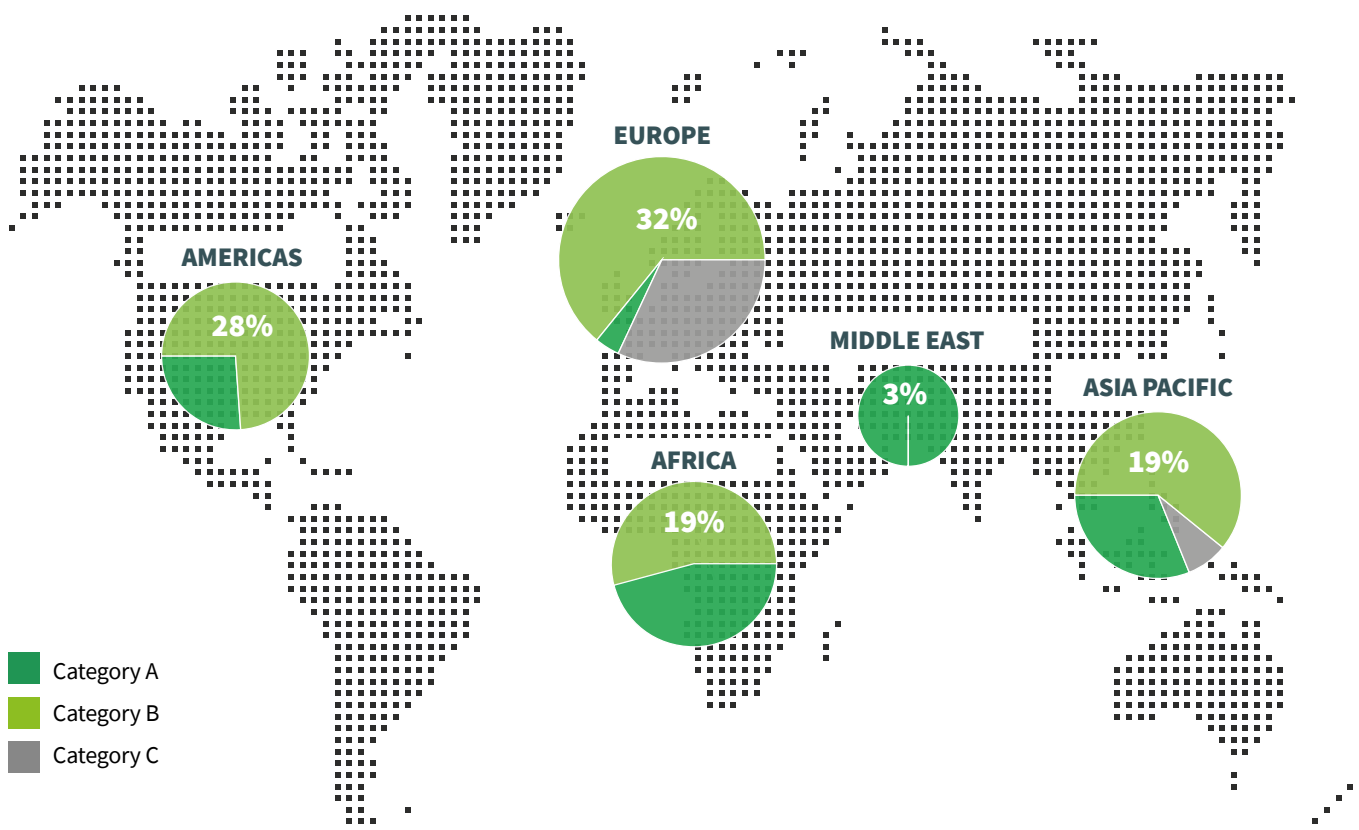
As an EP Financial Institution (EPFI), Societe Generale has committed to implement the EP in its internal E&S policies, procedures and standards and to refrain from providing loans falling within the scope of the initiative which do not comply with the EP. This strong commitment is supported by robust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

Societe Generale has developed [Group’s Environmental and Social \(E&S\) General Principles](#) 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 Principles 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 subject to an annual 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⁽³⁾.

EP TRANSACTIONS SIGNED BY REGION AND CATEGORY IN 2020 (NUMBER OF TRANSACTIONS)



3. 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 proposed project (category A and category B), propose measures demonstrating how adverse impacts and risks are mitigated and monitored, disclose information and consult with project affected communities, and establish a grievance mechanism, as appropriate. Under the EP4 framework, clients are also now explicitly expected to include assessments of potential adverse human rights impacts and climate change risks as part of the assessment.

