



SOCIETE GENERALE

**POSITIVE IMPACT ASSESSMENT
FRAMEWORK**

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APPENDIX

POSITIVE IMPACT AIMS AT

GLOBAL TRENDS



9 billion of people by 2050



70% of the population in cities by 2050



Climate change



Natural resources scarcity



Digitalization
Artificial Intelligence

GLOBAL CHALLENGES



Access to housing



Access to energy



Access to water



Food security



Access to transport
Healthcare
Education

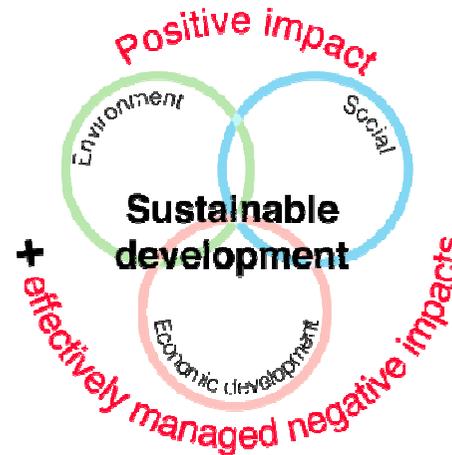
**Need for a new, more inclusive, and greener economy =
Investment Needs : from USD 2 to USD 9 trillions per year (IEA, UNEP, UN)**

- **Severe funding gap** in achieving such an economy
- **Critical importance of private finance**
- **Limited involvement of private finance so far**

POSITIVE IMPACT FINANCE

A different approach to closing the financing gap

WHAT POSITIVE IMPACT IS



POSITIVE IMPACT is defined as an activity having :

- a positive impact on at least one of the 3 pillars of sustainable development (environment, social and economic development)
- provided an appropriate management of the potential negative impacts



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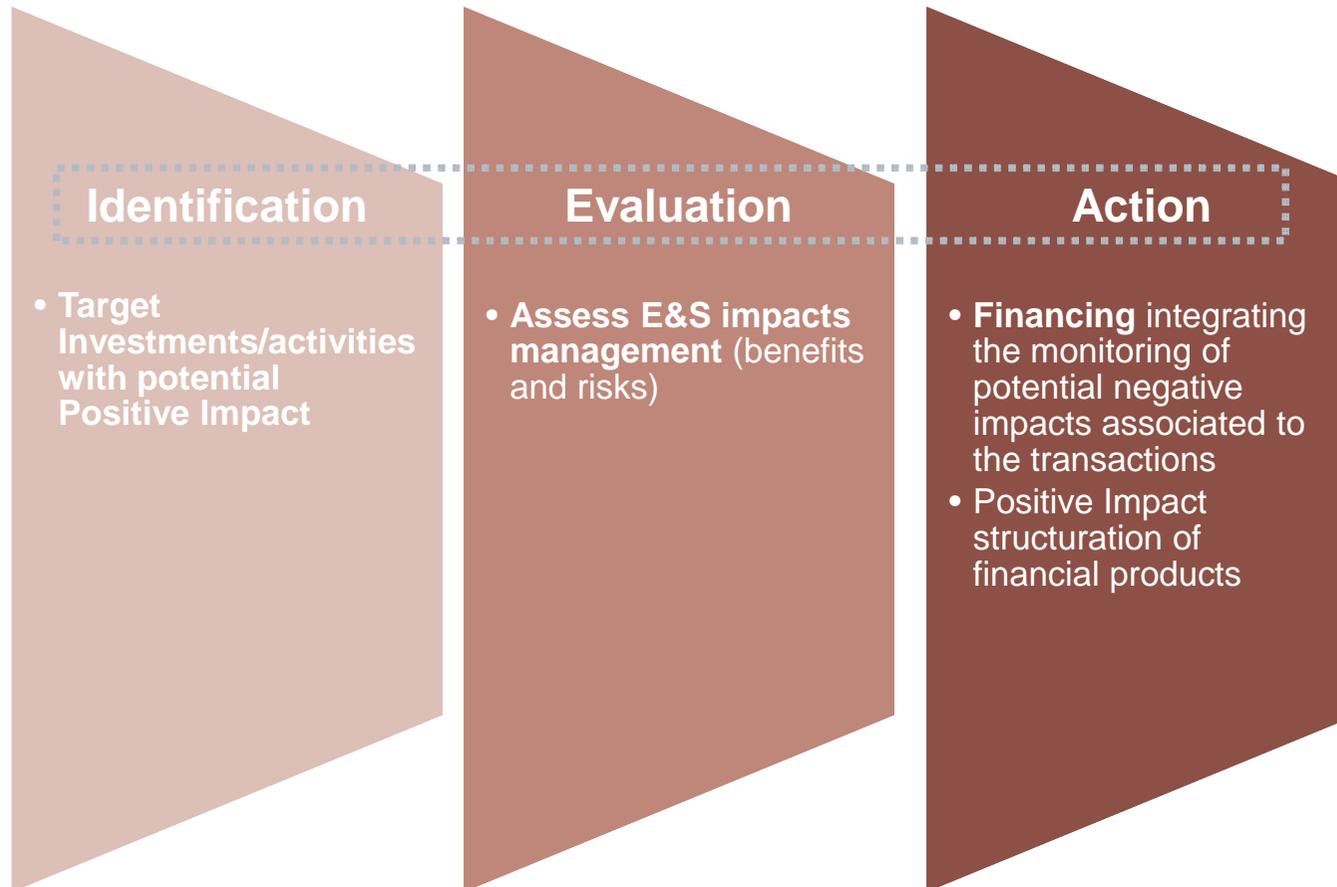
BUILDING TOGETHER

