

CORPORATE AND SOCIAL RESPONSIBILITY

2018 EQUATOR PRINCIPLES REPORT



**THE FUTURE
IS YOU**  **SOCIÉTÉ
GÉNÉRALE**

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 2018. 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 96 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 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/about>

FRAMEWORK – SOCIETE GENERALE'S COMMITMENTS

SOCIETE GENERALE COMMITMENTS FRAMEWORK

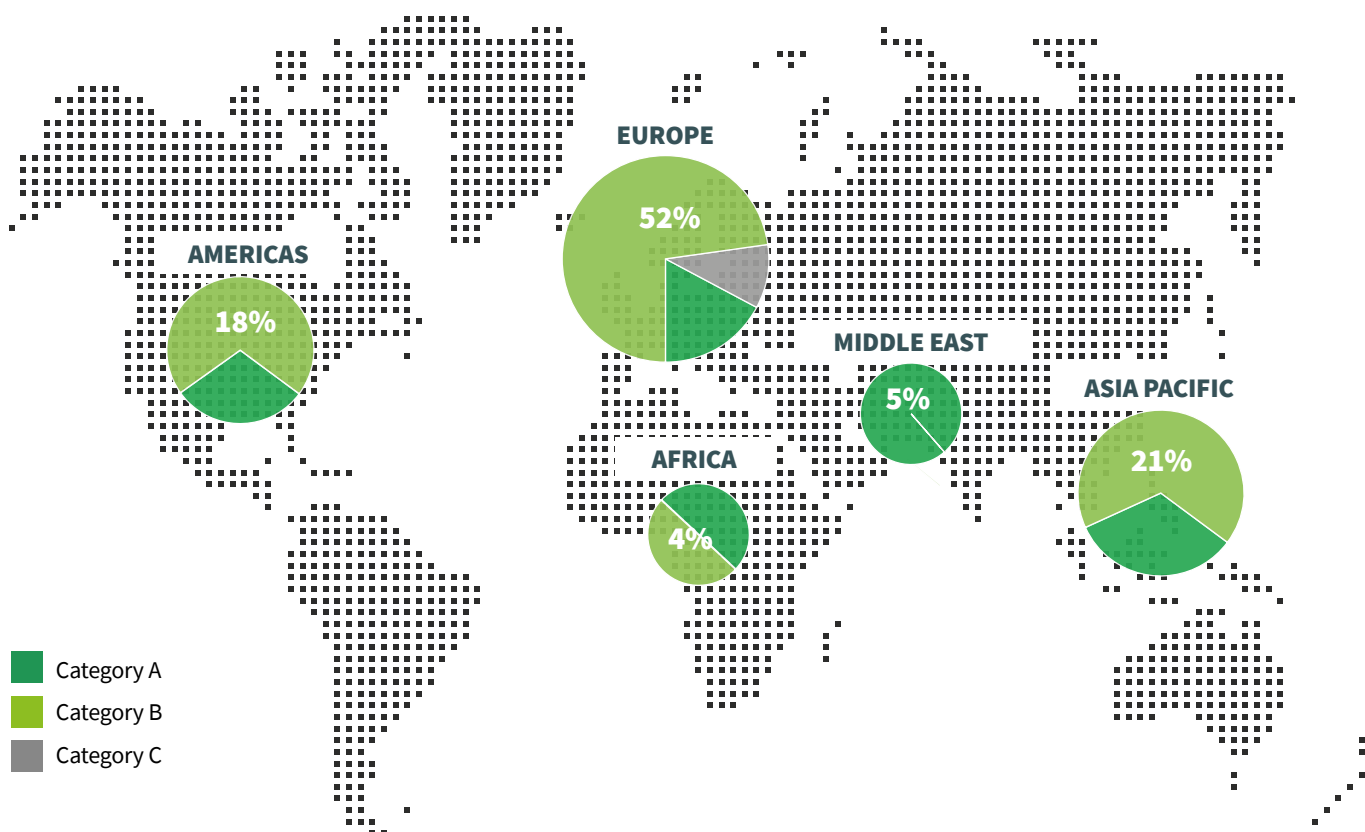
As an EP Financial Institution (EPFI), Societe Generale has committed to implement the EP in its internal E&S policies, procedures and standards and to refrain from providing loans falling within the scope of the initiative which do not comply with the EP. This strong commitment is supported by robust 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 2018 (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 10 people team, which has a field expertise, provides a second E&S review and engages 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 E&S advisory team provides its opinion on the opportunity to pursue the deal (with potential E&S conditions) or not. This applies to lending and financial advisory operations.

