

# CORPORATE SOCIAL RESPONSIBILITY

## COAL-FIRED POWER SECTOR POLICY

### 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 has thus defined E&S General Guidelines that 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 are being developed, as well as Sectorial Policies where the Bank looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The Coal-Fired Power sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Coal-Fired Power sector. Coal plays a key role in the world economy as one of the most accessible fossil fuel resources for large-scale electricity generation. Societe Generale recognises it has a role to play in the transition to a low-carbon economy and supports governments and private-sector efforts towards diversification of the energy sources and wider use of renewable energy in many of the markets in which it operates. However, Societe Generale believes that in the foreseeable future Coal-Fired Power generation will still be part of the energy mix of many countries. The Bank seeks 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. Societe Generale recognises the importance of the E&S risks and impacts associated with these activities. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Coal-Fired Power industry.

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 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.

### 2. 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 ensure through its assessment that its engagements are respecting its E&S principles.

Contribution to global climate change through emissions of Greenhouse Gases (GHG), which closely derive from the implemented technology, is a key environmental impact of the sector. In addition, there are a number of regional or local E&S risks potentially associated to the development of a coal-fired power plant.

When evaluating clients and/or transactions in this sector, the following aspects are specifically considered:

- Thermal efficiency of the power plant(s), which has a direct influence on both GHG and other air pollutants level of emissions;
- Applicable regulatory framework regarding GHG emissions in the country or region where the power plant(s) are operated, including existing and reasonably foreseen regulations (emissions trading schemes, carbon capture, offsets, etc.);
- Air emissions with a local or regional impact (SO<sub>x</sub>, NO<sub>x</sub>, PM<sub>10</sub>, etc.), in particular when they affect locations where air quality is already poor;
- Impact of coal storage and handling of solid and liquid residuals facilities which, if not managed adequately may lead to significant conversion of land and pollution of air, water and soil;
- Impact of water extraction for cooling or desulphurisation operations;
- Responsible sourcing of coal supplies to the extent it is practicable to identify and assess specific coal supply sources;
- Resettlement or economic displacement caused by loss of land or assets;
- Environmental legacy of past operations such as soil contamination in the case of projects involving revamping or repowering, or where projects are being implemented on brown-field sites.

### 3. SECTOR-SPECIFIC STANDARDS AND INITIATIVES

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 them 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/or business associations of the Coal-Fired Power industry have developed international conventions, initiatives, standards or recommendations addressing the E&S impacts resulting from the sector activities, among which:

- [UN Framework Convention on Climate Change \(UNFCCC\)](#) and related protocols and agreements;
- [International Energy Agency](#);
- [Carbon Disclosure Project](#);
- WRI and the [GHG Protocol](#);
- [World Coal Association](#).

Based on the analysis of the recommendations of those initiatives and of best practices of multilaterals and financial institutions, Societe Generale has defined the following E&S criteria to incorporate into its decision making process when considering provision of banking and financial services in the Coal-Fired Power sector:

1. For new transactions<sup>1</sup> related to coal fired power plants:
  - a. Compliance with national and international law (and EU ETS<sup>2</sup> when applicable) regarding GHG emissions in [UNFCCC Annex I countries](#), and national GHG Strategy in other countries;

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<sup>1</sup> For which the use of proceeds is known and limited to one or two particular physical developments or assets – see Implementation Process in Societe Generale E&S General Guidelines.

<sup>2</sup> European Union Emissions Trading Scheme

- b. For project finance transaction, Societe Generale applies the [Equator Principles](#) and its underlying standards, namely the IFC Performance Standards and the IFC Environmental, Health and Safety Guidelines applicable to the sector. In addition, for greenfield coal-fired power plants, the thermal efficiency<sup>3</sup> of the plant must be higher than 43% in [High-income countries](#)<sup>4</sup> and 38% elsewhere;
  - c. For all greenfield plants:
    - Due consideration has been given by the client to future optimisation of the energy efficiency and emissions performance of the plant through incorporation of future improvements in technology as appropriate;
    - In countries where a regulatory framework has been or is being developed for Carbon Capture and Storage, demonstration by the client that the power plant(s) is compliant with local regulations and can be considered as “CCS ready”, according to the International Energy Agency definition<sup>5</sup>;
    - Compliance with International environmental standards such as the World Bank Group Environmental, Health and Safety Guidelines for Thermal Power Plants;
    - Thermal efficiency<sup>3</sup> of more than 43% in [High-income countries](#)<sup>6</sup>.
  - d. For new transactions involving existing operating assets that do not currently meet relevant local and international standards, a detailed fully-funded investment plan to remediate each relevant asset to meet the pertinent standards within an acceptable timeframe is expected.
2. All clients in the coal thermal sector are encouraged to develop a strategy for carbon intensity reduction, including quantitative targets, and to publicly disclose the GHG emissions generated by their activities (for instance through participation to the Carbon Disclosure Project).

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies, these standards provide the E&S framework used by Societe Generale to consider its involvement in transactions involving coal-fired power plants.

#### 4. SCOPE

These guidelines apply to all the banking and financial services provided by the Societe Generale Group entities to its clients involved in the development, construction, operation and decommissioning of coal-fired power plants.

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<sup>3</sup> Net Plant Higher Heat Value (HHV) Efficiency. These criteria do not apply to cogeneration plants and plants below 200 MW. For plants using biomass co-firing, lower efficiency can be considered acceptable based on an analysis of the GHG intensity of the power plant.

<sup>4</sup> As per the World Bank data.

<sup>5</sup> The International Energy Agency's definition of CCS readiness includes that “Developers of capture-ready plants should take responsibility for ensuring that all known factors in their control that would prevent installation and operation of CO<sub>2</sub> capture have been eliminated. This might include: (i) A study of options for CO<sub>2</sub> capture retrofit and potential pre-investments, (ii) Inclusion of sufficient space and access for the additional facilities that would be required, (iii) Identification of reasonable route(s) to storage of CO<sub>2</sub>.”

<sup>6</sup> In other countries, new plants with efficiency below 38% will only be financed after full assessment of the economic feasibility of alternative technologies.

## 5. 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.

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 in seeking to ensure the quality and reliability of this information.

## 6. SCHEDULE - REVISIONS

This Coal-Fired Power policy is applicable from the date of its publication to all services provided therefrom.

During the period 2011/2012, 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.

Updated versions will be issued on Societe Generale's website <http://csr.societegenerale.com/>, where the E&S General Guidelines and all published Cross-sectorial and Sectorial Policies can also be consulted.

This document is a free translation into English of the original Policy drafted in French.