TEAM SOCIETE
SPIRIT GENERAL



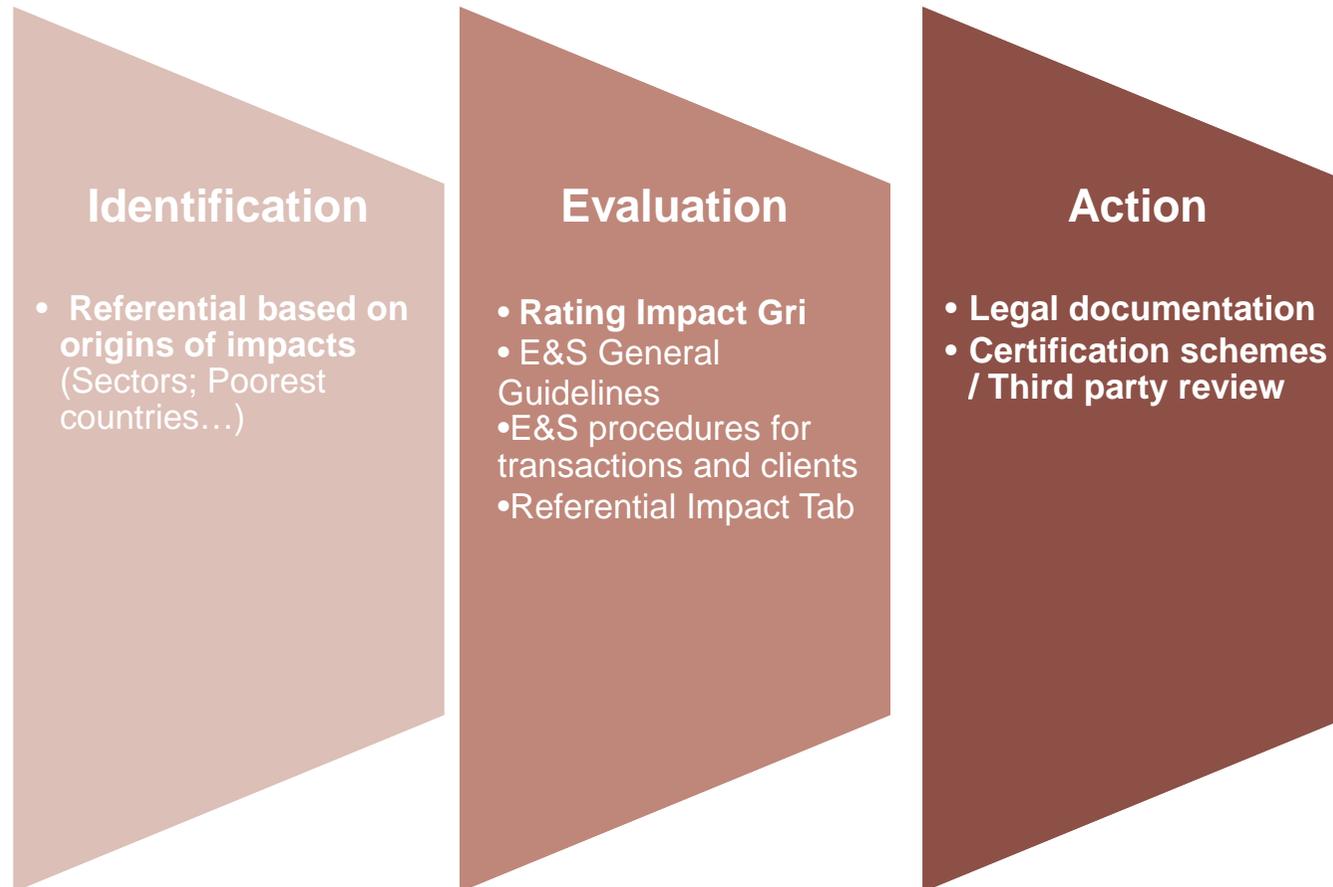
POSITIVE IMPACT ASSESSMENT FRAMEWORK : ASSESSMENT PROCESS

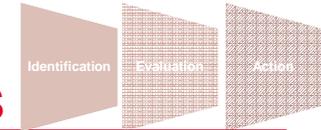
- **A three step approach**



POSITIVE IMPACT ASSESSMENT FRAMEWORK : ASSESSMENT PROCESS

■ The set of tools



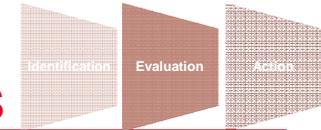


POSITIVE IMPACT ASSESSMENT FRAMEWORK : ASSESSMENT PROCESS

STEP 1: IDENTIFICATION

- A first level of identification of the ‘a priori’ Positive Impact of an investment or activities of a client
 - Referential definition to track investments/activities with potential positive impacts

IDENTIFICATION OF ORIGINS OF IMPACTS			
<p>POSITIVE IMPACT SECTORS</p> <p>Electric power production (Wind), Agriculture, Forestry, Energy, Water, Healthcare...</p>	<p>POOREST COUNTRIES UNDER-DEVELOPED AREAS</p> <p>UN least developed countries World Bank criteria: Low-income & lower-middle-income economies</p>	<p>TRANSVERSAL IMPROVEMENTS</p> <p>Energy efficiency, Food security, GHG emissions reduction...</p>	<p>SMEs COOPERATIVES</p> <p>Following European Commission Recommendation 2013 361, SMEs if headcount<250, turnover =< 50MEUR, and/or total balance sheet < 43MEUR</p>

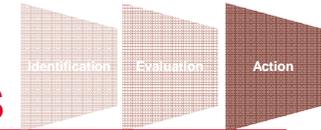


POSITIVE IMPACT ASSESSMENT FRAMEWORK : ASSESSMENT PROCESS

STEP 2: EVALUATION

- The Evaluation aims at confirming or not the qualification of a priori Positive Impact Finance Assets