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 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: 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 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 250 employees within the Corporate and Investment Bank received face to face training in 2018, 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.

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 2018 EP DATA

In 2018, 56 transactions, namely 42 project finance transactions, 4 project-related corporate loans, 1 bridge loan and 9 project finance advisory mandates falling within the scope of the Equator Principles, were signed. Among these transactions, 53% are related to renewable power projects (an increase of 13pt as compared to 2017).

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

The Societe Generale's 2018 EP Reporting Table (see after) shows the detailed distribution of the financial products and services signed in 2018 which fall in the EP scope. The breakdown follows the guidelines developed by the EP Association.

In 2018, 29% of the transactions signed were category A, 66% category B and 5% 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 15 category A and B transactions associated with Projects located in non-designated countries, the application of the EPs implies

In 2018, Renewable Power Projects accounts for

53%
of EP transactions

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, bridge loans and Project-Related Corporate Loans) signed in 2018, Societe Generale's allocation represents a total of EUR 3.4 billion, of which EUR 1,164 million were allocated to renewable power Projects, i.e. 94% of total Power Bank EP commitments this year (an increase of 16pt as compared to 2017).

Among these, Societe Generale successfully backed the Nachtigal hydroelectric power station project⁽¹⁾ in Cameroon, the largest hydropower project ever built in Africa through project finance. The 420-MW plant will supply almost a third of Cameroon's electricity, improving the reliability of the country's power system, and its electricity will be sold at a competitive tariff that will benefit consumers. Accompanying the five years construction of the dam, there will be a regional socio-economic development program, which will start after consultations with local stakeholders, designed to identify their needs, including the creation of 1,500 direct jobs, most of them for local people.

1. More information available at:

<https://wholesale.banking.societegenerale.com/en/about/news-press-room/news-details/news/advancing-cameroones-low-carbon-development-through-hydropower/>

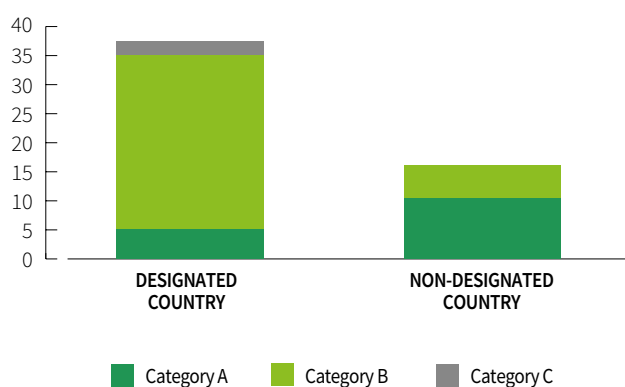
EQUATOR PRINCIPLES CATEGORIES

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

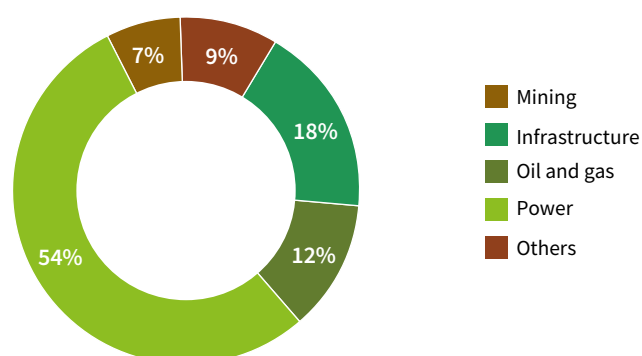
Category B – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;

