Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

Find more case studies online at https://www.mainstreamingclimate.org/

Societe General (SocGen) Positive Impact Bond

Principle	Related Work Stream(s)			
PRINCIPLE 3: PROMOTE Climate Smart Objectives	CLIMATE RISKS: APPROACHES, TOOLS, METHODOLOGIES	MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES	CITY-LEVEL CLIMATE SMART APPROACHES AND FINANCIAL INSTRUMENTS	SPREADING A CLIMATE STRATEGY INTO A WHOLE ORGANISATION

Publication date: December 2015 – [Emerging Practice Document 2015]

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Societe General (SocGen) Positive Impact Bond	Positive Impact Bond issuance decision followed the classical process of Societe Generale EMTN program and is part of the group Climate policy approved by the executive board.	The issue is backed by an in-house methodology and combines the best E&S loans standards (Equator principles), Socially Responsible Investment (SRI) and Green Bonds Principles Standards, with a high level of independent assurance provided both by Vigeo and EY.	No additional capacity but a task force has been constituted as numerous teams have been nvolved from the business lines which originate the projects financing to the treasury department. Green structuring of the Bond has been performed by the positive Impact Finance team.

Key Lessons
Societe Generale First Positive Impact Bond demonstrates its ability to draw on its financial structuring and distribution expertise in order to help build a sustainable bond market, thus deepening capital markets funding sources for sustainable growth projects alongside bank lending backed by a robust Positive Impact Assessment Framework.

Societe Generale First Positive Impact Bond: A Logic Outcome of Our Long-standing CSR Policy

The first Positive Impact Bond issued by Societe Generale in November 2015, is a demonstration of its commitment to find innovative financial solutions to fund the transition towards a low-carbon economy.

Back in the early 2000s, the group started to address the environmental and social (E&S) impacts of its financing activities. That initiative was then scaled up with the publication of a directive by the group CEO Frederic Oudéa setting the rules to address E&S impacts throughout the entire group activities. In 2012, when the new CSR strategy was defined, the Executive Committee of the Bank decided that one of the main objectives of the "Responsible finance" strategic priority was to promote and develop the Positive Impact Finance.

Positive Impact is defined as an activity having: a positive impact on a least one of the 3 pillars of sustainable development (Environment, Social and Economic development) provided an appropriate management of the potential negative impacts.

A specific team dedicated to green structuring has been put in place to promote Positive Impact Finance. For illustration purpose, in 2014, 958 MEUR of new Positive Impact production (an increase of 37% compared to 2013) was reported within the Investment Banking division.

Through this first Positive Impact Bond, Société Générale is proposing to investors to contribute to the financing of Positive Impact projects which have been selected for their demonstrated Climate Benefits.

An Issue Backed by a Robust Methodology

This first Positive Impact Bond creates a new standard within the Green Bond market as it relies on a robust and transparent framework which is consistent with the Green Bond Principles and aligned with the Positive Impact Manifesto launched by UNEP-FI.

A three step approach for the evaluation and the selection of the investments:

- An Environmental Social and Governance (ESG) framework based on main E&S international standards and aligned with Equator Principles.
- A Positive Impact Assessment Framework which evaluates E&S positive and negative impacts on at least 17 impact categories including social, environmental and economic convergence.
- A selection of Positive Impact Assets which contribute to the fight against Climate Change resulting in an eligible Positive Impact Finance Assets portfolio.

Since the origination of the loan, Société Générale applies a robust ESG framework ensuring the appropriate management of the E&S risks of these investments and their monitoring along the life of the Bond.

High standards in terms of transparency and traceability:

- The use of the Positive Impact Assessment Framework ensures a strong selection and follow-up of the Positive Impact characteristics of the assets which are independently reviewed.
    - On one hand, an external ESG (Vigeo) confirmed the sustainable credentials of the Positive Impact Assessment Framework and its alignment with the Green Bond Principles;
    - on the other hand, an external auditor (EY) has been appointed to audit at the time of issuance and annually on the use of proceeds and the compliance of eligible assets with the Positive Impact Assessment Framework;
    - in addition, the Positive Impact Assessment Framework contains a continuous follow-up of Positive Impact qualification through monitoring of E&S risks along the loan maturity.
- At the time of issuance Société Générale provide a detailed reporting on the investments selected includes:
    - Description of the underlying financed investments and comments on their E&S risks management and benefits;
    - Climate benefits indicator such as tCO_2e avoided (estimated with European Investment Bank's methodology) and amounts of MW installed
- Similar reporting will be issued yearly until the maturity of the bond

Societe Generale First Positive Impact Bond: A Best in Class Green Bond with a Demonstrated Climate Benefits

The 18th of November 2015, Societe Generale successfully issued this first ever Positive Impact Bond a EUR 500 5-year fixed-rate senior note demonstrating its commitment to finding innovative financial solution to a low carbon economy in compliance with the best available E&S standards.

The proceeds of this bond will be used to finance exclusively investments with Climate Benefits. At issuance Societe Generale selected 27 investments in the renewable energy sector, which development will allow avoiding more than 6 MtCO2e emission/year..

A Successful Green Issue That Unlock Opportunities for More Innovative Financial Solutions

An innovative transaction very well received by the investor community:

- An issue six time oversubscribed from more than 171 accounts
- A robust assessment framework backed by a double assurance
- A Consolidated Climate benefits performance indicator
- A clear reporting of E&S impacts

A replicable framework for other innovative financial solutions with the emergence of a "green structuring team" in Societe Generale

A combined level of expertise involving the CSR department, Green and financial structuring teams and the Treasury division of the Bank.

The Positive Impact Bond is part of a broader ambition to enlarge the market to social and economic development in order to meet the Sustainable Development Goals as defined by the UN and to bring new solutions to the huge investment gap.