- The Evaluation consists in :
 1. Assessing negative and positive E&S impacts on each of the 17 impacts categories, assisted by the **Referential Tab** and the **SG E&S General Guidelines**
 2. Evaluating how negative impacts are addressed
 3. For each impact category, a ranking ranged from 0 to 4 is attributed to the assessed impact (Rating impact Grid)
 - 0: impact management unsatisfactory
 - 1: passable impact, possible improvement
 - 2: well remediated impact
 - 3: neutral impact
 - 4: positive impact
 4. Only assets with well managed negative impacts combined with positive ones are at the end “positive impact” *(as a consequence when an impact category is rated 0 or 1, the asset does not qualify to Positive Impact)*
 5. Collecting all the justification documentation for audit trail



POSITIVE IMPACT ASSESSMENT FRAMEWORK : ASSESSMENT PROCESS

STEP 3: ACTION

- Potential negative impacts associated to transactions are monitored through provisions including specific provisions if deemed necessary (conditions precedent, conditions subsequent, representation and warranties, covenants)
- Positive impact is estimated ex-ante

POSITIVE IMPACT ASSESSMENT FRAMEWORK : SET OF TOOLS

I: IMPACTS DEFINITIONS

- **Impacts obviously vary depending upon sectors, countries and/or nature of investment.** “More frequent” impacts have been classified in **17 impacts categories**, including: **9 social, 7 environmental and 1 economic** (*detailed list and definition in ANNEX 1*). Room has been left for the other specific impacts of a transaction.

PILARS	General definition
A-SOCIAL	Social consequences, whether adverse or beneficial, that are likely to follow from specific policy actions or project development. It is based on the assumption that the way in which the environment is structured can have a profound effect on people’s ability to interact socially with other people and to develop networks of support.
B – ENVIRONMENTAL	Any change to the environment, whether adverse or beneficial, resulting from a facility’s activities, products, or services. Source: US Environmental Protection Agency, EPA
C - ECONOMIC	Economical convergence or catch up effect, states that poor or developing economies grow faster compared to economies with a higher per capita income and gradually reach similar high levels of per capita income. Thus, all economies, over time, may converge in terms of income per head.

POSITIVE IMPACT ASSESSMENT FRAMEWORK : SET OF TOOLS

II: REFERENTIAL TAB (1/2)

IDENTIFICATION OF ORIGINS OF IMPACTS

<p>POSITIVE IMPACT SECTORS Electric power production (Wind), Agriculture, Forestry, Energy, Water, Healthcare...</p>	<p>POOREST COUNTRIES UNDER-DEVELOPED AREAS UN least developed countries World Bank criteria: Low-income & lower-middle-income economies</p>	<p>TRANSVERSAL IMPROVEMENTS Energy efficiency, Food security, GHG emissions reduction...</p>	<p>SMEs COOPERATIVES</p>
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A dedicated table references the impacts categories for which impacts are mostly expected, and whether the expected impacts are positive, negative or non material

ASSOCIATED GENERIC IMPACTS FOR EACH IMPACTS CATEGORIES (+ OTHERS as the case may be)

SOCIAL			ENVIRONMENTAL			ECONOMIC		
Impacts Categories	Measures	Impact +/-/=	Impacts Categories	Measures	Impact +/-/=	Impacts Categories	Measures	Impact +/-/=
Access to water	Nb of Persons Impacted		Air	Specific (GHG,Dmnl, Bio-indicators..)		Economic Convergence	GDP	
x			x					
x			x					
x			x					
Level of education			Soil					