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

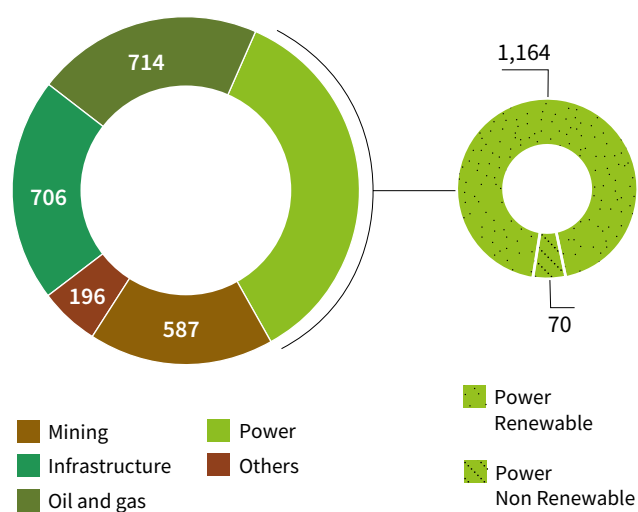
EP TRANSACTIONS SIGNED BY COUNTRY DESIGNATION AND CATEGORY IN 2018 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY SECTOR IN 2018 (NUMBER OF TRANSACTIONS)



EP TRANSACTIONS SIGNED BY SECTOR IN 2018 (AMOUNTS OF SOCIETE GENERALE COMMITMENTS, M EUR⁽²⁾)



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.

In 2016, 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 EPFIs 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 first to the formation of the Designated Countries Working Group that re-examined the distinction between Designated (i.e. High-Income OECD) and non-Designated countries in the EPs, including with the specific objective to study opportunity of proposing changes to the framework for assessing risks associated with respecting rights of indigenous populations. Societe Generale has been deeply involved within this working group.

Following these discussions; during its 2017 General Meeting, the EP Association decided to start a process of updating the Equator Principles on key thematic areas including: Social Impact and Human Rights, Climate Change, Designated Countries and Applicable Standards, and Scope of applicability of the EPs.

Specific working groups on key topics and thematic areas have been formed as part of the update process planned activities. Societe Generale have been actively participating within the Designated Countries Working Group as well as within the Climate Change Working Group. While the EP Association Annual Meeting held in October 2018 made tangible progress on the internal development of the EP4 draft, the fourth revision of the Principles is expected to be effective in 2019.

SOCIETE GENERALE'S 2018 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 | 1 | - | 1 | - | - | - | - |
| Infrastructure | - | 5 | 2 | - | - | - | 3 | - |
| Oil & Gas | 2 | 1 | - | 1 | 1 | - | 2 | - |
| Power | 3 | 21 | 1 | - | - | - | 4 | 1 |
| Others | 2 | 1 | - | - | 1 | - | - | - |
| <i>Sub Total</i> | 10 | 29 | 3 | 2 | 2 | 0 | 9 | 1 |
| Region | Category A | Category B | Category C | Category A | Category B | Category C | | |
| Americas | 2 | 6 | - | - | 1 | - | 1 | - |
| Europe, Middle East & Africa | 7 | 17 | 3 | 1 | 1 | - | 5 | - |
| Asia Pacific | 1 | 6 | - | 1 | - | - | 3 | 1 |
| <i>Sub Total</i> | 10 | 29 | 3 | 2 | 2 | 0 | 9 | 1 |
| Country Designation | Category A | Category B | Category C | Category A | Category B | Category C | | |
| Designated Country | 2 | 23 | 3 | 1 | 2 | - | | |
| Non-Designated Country | 8 | 6 | - | 1 | - | - | | |
| <i>Sub Total</i> | 10 | 29 | 3 | 2 | 2 | 0 | | |
| Independent Review* | Category A | Category B | Category C | Category A | Category B | Category C | | |
| Yes | 10 | 29 | 1 | 2 | 0 | 0 | | |
| No | 0 | 0 | 2 | 0 | 2 | 0 | | |
| <i>Sub Total</i> | 10 | 29 | 3 | 2 | 2 | 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 42 EP project finance transactions which were signed in 2018.

