



CORPORATE AND SOCIAL RESPONSIBILITY 2016 EQUATOR PRINCIPLES REPORT

RESPONSIBLE FINANCE

Societe Generale considers the Environmental and Social (E&S) issues associated to its activities to better control their impact and promote good E&S practices. To this end, the bank has defined E&S General Guidelines, as well as E&S policies which set key standards and parameters for a responsible engagement. This E&S framework encompasses the initiatives of the banking sector that Societe Generale has joined, including the Equator Principles (EP) which the bank adopted in 2007.

The objective of this EP Implementation Report is to share information with our stakeholders regarding how Societe Generale has applied the EP in 2016. Annual public reporting is one of the commitments the bank has made when joining this initiative.



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 90 international financial institutions in 37 countries to date, covering over 70 percent of international project finance debt in emerging market⁽¹⁾.

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.



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

FRAMEWORK – SOCIETE GENERALE’S COMMITMENTS

SOCIETE GENERALE COMMITMENTS FRAMEWORK

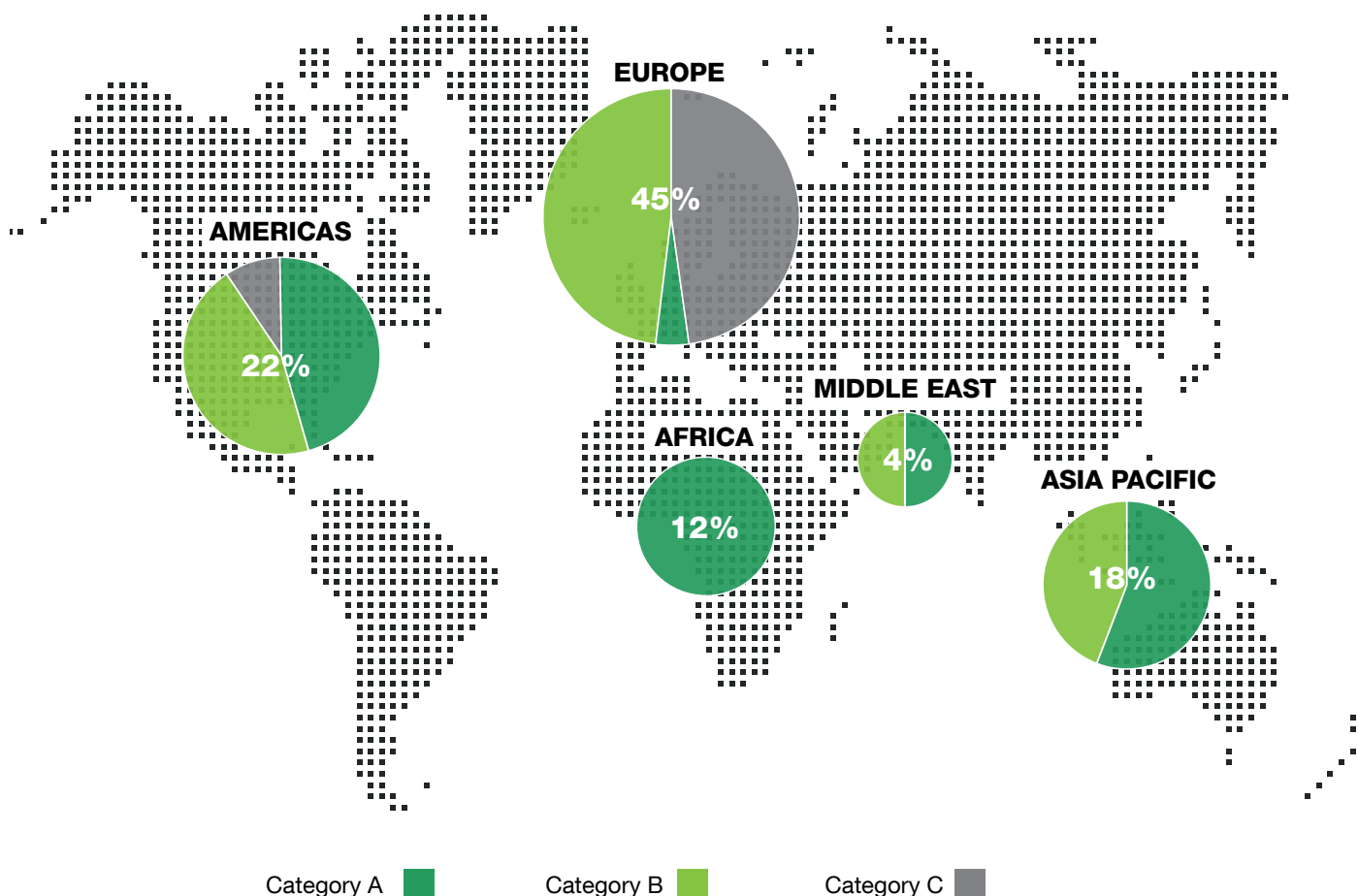
As an EP Financial Institution (EPFI), Societe Generale has committed to implement the EP in its internal E&S policies, procedures and standards and to refrain from providing loans falling within the scope of the initiative which do not comply with the EP. This strong commitment is supported by robust 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 appended to them which refer to EP commitments. These E&S General Guidelines have been formalized in a Directive 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 (Instruction) signed by Corporate Secretariat. These procedures cover the E&S evaluation of both our clients and the dedicated transactions conducted with our clients. As such, EP transactions are run through these procedures.

