EXPERIENCES IN ENVIRONMENTAL AND SOCIAL RISK ANALYSIS AT SOCIÉTÉ GÉNÉRALE

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AGENDA

1. ESTABLISHING AN ENVIRONMENTAL AND SOCIAL GOVERNANCE SYSTEM

2. IMPLEMENTATION: PROCEDURES AND PEOPLE

3. ENVIRONMENTAL AND SOCIAL RISK ANALYSIS METHODOLOGY

4. CASE STUDIES
ESTABLISHING AN ENVIRONMENTAL AND SOCIAL GOVERNANCE SYSTEM
OBJECTIVES / PRINCIPLES

- Refer to:
  - Internationally recognized standards
  - Best available techniques

- Discussed with our clients

- If possible and when pertinent, use of certification schemes / third party reviews

- For developing our E&S Policies:
  - Benchmark
  - Mapping
  - Impact
SECTORIAL AND TRANSVERSAL POLICIES OF SOCIETE GENERALE

Mining and Metals Sector Policy

Defence Sector Policy

Coal-Fired Power Sector Policy

Oil & Gas Sector Policy

Shipping Sector Policy

Nuclear Power Policy
IMPLEMENTATION: PROCEDURES AND PEOPLE
OBJECTIVES / PRINCIPLES

Use existing processes in particular:

- RISK
- KYC
- Reputation Risk

But also:

- Legal, to integrate Environmental and Social clauses
- Middle Office, to monitor Environmental and Social issues

Challenges:

- Integrate E&S review in “standard” financing timeframe review
- Need for clear requirements/reports/documentation
ENVIRONMENTAL AND SOCIAL RISK ANALYSIS METHODOLOGY
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General Approach
- Sources of impacts (clients, transactions, countries, sectors)
- Social, environmental and economic development impacts

Identification
- E&S General Principles and Sectorial Policies
  - “Positive sources” (sectors, countries, SME)

Evaluation
- Potential positive factors
- Potential negative factors

Action
- Business development action plan
- Remediation action plan

Documentation
- Environmental & Social procedures for Transaction & Client
- Remediation action plan into legal documentation
  - Client engagement process (awareness raising, action plan)
CASE STUDIES
EXAMPLE: RUN OF THE RIVER HYDROELECTRIC PLANT IN PERU - PROJECT FINANCE

Identification
- Renewable energy sector
- Potential biodiversity impacts
- Potential cultural heritage impacts
- Land acquisition and other socio-economic impacts

Evaluation
- Categorisation: A
- Independent Environmental and Social Assessment
- Gap analysis with international standards

Action
- Integrated Basin Management Plan
- Compensation Plan for land acquisition
- Socio-Economic Management Plan
- Conservation Plans for biodiversity

Equator Principles compliant
EXAMPLE « POSITIVE IMPACT TRANSACTION »: KPDC CAMEROON
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Identification
- **Energy sector**: Production & distribution
- **Cameroon** listed low-middle-income economy
- Project developed by AES Corporation
- Potential Impacts: Air emission; Biodiversity; Economic resettlement, Cultural Heritage

Evaluation
- Categorisation: A
- Environmental & Social Assessment satisfactory
- SG own review concluded compliance to Equator Principles provided appropriate management plan is implemented

Action
- Client commits to implement management plan which will be annually audited by qualified external consultant

Financed with African Development Bank, IFC and Proparco
EXAMPLE: GOLD-SILVER MINE IN ASIA - PROJECT FINANCE
EXAMPLE: GOLD-SILVER MINE IN ASIA - PROJECT FINANCE

Identification
- Protected area for biodiversity (with endangered species)
- Land acquisition and other socio-economic impacts
- Waste management issues

Evaluation
- Categorisation: A
- Independent Environmental & Social Assessment not satisfactory
- SG (and other banks) own review concluded non compliance to Equator Principles

Action
- Requirement for additional studies by competent Environmental & Social consultants
- Client refusal to perform these studies

Costs overrun > 30% initial project costs

SG did not participate
EXAMPLE: SOLAR POWER PLANT IN FRANCE
EXAMPLE: SOLAR POWER PLANT IN FRANCE

Identification
- Protected area for biodiversity
- Local opposition to the project

Evaluation
- Categorisation: A
- Due diligence identifies risk of non obtention of full Environment licence

Action
1. Project financing approval postponed until more clarity on licensing process
2. License awarded only to part of the project
3. Financing adapted to the new project’s feature

Risk of non obtention of local authorizations addressed

SG participates

CREDIT RISK MANAGEMENT
CLIENT INVOLVED IN CLUSTER BOMBS TRADING
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Identification
• Client proposing cluster bombs in its commercial offer

Evaluation
• Assessment of compliance of potential transactions with Oslo Convention and its application in France

Action
• Inform/discuss with the client

Client withdrew from cluster bombs activity
EXAMPLE: MULTINATIONAL OIL & GAS GROUP
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Identification
- E&S controversy and legal action associated with operations in Africa
- Oil spills and conflict with local population
- E&S legal cases ongoing in the US and UK
- Other risks: Involvement in non-conventional oil & gas extraction techniques

Evaluation
- E&S Memo
- Category: Medium-High E&S reputation risk due to E&S controversies
- Generally good E&S performance but some doubts on compliance with standards listed in the OECD Guidelines for MNEs and UK/US laws due to E&S problems in Africa
- Reputation risk
- Positive factors such as transparency and progress on key sustainability indicators taken into account

Action
- Engagement with client advised and communication of SG E&S Policies
- Special E&S due diligence would be needed prior to eventual financing of the company’s operations in Africa
NUCLEAR POWER PLANT, EXPORT FINANCE
NUCLEAR POWER PLANT, EXPORT FINANCE

Identification
- Nuclear Power Sector
- Potential biodiversity impacts
- Safety/effluents to be managed properly
- Some resettlement and land acquisition

Evaluation
- Categorisation: A
- Independent Environmental and Social Assessment
- Gap analysis with international standards

Action
- Set up a team of Environmental and Social Inspectors
- Major contracts to include environmental requirements
- Consultation with local population and complements to local government actions
- High level review of nuclear safety authority approvals
- Conservation Plans for biodiversity

OECD Common Approaches compliant

SOCIETE GENERALE
THANK YOU

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