POSITIVE IMPACT ASSESSMENT FRAMEWORK : SET OF TOOLS

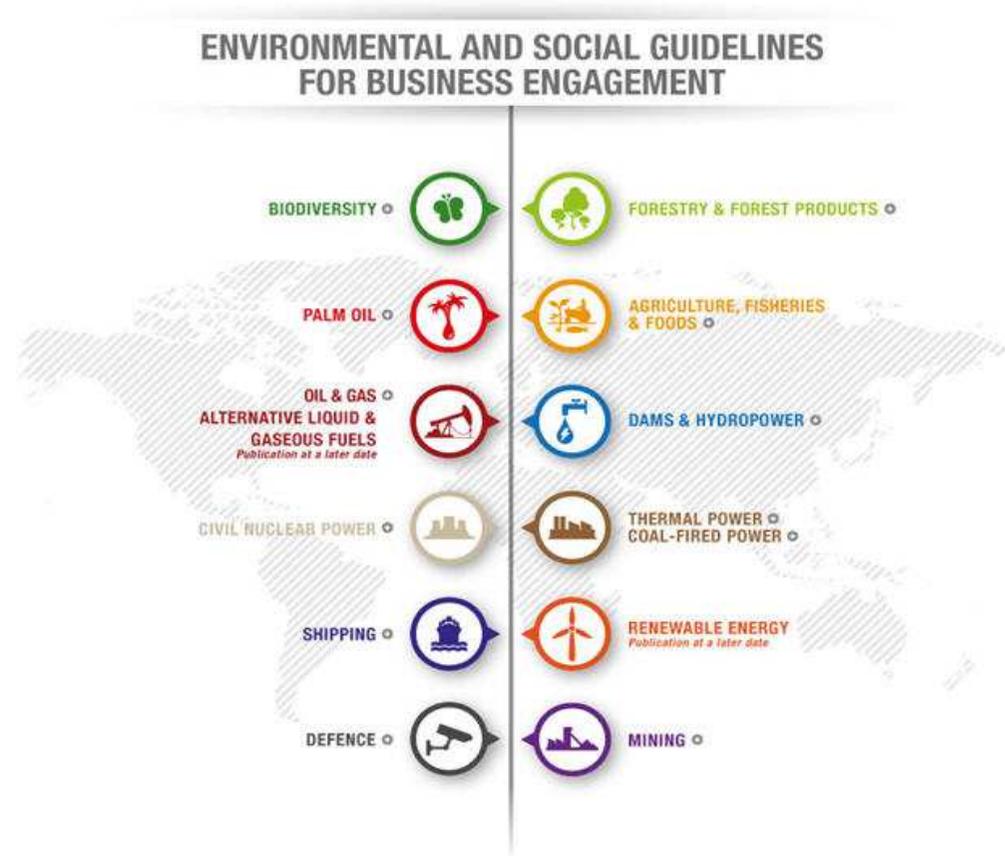
II: REFERENTIAL TAB (2/2)

EXAMPLE OF REFERENTIAL TAB FOR ELECTRIC POWER PRODUCTION : WIND					
Type of impacts	Measure	Category of impacts	Impact +/-/=	Category of impacts	Impact +/-/=
SOCIAL	Number of Persons Impacted	Access to water		Access to housing	=
		Access to energy	+	Access to food	=
		Level of education		Creation of employment	+
		Quality of health	-	Physical or economic resettlement	
		Transport communications		Other – Visual Impact	-
ENVIRONMENTAL	Specific Measurements (Volume, GHG,Dmnl, Bio-indicators)	Air		Climate	+
		Water		Resources Efficiency	+
		Soil		Waste efficiency	
		Biodiversity	-		
ECONOMIC	GDP	Economic convergence			

* "+" indicates a priori positive impact to expect; "-", a priori negative impact and "=" indicates a potential positive or negative impacts to be assessed

III: ENVIRONMENTAL & SOCIAL GENERAL GUIDELINES FOR BUSINESS ENGAGEMENT

- 12 sector and cross-sectorial E&S policies
- Voluntary best practice initiatives adopted and supported
 - UNEP Finance Initiative
 - UN Global Compact
 - Equator Principles
- Key standards adopted and respected
 - Universal Declaration of Human Rights
 - Main Conventions of the International Labor Organization
 - UNESCO World Heritage Convention
 - OECD Guidelines for Multinational Enterprises



POSITIVE IMPACT ASSESSMENT FRAMEWORK : SET OF TOOLS

IMPACTS		RATING	COMMENTS	
Social	Access to water		3	No material impact
	Access to energy	+	4	"X" homes to be provided with new power production
	Level of education	+	3	Benefits for education is not considered significant
	Quality of Health	-	2	Noise management satisfactory with regard to E&S standards
	Access to housing		3	No material impact

