SECTOR POLICY

SHIPPING

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1. INTRODUCTION

Within the framework of its Corporate Social Responsibility policy, Societe Generale (the “Bank”) intends to take into account within its group the environmental and social (E&S) issues associated to all its activities, to better control their impact and promote good practices, with an objective of continuous improvement. The Bank thus defined E&S General Guidelines which set key standards and parameters for a responsible engagement in all its banking and financial activities. In addition to this general framework, Cross-sectorial Policies dealing with E&S issues common to all sectors have been developed, as well as Sector Policies where the Bank looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The Shipping sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Shipping Sector. The international Shipping industry plays a major role in carrying world trade and is generally considered as an energy efficient alternative to other means of transportation. The Bank is willing to remain a value-adding partner to its clients in this sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Shipping industry.

2. COMMITMENT

Societe Generale is committed to incorporating in its decision-making processes the review of the E&S impacts potentially associated with the activities of its clients. The Bank will work with clients who meet or aim at meeting its sustainability standards. Societe Generale will take appropriate measures if these standards are not met, or if the client no longer aims at meeting them.

This Sector Policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Bank and its various stakeholders.

3. RISK ASSESSMENT

While it is incumbent on the Bank’s clients to manage the risks associated with their own operations, it is important to Societe Generale to evaluate the consistency of its engagements with clients against the E&S principles of the Bank.

When evaluating clients’ activity and/or transactions in this sector, particular attention is paid to the following aspects:

- Measures to ensure seafarer and cargo safety;
- Seafarers working and employment conditions;
- Risks of accidents involving petroleum products or chemicals (spill, fire or explosion);
- Solid waste management, including hazardous waste generated on ships;
- Wastewater and ballast water management, including bilge waters and cargo tanks wash waters;
- Use of anti-fouling coatings;
- Greenhouse Gases (energy efficiency related) and other air emissions;
- Security issues resulting from piracy or terrorism; and
- Where relevant, occupational and environmental impacts of shipyards and vessel demolition activities.
4. SECTOR-SPECIFIC STANDARDS AND CRITERIA

Societe Generale being active worldwide, the E&S laws and regulations its clients have to comply with vary from one country to another or one region to another. At a minimum, Societe Generale requests its clients to comply with the E&S laws and regulations of each relevant country, while encouraging them to apply the Bank’s E&S standards.

A number of institutions and business associations of the Shipping industry have developed standards and initiatives addressing the E&S impacts resulting from the sector activities. By nature an international business, the Shipping industry is regulated by international conventions, most notably the ones developed by the International Maritime Organization (IMO), which is the United Nations specialized agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment in this sector.

- IMO conventions include:
  - MARPOL (International Convention for the Prevention of Pollution from Ships, 1973/1978) and appendices which contain requirements to prevent pollution from ships that may be caused both accidentally and in the course of routine operations.
  - CLL (International Convention on Loadlines, 1966, 2003) which sets limitations on the draught to which a ship may be loaded.
  - AFS (International Convention on the Control of Harmful Anti-fouling Systems, 2001) which prohibits the use of harmful organotins in anti-fouling paints used on ships.
  - BWM (International Convention for the Control and Management of Ships’ Ballast Water and Sediments, 2004) which aims to prevent the spread of harmful aquatic organisms carried by ships’ ballast water from one region to another.

1 These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines…

2 Not yet in force
• Other international conventions or standards relevant to the sector are:
  
  o ISPS (The International Ship and Port Facility Security Code, 2002).
  
  o ISGOTT (International Safety Guide for Oil Tankers and Terminals).
  
  
  o ILO 147 (ILO Merchant Shipping Convention, 1976), to be superseded by MLC (ILO Maritime Labour Convention, 2006) when it comes into force.

Based on the analysis of these initiatives and of best practices of multilaterals and financial institutions, and recognizing that the Shipping sector is characterized by a system of responsibility and technical expertise involving public and private sectors (Flag States, Port Authorities, Classification Societies, Insurance companies), Societe Generale has defined the following E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial services in the Shipping Sector:

a. Clients criteria

Clients are encouraged to apply the best E&S practices of the sector, and in particular to:

  • Aim for environmental class notations which classification societies deliver for environmental performance going beyond international requirements;
  
  • Develop and implement a corporate strategy for Greenhouse Gases emissions reduction;
  
  • If applicable, implement the requirements of IMO Conventions ahead of their entry into force, in particular the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (BWM) and the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

b. Dedicated transactions criteria

When conducting an E&S assessment of a transaction in this sector, Societe Generale has the following requirements:

  • Vessel is classed by a member of the International Association of Classification Societies (IACS) which conducts periodic technical surveys to verify compliance with its published criteria and all applicable international conventions on behalf of the Flag State;
  
  • Vessel is not operating under any of the flags of the black lists maintained by the Port State Authorities participating in the Paris MoU and Tokyo MoU;
  
  • Vessel is insured by a member of the International Group of Protection and Indemnity (P&I) Clubs;
  
  • Vessel is less than 15 years old at the time of financing (in case of second-hand vessel financing);  

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3 Not yet in force

4 New marine merchant vessel financing transaction
Oil tanker is double-hulled\(^6\).

The package of measures adopted by IMO for reducing Shipping’s Greenhouse Gases emissions\(^7\) is implemented if applicable. It includes:

- a system of Energy Efficiency Design Indexing (EEDI) for new ships; and
- a Ship Energy Efficiency Management Plan (SEEMP) for ships to monitor and improve performance with regard to Greenhouse Gases emissions.

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies, these criteria provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

5. SCOPE

This Sector Policy applies to all the banking and financial services provided by the Societe Generale Group entities to its clients directly involved in the merchant shipping sector, including ship-owners, ship operators, ship managers and charterers, and clients active in shipbuilding and decommissioning activities.

Financings involving oil tankers, LNG carriers, FPSOs (Floating Production Storage and Offloading) and FSUs (Floating Storage Unit) are also within the scope of the Oil and Gas Sector Policy.

6. IMPLEMENTATION PROCESS

As established in the E&S General Guidelines, Societe Generale integrates the assessment of potential E&S risks and impacts into its decision-making processes both at the client assessment level and, where necessary, at the transaction assessment level.

The development of such processes will take into consideration risks materiality and may be adapted to countries.

Societe Generale decisions are based on the information made available to the Bank. Societe Generale puts all its reasonable endeavours to ensure the quality and reliability of this information.

7. SCHEDULE – REVISIONS

This Shipping Sector Policy is applicable from the date of its publication to all services provided therefrom.

Procedures will be put in place progressively, as necessary, throughout the Bank to ensure full integration of these requirements in the usual decision processes. Review mechanisms will allow for continuous improvement.

Societe Generale reserves the right to modify this Sector Policy at any time. This document cannot be interpreted as a contractual commitment.

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\(^5\) For FPSOs (Floating Production Storage and Offloading Facility) and FSUs (Floating Storage Units), the date of the conversion is considered.

\(^6\) For FPSOs and FSUs, Societe Generale will require compliance with the "Guideline for Application of MARPOL Annex I Requirements to FPSOs and FSUs" (MEPC), Circ. 406 which considers the use of single-hulled converted tankers as FPSOs acceptable in some situations.

\(^7\) Energy-efficiency measures for ships entered into force on 1 January 2013, as part of the new chapter 4 of MARPOL Annex VI.
Updated versions will be posted on Societe Generale’s website, where the E&S General Guidelines and all published Cross-sectorial and Sector Policies are also available.

This Sector Policy has been established in French, versions in other languages are free translations.