

## SECTOR POLICY



### DAMS AND HYDROPOWER

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## 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 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 Dams and Hydropower sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Dams and Hydropower sector. When part of a well-planned water resources infrastructure, dams can improve resource allocation and help manage floods and droughts. Hydropower is a renewable energy which can play a role in a context of growing demand for reliable and affordable energy. However, Dams and Hydropower infrastructures are often complex projects which may be associated with a range of social and environmental risks. The Bank is willing to remain a value-adding partner to its clients in the Dams and Hydropower sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Bank aims for the highest E&S standards when considering the provision of banking and financial services to the Dams and Hydropower 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 Power</b>	3. Coal-Fired Power Sector Policy	Published
	4. Civil Nuclear Power Sector Policy	Published
	5. Thermal Power Sector Policy	Published
<b>Renewables</b>	6. Dams and Hydropower Sector Policy	This document
	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.

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

### **Assessment and stakeholder consultation:**

- Existence of a needs and alternatives assessment for the development of the infrastructure (within the framework of a national or regional master plan as the case may be), with involvement of relevant stakeholders;
- Consultation and participation of affected communities and other relevant stakeholders at key major milestones of the project life;

### **Exhaustive review of impacts:**

- Construction impacts including wastewater and waste production and management;
- Impacts of impoundment (when a reservoir is created) on water quality (in the reservoir and downstream) and on the river ecosystem;
- Impacts on critical habitats, and areas protected for biodiversity or cultural considerations;
- Increased access to previously remote areas, which can result in impacts by third parties such as clearance of forest, or conflict with local communities;
- Management of downstream flows (including environmental flows<sup>1</sup>);
- Emission of Greenhouse Gases, in particular linked to reservoir impoundment in tropical areas;
- Cumulative environmental impacts at the river basin level;
- Project's impacts on local communities and indigenous peoples, including:
  - Resettlement or economic displacement caused by loss of land or assets;
  - Impacts on livelihoods (e.g., impacts on downstream fishermen);
  - Impacts of workers influx, especially in remote areas;
  - Health impacts (e.g., breeding of disease vectors in the reservoir);
- Compensation and benefit sharing agreements of affected populations upstream and downstream of the project in regard to their identified rights and needs.

### **Risks and safety:**

- Risk related to erosion and sedimentation;
- Safety of the infrastructure.

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<sup>1</sup> According to IUCN definition, provision of water within rivers and groundwater systems to maintain downstream ecosystems and their benefits, where the river or groundwater system is subject to competing water uses and flow regulation.

## 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, business associations of the Dams and Hydropower industry and other civil society organisations have developed standards and initiatives<sup>2</sup> addressing the E&S impacts resulting from the sector activities. The standards and initiatives listed below provide guidance for Societe Generale E&S assessment in this sector:

- The [IFC Performance Standards](#)<sup>3</sup>
- The [World Commission on Dams Framework for decision making](#)
- The [Hydropower Sustainability Assessment Protocol](#) (HSAP)<sup>4</sup>

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 Dams and Hydropower sector:

### a. Client criteria

Clients are encouraged to apply the best E&S practices of the sector.

In particular, clients in charge of developments are encouraged to use the Hydropower Sustainability Assessment Protocol as a tool to guide them during the different phases of the project and to share the results of the HSAP assessment with the stakeholders, including the financial institutions.

### b. Dedicated transactions criteria

When conducting an E&S assessment of a transaction<sup>5</sup> in this sector, Societe Generale has the following requirements:

- The infrastructure complies with the IFC Performance Standards and conforms to the World Commission on Dams Framework for decision making;
- For transactions involving existing operating assets, material deviations from the above standards are identified for on-going impacts through a gap-analysis, and where necessary, a time-bound remediation plan implemented;

### c. Equator Principles

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

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

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<sup>2</sup> These standards and initiatives may take the form of conventions, directives, standards, recommendations or guidelines...

<sup>3</sup> IFC PS include specific provisions regarding third party review of the safety of dams (PS 4), in addition to general E&S management requirements.

<sup>4</sup> Designed by a multi-stakeholder forum and adopted in 2010 by the International Hydropower Association.

<sup>5</sup> See Implementation Process in Societe Generale E&S General Guidelines

## 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 Dams and Hydropower sector.

## 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 Dams and Hydropower 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.