Societe Generale procedures for E&S evaluation and the Group implementation of the Equator Principles have been 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⁽¹⁾.

EP TRANSACTIONS SIGNED BY REGION AND CATEGORY IN 2016 (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 memo for projects in categories A and B.

The E&S advisory team review (E&S advisory team is part of the commercial team) is required for all projects categorised A or B. The team, which has a field expertise, provides a second E&S review and engages in discussions over E&S impacts 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 E&S advisory team provides its opinion on the opportunity to pursue the deal (with potential E&S conditions) or not.

The procedure addressing EP transactions integrates all the EP principles and describes for each of them the implementation process within Societe Generale Group.

IDENTIFICATION

Categorisation of the project: the potential E&S risks and impacts attached to the project are identified to determine the depth of 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 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 assessed and mitigated. The E&S advisory team reviews and validates the all project categorizations.

EVALUATION

Evaluation, Remediation, Disclosure: under EP, the client conducts an E&S assessment of the project (category A and category B), develops an Action Plan demonstrating how 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 EP compliance of the project and/or verify monitoring information for all category A and, as appropriate, category B projects.

E&S standards: in designated countries, the regulatory, 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. Transactions carrying reputational risk for E&S reasons undergo a more stringent validation process which may include additional participation of the **Compliance, Corporate CSR and Communication** departments to consider the case. Legal documentation or advisory mandate, reflect the decision making. EP standard clauses (conditions precedent and monitoring of drawdowns, covenants, representations & warranties) have been drafted 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 2016, an important training program covering the Societe Generale's E&S General Guidelines and the E&S evaluation of transactions and clients process in general, and EP implementation in particular, has been delivered to nearly 300 collaborators within the Corporate and Investment Bank. Those training sessions reached the main actors involved in the credit management process, such as Front officers but also the Risks Department, hence the teams potentially working on EP transactions.

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 2016 EP DATA

In 2016, 51 transactions, namely 39 project finance transactions, 8 project-related corporate loans and 4 project finance advisory mandates falling within the scope of the Equator Principles, were signed.

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

The Societe Generale's 2016 EP Reporting Table (see after) shows the detailed distribution of the financial products and services signed in 2016 which fall in the EP scope. The breakdown follows the guidelines developed by the EP Association.

In 2016, 35% of the transactions signed were category A, 41% category B, 24% category C. Most of the projects were located in the Americas and Europe. 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 more than 90% of the financed Projects.

Moreover, for the 18 category A and B transactions associated to Projects located in non-designated countries, the application of the EPs implies a development of the underlying Projects in alignment with the IFC Performance Standards and World Bank EHS Guidelines, in addition to compliance with local E&S laws, regulations and standards.