Environment	Air	-	2	Emissions treatment satisfactory with regard to E&S standards
	Water	-	2	Waste water management satisfactory
	Soil		3	No material impact
	Biodiversity	-	2	A biodiversity action plan satisfactory covering construction and operation phases
	Resources Efficiency	+	4	Support local energy diversification and fossil fuel consumption reduction

Economic development			3	No material impact

The management of every potential negative impact is evaluated and rated from 0 to 3, and materiality of positive impacts is checked ex-ante and rated 4 when confirmed

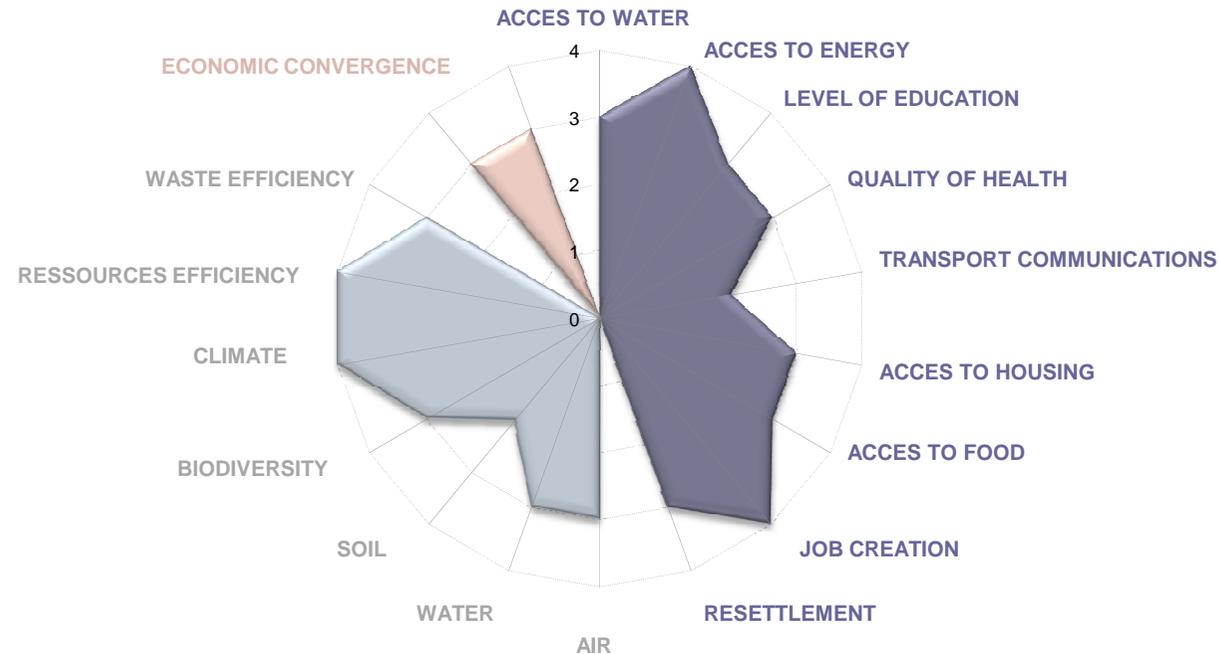
* Example for illustrative purpose only

POSITIVE IMPACT ASSESSMENT FRAMEWORK : SET OF TOOLS

IV: RATING IMPACT GRID (2/2)

- Only assets with well managed negative impacts combined with positive ones are at the end “positive impact” (when an impact category is rated 0 or 1), the asset does not qualify to Positive Impact

RATING IMPACT GRID



 **POSITIVE IMPACT**

POSITIVE IMPACT ASSESSMENT FRAMEWORK: CASE STUDY

THE CASE OF A POSITIVE IMPACT BIOMASS POWER PLANT

ASSET DESCRIPTION:

Financing for the development and construction of a 12.9 MW biomass power plant on the site of a former sugar mill located in Emilia Romagna Region (northern Italy). The project follows the reform of the European sugar market, establishing the reduction of the domestic production fixing a specific quota for each country and aiming at preserving the sugar beet production and its associated jobs.



