

## SECTOR POLICY



### COAL-FIRED POWER

1. INTRODUCTION .....	2
2. COMMITMENT .....	3
3. RISK ASSESSMENT .....	3
4. SECTOR-SPECIFIC STANDARDS AND CRITERIA .....	4
5. SCOPE .....	6
6. IMPLEMENTATION PROCESS .....	6
7. SCHEDULE – REVISIONS .....	6

## 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 thus defined E&S General Guidelines which 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 developed, as well as Sector 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.

### ENERGY E&S SECTOR POLICIES

Societe Generale’s Energy E&S Sector Policies seek to identify E&S issues throughout the whole value chain in which the Bank is active, from retrieval of the energy source; to power and heat production; to transportation, distribution and storage; and end user energy consumption. The Bank will identify and develop additional Policies as necessary in the future to assist it in better addressing E&S issues within this value chain. The Energy E&S Sector Policies of Societe Generale and their current status include:

	<b>Energy E&amp;S Sector Policies</b>	<b>Status</b>
<b>Liquid and Gaseous Fuels Production</b>	1. Oil and Gas Sector Policy	Published
	2. Alternative Liquid and Gaseous Fuels Sector Policy	In development
<b>Thermal Energy</b>	3. Coal-Fired Power Sector Policy	This document
	4. Civil Nuclear Power Sector Policy	Published
	5. Thermal Power Sector Policy	Published
<b>Renewable Energy</b>	6. Dams and Hydropower Sector Policy	Published
	7. Renewable Energy Sector Policy	In development
<b>Electricity Transmission &amp; Distribution</b>	<i>integrated to</i> 8. Infrastructure Sector Policy	To be developed

## 2. COMMITMENT

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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 Sector 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.

## 3. RISK ASSESSMENT

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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 evaluate the consistency of its engagements with clients against the E&S principles of the Bank.

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' activity and/or transactions in this sector, particular attention is paid to the following aspects:

- 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 desulphurization 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.

## 4. SECTOR-SPECIFIC STANDARDS AND CRITERIA

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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 its clients 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 business associations of the Energy sector have developed standards and initiatives<sup>1</sup> addressing the E&S impacts resulting from the sector activities. The standards and initiatives of the organisations listed below provide guidance for Societe Generale E&S assessment in the Coal-Fired Power sector:

- The UN [Framework Convention on Climate Change \(UNFCCC\)](#), related protocols and agreements.
- The EU [Emissions Trading Scheme \(EU ETS\)](#).
- The EU [2010/75/EC Industrial Emissions Directive \(IED\)](#) and [IPPC Bureau BREF documents covering Large Combustion Plants](#) and [Energy Efficiency](#).
- The World Bank Group [Environmental, Health and Safety Guidelines \(EHS\) for Thermal Power Plants](#).
- The [WBCSD Global Water Tool for Power Utilities](#).
- The [Bettercoal](#) initiative.
- The Global CCS Institute [Carbon Capture Storage Ready Policy](#).
- The [World Resource Institute \(WRI\)](#) and [World Business Council for Sustainable Development \(WBCSD\) Greenhouse Gas Protocol](#).
- The [CDP Climate Change Program](#).

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

### a. Client criteria

Clients are encouraged to apply the best E&S practices of the sector and in particular to:

- Develop a corporate 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 CDP);
- Assess the water risks relative to their operations by using risk assessments tools (such as the WBCSD Global Water Tool for Power Utilities);
- Develop and implement policies aiming at controlling the E&S impacts of their supply chain (relying for instance on the Bettercoal code).

### b. Dedicated transactions criteria

When conducting an E&S assessment of a transaction<sup>2</sup> in this sector, Societe Generale has the following requirements:

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<sup>1</sup> These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines...

<sup>2</sup> See Implementation Process in Societe Generale E&S General Guidelines

- Compliance with national and international law (and EU ETS<sup>3</sup> when applicable) regarding GHG emissions in [UNFCCC Annex I countries](#), and national GHG Strategy in other countries;
- For transactions involving greenfield plants:
  - Compliance with international environmental standards such as the World Bank Group EHS Guidelines for Thermal Power Plants;
  - Thermal efficiency (Net Plant Higher Heat Value – HHV - Efficiency) higher than 43% in [High-income countries](#) and 38% elsewhere<sup>4</sup>;
  - In countries where a regulatory framework has been or is being developed for Carbon Capture and Storage (CCS), demonstration by the client that the power plant is compliant with such regulations; In other countries, clients are encouraged to consider in their project future optimisation of the energy efficiency and emissions performance, including through ensuring CCS readiness<sup>5</sup>;
  - For all plants, when combined Scope 1 and Scope 2 emissions<sup>6</sup> are expected to be more than 100,000 tonnes of CO<sub>2</sub>-equivalent annually during the operational phase, the client will conduct:
    - An alternatives analysis to evaluate less GHG intensive options;
    - On an annual basis during the operational phase, a quantification of GHG emissions in accordance with internationally recognized methodologies and good practice<sup>7</sup>.
- For new transactions involving existing operating assets that do not currently meet relevant local and international standards, a detailed fully-funded investment plan to upgrade those assets in order to meet each relevant local and international standard within an acceptable timeframe is expected.

### c. Equator Principles

Societe Generale applies the [Equator Principles](#) and its underlying standards, to the transactions falling in the scope of this initiative.

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<sup>3</sup> European Union Emissions Trading Scheme

<sup>4</sup> These criteria do not apply to cogeneration units and to new production units below 300 MW.

- In case of transactions with multiple new units on the same site falling each below the 300 MW threshold, demonstration needs to be provided that a larger unit is not a viable option for the project.
- For units using biomass co-firing or equipped with CCS, lower efficiency can be considered acceptable based on an analysis of the GHG intensity of the power plant demonstrating that emission levels are below 700 kg CO<sub>2</sub>/net MWh in High income countries and 800 kg CO<sub>2</sub>/net MWh elsewhere (also see the relevant criteria of the Thermal Power Sector Policy and Renewable Energy Sector Policy).

<sup>5</sup> According to the International Energy Agency, the 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> Scope 1 Emissions are direct GHG emissions from the facilities owned or controlled within the physical Project boundary. Scope 2 Emissions are indirect GHG emissions associated with the off-site production of energy used by the Project.

<sup>7</sup> Such as the GHG Protocol. In countries where such conditions are regulatory requirements, the analysis and/or reporting will follow the methodology required by the relevant process.

Together with the criteria defined in the E&S General Guidelines, the Cross-sectorial Policies and the Thermal Power Sector Policy, these criteria provide the E&S framework used by Societe Generale to consider its involvement in this sector.

## 5. SCOPE

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This Sector Policy applies to all the banking and financial services provided by the Societe Generale Group entities to its clients involved in the Coal-Fired Power Sector, through their activities of development, construction, operation and/or decommissioning of coal-fired power plants.

## 6. IMPLEMENTATION PROCESS

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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.

The development of these 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 to ensure the quality and reliability of this information.

## 7. SCHEDULE – REVISIONS

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

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 posted on [Societe Generale's website](#), where the E&S General Guidelines and all published Cross-sectorial and Sector Policies are also available.

This Sector Policy has been established in French, versions in other languages are free translations.