| PROJECT NAME | SECTOR | HOST COUNTRY NAME |
|--|----------------|--------------------------|
| Ablaincourt | Power | FRANCE |
| Angerville | Power | FRANCE |
| Azéables | Power | FRANCE |
| BAPCO Refinery Modernization Program | Others | BAHRAIN |
| Belgrade Airport Concession | Infrastructure | SERBIA |
| Beryl Solar Farm | Power | AUSTRALIA |
| Biology Pharmacy Chemistry Centre for Université Paris-Sud | Infrastructure | FRANCE |
| Blauwwind Offshore Windfarm (Borssele III & IV) | Power | NETHERLANDS |
| Bulgana Geen Power Hub | Power | AUSTRALIA |
| Cerro Dominador Solar Project | Power | CHILE |
| Corpus Christi LNG Project – Stage 2 | Oil & Gas | UNITED STATES OF AMERICA |
| Dargues Gold Project | Mining | AUSTRALIA |
| Duqm Refinery Project | Others | OMAN |
| Fibre 31/Haute Garonne THD | Infrastructure | FRANCE |
| Formosa 1 Offshore Wind Farm | Power | TAIWAN |
| Fruta del Norte | Mining | ECUADOR |
| Gökirmak Copper Project | Mining | TURKEY |
| Grady Wind Energy Center | Power | UNITED STATES OF AMERICA |
| Hérault THD | Infrastructure | FRANCE |
| Hornsea 1 Wind Farm | Power | UNITED KINGDOM |
| Istrian Motorway – Phase 2B1 – Rogovici to Vranja | Infrastructure | CROATIA |

| PROJECT NAME | SECTOR | HOST COUNTRY NAME |
|-------------------------------------|----------------|--------------------------|
| Jawa 1 | Power | INDONESIA |
| Jinko Solar - Viborillas PV Project | Power | MEXICO |
| Karish Gas Field Development | Oil & Gas | ISRAEL |
| Les Pointes | Power | FRANCE |
| Merkur Offshore Wind Farm Project | Power | GERMANY |
| Mina Justa Copper Project | Mining | PERU |
| Moray East Offshore Wind Farm | Power | UNITED KINGDOM |
| Mount Signal 2 Wind Farm Project | Power | UNITED STATES OF AMERICA |
| Nachtigal Hydropower Project | Power | CAMEROON |
| Northwester 2 Offshore Wind Farm | Power | BELGIUM |
| Reuilly | Power | FRANCE |
| Saint Sébastien | Power | FRANCE |
| Seamade Offshore Wind Farm | Power | BELGIUM |
| Seta River Cascade | Power | ALBANIA |
| Soleil de Chaillac Solar PV Plant | Power | FRANCE |
| Stillwater Wind Project | Power | UNITED STATES OF AMERICA |
| Tema Cement Grinding Plant | Others | GHANA |
| THD Calvados | Infrastructure | FRANCE |
| Trans Adriatic Pipeline | Oil & Gas | ALBANIA |
| Warradarge Wind Farm | Power | AUSTRALIA |
| WesternConnex | Infrastructure | AUSTRALIA |

Calendar year in which the transactions were signed: all transactions were signed in 2018.

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

For full description of Societe Generale CSR framework and activities in 2018, check Chapter 5 of our 2019 [Registration Document](#).