RESULT OF POSITIVE IMPACT ASSESSEMENT

Resources efficiency: **Positive Impact**

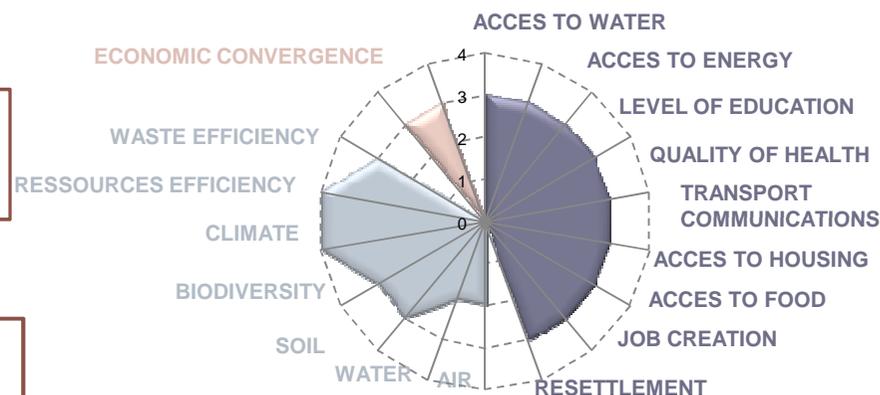
The Biomass plant input will be based on locally grown crops ensuring a renewable source of energy procurement.

Climate: **Positive Impact**

Biomass is a renewable energy, and the Finale Emilia project offsets CO2 it generates.

Water: **Well remediated**

Considering the design of the plant and the presence of an air cooled condenser, the use of water is limited compared to other plants. Water required is half of the original authorization and the monitoring of underground water for 2 years will be implemented.



0: negative impact; 1: passable impact, possible improvement; 2: well remediated impact; 3: neutral impact; 4: positive impact

Air: **Well remediated**

Flue gas treatment system based on proven technologies has been designed to comply to the stringent Italian Emission limit requirements.



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BUILDING TOGETHER

TEAM  SOCIÉTÉ
SPIRIT  GÉNÉRALE

POSITIVE IMPACT ASSESSMENT ASSESSMENT FRAMEWORK : APPENDIX

IMPACT DEFINITIONS (1/4)

A – SOCIAL IMPACTS CATEGORIES DEFINITIONS		
1	Access to water	The ‘access to water’ criterion assesses the impact – within the project area of influence – on the population’s accessibility to safe water for domestic and personal uses (e.g. drinking, cooking, hygiene, etc.) or for economic uses (e.g. industrial, agricultural, etc.). Access to safe water is defined as the access to an adequate amount of safe water located within a convenient distance from the place of use. Source: United Nations Population Division, and World Health Organization (WHO)
2	Access to energy	The ‘access to energy’ criterion assesses the impact – within the project area of influence – on the population’s accessibility to modern energy services. These services are defined as household access to electricity and clean cooking facilities (e.g. fuels and stoves that do not cause air pollution in houses). Source: International Energy Agency (IEA)
3	Level of education	The ‘level of education’ criterion assesses the impact – within the project area of influence – on the population accessibility to, at least, one of the 10 levels of education as defined by the International Standard Classification of Education (ISCED), from early childhood education to doctoral level or equivalent. Source: United Nations Educational, Scientific and Cultural Organization (UNESCO)
4	Quality of health	The ‘quality of health’ criterion assesses the impact – within the project area of influence – on the population’s ability to live in "full health" (i.e. without disease and/or injury). Source: World Health Organization (WHO)
5	Access to transportation	The ‘transport communications’ criterion assesses the impact – within the project area of influence – on the population accessibility to transportation.
6	Access to housing	The ‘access to housing’ criterion assesses the impact – within the project area of influence – on the population’s accessibility to adequate housing, defined as a place where to live in security, peace and dignity. Source: Office of the United Nations High Commissioner for Human Rights (OHCHR)
7	Access to food	The ‘access to food’ criterion assesses the impact – within the project area of influence – on the population’s physical and economic accessibility to safe food, in sufficient quantity and quality to meet their dietary needs and food preferences. Source: 1996 World Food Summit (WFS), Food and Agricultural Organization (FAO)