For the 47 financing transactions (i.e. Project Finance transactions and Project-Related Corporate Loans) signed in 2016, Societe Generale's allocation represents a total of EUR 3.3 billion, of which EUR 782 million were allocated to renewable power Projects, i.e. 24% of total Bank EP commitments this year (an increase of 3% as compared to 2015).

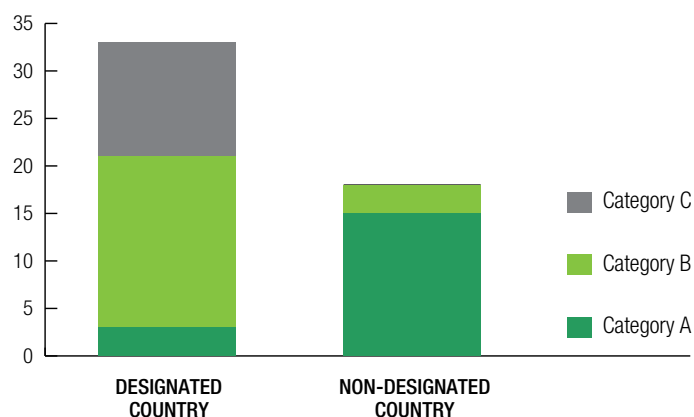
EQUATOR PRINCIPLES CATEGORIES

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

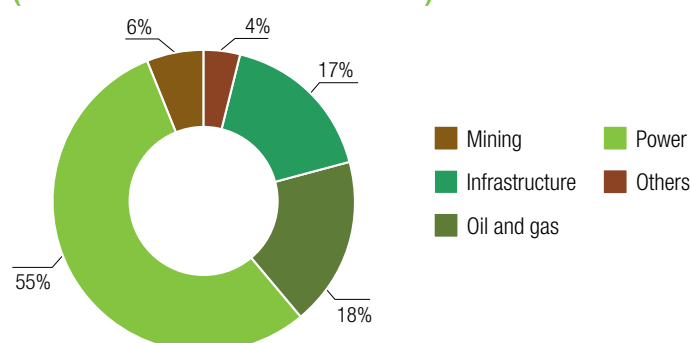
Category B – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;

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

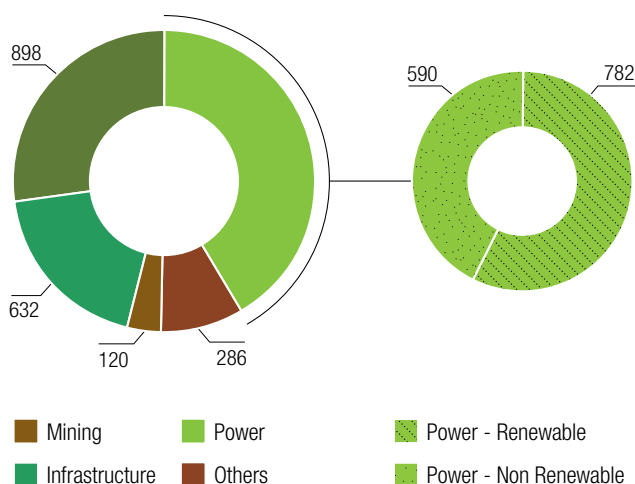
EP TRANSACTIONS SIGNED BY COUNTRY DESIGNATION AND CATEGORY IN 2016 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY SECTOR IN 2016 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY SECTOR IN 2016 (AMOUNTS OF SOCIETE GENERALE COMMITMENTS, M EUR⁽¹⁾)



1. 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.

Recent experience has highlighted the challenges of a differentiated approach between Designated and non-Designated countries in the Equator Principles. As a result, in May 2017, Societe Generale teamed up with 9 other EPFLs to raise to the EP Association our concerns on the subject and to ask the Association to rapidly

adapt the current risk assessment framework, in line with international best practices. This is crucial with respect to critical issues such as the rights of indigenous peoples and biodiversity conservation.

This led to the formation of the Designated Countries Working Group that will re-examine the distinction between Designated (i.e. High Income OECD) and non-Designated countries in the EPs, particularly for Category A projects. Societe Generale intends to be an active participant within this newly created working group.