Independent review and monitoring: an independent E&S consultant, 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⁽⁴⁾: in designated countries, the regulatory, permitting and public comment process requirements are considered as a robust set of E&S standards. In non-designated countries, compliance with the IFC Performance Standards on Environmental and Social Sustainability and the World Bank Group 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. The applicable standards (as described above) represent the minimum standards required by Societe Generale. In addition, for projects located in Designated Countries, as an EPFI, Societe Generale evaluates the specific risks of the project to determine whether one or more of the IFC Performance Standards could be used as guidance to address those risks, in addition to host country laws.

4. Under the EP4 framework

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 reports annually 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 and Investment Bank and the International Retail Banking division 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 letters 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, reflecting the EP4 updated framework new requirements.

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 Principles and the E&S evaluation of transactions and clients process in general, and EP implementation in particular, is rolled out every year. Around 230 employees within the Corporate and Investment Bank and the International Retail Banking division received training in 2020, 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 30 new E&S experts recruited by the regional divisions in Africa, as well as in the main subsidiaries in Eastern Europe and Russia.

With the rollout of the EP4, in 2020, the Group also adapted its tools and procedures, and introduced training and communications aimed at E&S experts and the sales teams to ensure the implementation of the EP4 and of their main changes. These changes include in particular:

- tightening requirements in terms of the consideration of human rights and obligations related to Free, Prior and Informed Consent of Indigenous Peoples;
- strengthening the integration of climate risk considerations, in keeping with the Paris Agreement, and introducing a systematic climate risk assessment (physical or transition) for some projects;
- for projects located in high-income OECD countries (designated countries), applying the IFC’s international standards in addition to local regulations, where relevant;
- broadening the scope of application in order to cover more project-related transactions, notably by reviewing loan thresholds and adding new financial products;
- encouraging the sharing of project-related biodiversity data.



EQUATOR PRINCIPLES REPORTING

EP REPORTING UNDER EPIII AND EPIV

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 2020 EP DATA

In 2020, 69 transactions, namely 49 project finance transactions, 12 project-related corporate loans, 2 bridge loans and 6 project finance advisory mandates falling within the scope of the Equator Principles III (2013) or IV (2020), were closed. Among these transactions, 51% are related to renewable power projects.

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

The Societe Generale's 2020 EP Reporting Table (see after) shows the detailed distribution of the financial products and services signed in 2020 which fall in the EP III and IV scope. The breakdown follows the guidelines developed by the EP Association.

In 2020, 26% of the transactions signed were category A, 62% category B and 12% category C. Most of the underlying projects are located in Europe 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 24 category A and B EP lending 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 2020, Renewable Power Projects account for **98%** of EP financings closed in the power sector

For the 63 financing transactions (i.e. Project Finance transactions, Project-Related Corporate Loans and Bridge Loans) signed in 2020, Societe Generale's allocation represents a total of EUR 5.1 billion, of which EUR 2.2 billion were allocated to renewable power projects, i.e. 98% of total Bank EP commitments in the Power sector this year.

Among these, in July 2020, alongside a consortium of global financial institutions, Societe Generale acted as technical bank and mandated lead arranger in the first ever project financing of a lithium-ion battery giga factory for the Swedish battery manufacturer Northvolt, which is expected to quickly become one of Europe's new champions in this field. The USD 1.6 billion project financing is for the world's greenest battery factory, set to enter production in 2021 using power from northern Sweden's renewable energy generating base. Falling under the scope of Equator Principles III, an independent E&S consultant was hired on behalf of the lenders and conducted a detailed assessment of the Project categorized as A mainly due to the size of the factory, forest clearance on the site and the environmental risk associated with the use of chemical products.⁽⁵⁾