POSITIVE IMPACT ASSESSMENT ASSESSMENT FRAMEWORK : APPENDIX

IMPACT DEFINITIONS (2/4)

A – SOCIAL IMPACTS CATEGORIES DEFINITIONS		
8	Job creation	The ‘creation of employment’ criterion assesses the number of permanent employment generated, directly or indirectly, by the project.
9	Physical or economic resettlement	<p>The ‘physical or economic resettlement’ criterion assesses the number of families – within the project area of influence – physically displaced (relocation or loss of shelter) or economically displaced (loss of access or access to assets that leads to loss of income sources or mean of livelihood) as a results of project-related land acquisition* or restriction of access to natural resources.</p> <p>Source: European Bank for Reconstruction and Development (EBRD) Social and Environmental Policy</p> <p>* Land acquisition includes both outright purchases of property and purchases of access rights, such as rights-of-way.</p>
xx	Others (list of potential criterion to assess)	<p>Access to information: The ‘communications’ criterion assesses the impact – within the project area of influence – on the population accessibility to information and ideas through any media and regardless of frontiers. Source: Article 19 of the Universal Declaration of Human Rights</p> <p>Archeological and cultural heritage: The ‘archeological and cultural heritage’ criterion assesses the impact – within the project area of influence – on cultural and archeological heritage defined as :</p> <ul style="list-style-type: none"> - Cultural heritage: sources and evidence of human history and culture regardless of origin, development and level of preservation (tangible/material heritage), and the cultural assets associated with this (intangible/non-material heritage); - Archaeological heritage: all relics, objects and human traces from past periods of history on the surface, in the earth and in water whose preservation and study contributes to the uncovering of the historical development of mankind and his links to the natural environment and for which archaeological research is the main source of information.

IMPACT DEFINITIONS (3/4)

B – ENVIRONMENTAL IMPACTS CATEGORIES DEFINITIONS		
10	Air	The ‘air’ criterion assesses –within the project area of influence – the potential impact on the indoor or outdoor environment by any chemical, physical or biological agent that modifies the natural characteristics of the atmosphere.
11	Water	The ‘water’ criterion assesses –within the project area of influence – the potential impact on water quality and quantity, for both surface and ground water.
12	Soil	The ‘soil’ criterion assesses –within the project area of influence – the potential impact on the soils composition (e.g. contamination or removal of potential contaminants).
13	Biodiversity	The ‘biodiversity’ criterion assesses –within the project area of influence – the potential gain or loss of biodiversity.
14	Climate	The ‘climate change’ criterion assesses the influence of the project on the level of greenhouse gases (GHG) emissions, as described by the Intergovernmental Panel on Climate Change (IPCC, 2013).
15	Resources Efficiency	The ‘resources efficiency’ criterion assesses the use of non renewable resources during the whole project life. Non renewable resource refers to any natural resource that cannot be replenished by natural means at the same rates that it is consumed (e.g. minerals, gas, oil, wood from deforestation, etc.).
16	Waste efficiency	The ‘waste efficiency’ criterion assesses how all sources of waste generated by the project during its life are known, controlled, reduced and steered towards the adequate destination.

IMPACT DEFINITIONS (4/4)

C – ECONOMIC IMPACT CATEGORY DEFINITION		
17	Economical convergence	The ‘economical convergence’ criterion assesses the impact – within the project area of influence – regarding economical development.