SOCIETE GENERALE'S 2016 EP REPORTING TABLE

	PROJECT FINANCE TRANSACTIONS			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	-	-	-	-	-	-	-
Infrastructure	-	3	6	-	-	-	-	-
Oil & Gas	2	4	-	2	-	-	1	-
Power	2	13	6	5	-	-	2	-
Others	1	-	-	1	-	-	1	-
Sub Total	7	20	12	8	0	0	4	0
Region	Category A	Category B	Category C	Category A	Category B	Category C		
Americas	3	5	1	1	-	-	1	-
Europe, Middle East & Africa	3	11	11	3	-	-	3	-
Asia Pacific	1	4	-	4	-	-	-	-
Sub Total	7	20	12	8	0	0	4	-
Country Designation	Category A	Category B	Category C	Category A	Category B	Category C		
Designated Country	3	17	12	-	-	-		
Non-Designated Country	4	3	-	8	-	-		
Sub Total	7	20	12	8	0	0		
Independent Review*	Category A	Category B	Category C	Category A	Category B	Category C		
Yes	7	20	9	7	-	-		
No	0	0	3	1	-	-		
Sub Total	7	20	12	8	0	0		

* 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 signed, 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 39 EP project finance transactions which were signed in 2016. For 3 wind power projects and 1 natural gas power project, all located in designated countries, the client did not grant permission to disclose the project's name.

PROJECT NAME	SECTOR	HOST COUNTRY NAME
Albine Wind Farm	Power	FRANCE
Alsace High-Speed Broadband Network Project	Infrastructure	FRANCE
Aunis Wind-Farm Project	Power	FRANCE
Bahrain LNG Terminal Project	Oil & Gas	BAHRAIN
Broadview Wind Projects	Power	UNITED STATES OF AMERICA
Campus Marseille-Luminy PPP	Infrastructure	FRANCE
Canberra Metro	Infrastructure	AUSTRALIA
Chaleons Wind-Farm Project	Power	FRANCE
Condorcet Campus PPP	Infrastructure	FRANCE
Cornegliano Gas Storage Project	Oil & Gas	ITALY
CPV Towantic Energy Center Project	Power	UNITED STATES OF AMERICA
Dakota Access Pipeline	Oil & Gas	UNITED STATES OF AMERICA
Dudgeon Offshore Wind Farm	Power	UNITED KINGDOM
Expansion of the Sangaredi Bauxite Mine	Mining	GUINEA
Expansion of the Santiago International Airport	Infrastructure	CHILE
Gunvor Petroleum Rotterdam B.V. Capex Facility	Oil & Gas	NETHERLANDS
Hasang Hydro Electric Power Plant	Power	INDONESIA
Hornsedale Wind Farm, Stage 2	Power	AUSTRALIA
Lackawanna Energy Center	Power	UNITED STATES OF AMERICA
Liwa Plastics Industries Complex	Others	OMAN
Lordstown Energy Center Project	Power	UNITED STATES OF AMERICA
Merkur Offshore Wind Farm	Power	GERMANY
Monnes Energies	Power	FRANCE
Nancy University PPP	Infrastructure	FRANCE
Neuilly Saint Front Energies	Power	FRANCE
Nord-Pas-de-Calais High-Speed Broadband Network Project	Infrastructure	FRANCE
Norther Offshore Wind	Power	BELGIUM
Nueva Era Pipeline Project	Oil & Gas	MEXICO
Offshore Cape Three Points (OCTP) block	Oil & Gas	GHANA
Rentel Offshore Wind Farm	Power	BELGIUM
Santerre Wind Farm	Power	FRANCE
Seine et Marne High-Speed Broadband Network Project	Infrastructure	FRANCE
Soulanes de Nore Wind Farm	Power	FRANCE
Tujuh Bukit Copper Gold Project	Mining	INDONESIA
Vista Ridge Project	Infrastructure	UNITED STATES OF AMERICA

Calendar year in which the transactions were signed: all transactions were signed in 2016.

For more information on Equator Principles implementation, please contact CSR@socgen.com
For full description of Societe Generale CSR framework and activities in 2016, check our [CSR report](#).