5. 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/>

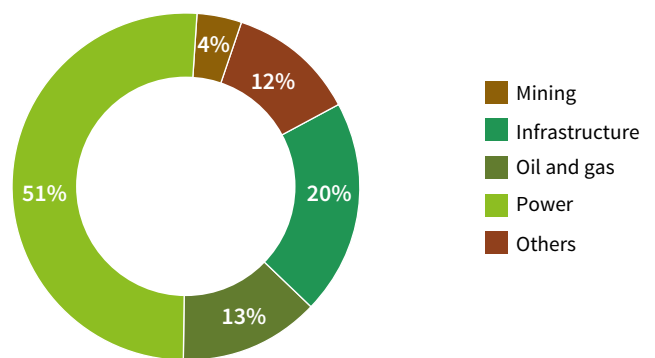
EQUATOR PRINCIPLES CATEGORIES

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

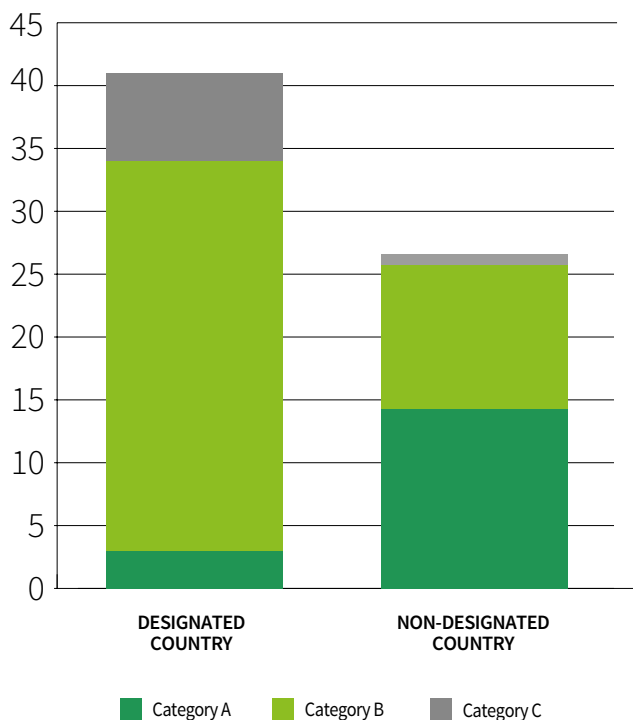
Category B – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;

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

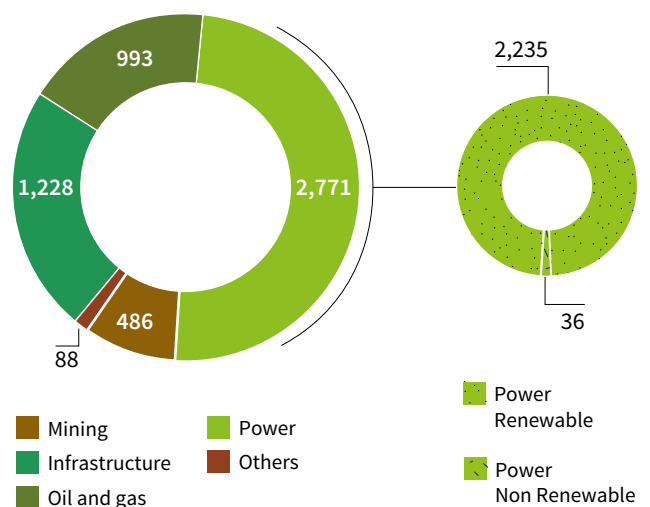
EP TRANSACTIONS SIGNED BY SECTOR IN 2020 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY COUNTRY DESIGNATION AND CATEGORY IN 2020 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY SECTOR IN 2020 (AMOUNTS OF SOCIETE GENERALE COMMITMENTS, M EUR⁽⁶⁾)



6. 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 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.

In 2020, Societe Generale contributed to work by the EP Association in support of the launch of the EP4. In particular, the Group participated in various working groups in preparation of the Association's publication of several guidelines to facilitate the rollout of the EP4 (<https://equator-principles.com/documents-resources/>).

All EPFIs are required to implement EP4 on any new Projects (including term sheets or mandates) signed since 1 October 2020⁷.

In this transition period, Societe Generale has adapted its internal processes and organised trainings, and has implemented EP4 when the Bank was in position to do so. Thus, Societe Generale successfully reached a full deployment of EP4 throughout the Group by the mandatory date of 1 October 2020.



7. 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 2020 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	3	0	0	0	0	0	0	0
Infrastructure	1	2	3	1	4	1	2	0
Oil & Gas	3	2	0	1	1	0	2	0
Power	3	26	2	0	0	0	2	2
Others	1	2	1	2	2	0	0	0
<i>Sub Total</i>	<i>11</i>	<i>32</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>1</i>	<i>6</i>	<i>2</i>
Region	Category A	Category B	Category C	Category A	Category B	Category C		
Americas	5	12	0	0	0	0	0	2
Europe, Middle East & Africa	4	13	5	3	7	1	4	0
Asia Pacific	2	7	1	1	0	0	2	0
<i>Sub Total</i>	<i>11</i>	<i>32</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>1</i>	<i>6</i>	<i>2</i>
Country Designation	Category A	Category B	Category C	Category A	Category B	Category C		
Designated Country	3	26	5	0	1	1		
Non-Designated Country	8	6	1	4	6	0		
<i>Sub Total</i>	<i>11</i>	<i>32</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>1</i>		
Independent Review*	Category A	Category B	Category C	Category A	Category B	Category C		
Yes	11	14	0	3	0	0		
No	0	18	6	1	7	1		
<i>Sub Total</i>	<i>11</i>	<i>32</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>1</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 47 EP project finance transactions which were closed in 2020 and for which we got clients' consent for disclosure.

	PROJECT NAME	SECTOR	HOST COUNTRY NAME
1	200 MW Engie GUVNL's Raghnesda Solar Park Project	Power	INDIA
2	Akita Offshore Wind Farm Project	Power	JAPAN
3	Area 1 Mozambique LNG Project	Oil & Gas	MOZAMBIQUE
4	Atlas	Power	FRANCE
5	Baalon Energies	Power	FRANCE
6	Beano	Oil & Gas	ROMANIA
7	Bighorn Solar Project	Power	UNITED STATES OF AMERICA
8	Bina Istra 2B2	Infrastructure	CROATIA
9	Bjorkvattnet Wind Farm	Power	SWEDEN
10	Bruck geothermal power plant	Power	GERMANY
11	Ca-Ku-A1 Gas Compression Project	Oil & Gas	MEXICO
12	CBG Multi-Users Rail Expansion Project	Mining	GUINEA
13	Changfang & Xidao (CFXD) Offshore Wind	Power	TAIWAN
14	Changhua Floating Solar	Power	TAIWAN
15	Columboola Solar Farm	Power	AUSTRALIA
16	Cross River Rail	Infrastructure	AUSTRALIA
17	Cucuta - Pamplona 4G Highway	Infrastructure	COLOMBIA
18	DESRI Louisiana Solar	Power	UNITED STATES OF AMERICA
19	Dogger Bank A	Power	UNITED KINGDOM
20	Dogger Bank B	Power	UNITED KINGDOM
21	Escalade	Power	UNITED STATES OF AMERICA
22	Fecamp Offshore Wind Farm	Power	FRANCE
23	Gulf Coast Ammonia	Others	UNITED STATES OF AMERICA
24	Juno Solar	Power	UNITED STATES OF AMERICA

	PROJECT NAME	SECTOR	HOST COUNTRY NAME
25	Lightsource BP Elm Branch and Briar creek solar PV projects	Power	UNITED STATES OF AMERICA
26	Loire Atlantique THD	Infrastructure	FRANCE
27	Meghnaghat Combined Cycle Gas-Fired Power Plant	Power	BANGLADESH
28	Moisson de Beauce	Power	FRANCE
29	Murra Warra II	Power	AUSTRALIA
30	Northvolt Ett Gigafactory	Others	SWEDEN
31	Parc Eolien de la Bataille	Power	FRANCE
32	Parc Eolien du Changrillet	Power	FRANCE
33	Phalodi-Pokhran Solar Park	Power	INDIA
34	Project Traveler	Others	UNITED STATES OF AMERICA
35	Refinancing of 20 MW Ambatolampy photovoltaic solar power plant	Power	MADAGASCAR
36	Saint-Père Energies	Power	FRANCE
37	Samson Solar Energy Center	Power	UNITED STATES OF AMERICA
38	Saône-Et-Loire Fibre AMEL	Infrastructure	FRANCE
39	Serrote Mine	Mining	BRAZIL
40	Sigurd Solar	Power	UNITED STATES OF AMERICA
41	Spotsylvania Solar Energy Center	Power	UNITED STATES OF AMERICA
42	THD Yonne	Infrastructure	FRANCE
43	Tri-K Gold	Mining	GUINEA
44	Western Downs Solar	Power	AUSTRALIA
45	Western Spirit Wind	Power	UNITED STATES OF AMERICA
46	Whistler LNG Pipeline	Oil & Gas	UNITED STATES OF AMERICA
47	Wink to Webster Crude Oil Pipeline	Oil & Gas	UNITED STATES OF AMERICA

Calendar year in which the transactions were signed: all transactions were signed in 2020.

For more information on Equator Principles implementation, please contact Contact.Devptdurable@socgen.com

For full description of Societe Generale CSR framework and activities in 2020, check Chapter 5 of our 2021 [Universal Registration Document](#).

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