

# Dams & Hydropower sector policy

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# 1. INTRODUCTION

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In the frame of its Corporate Social Responsibility policy, and as a signatory of the Principles for Responsible Banking, Societe Generale and its subsidiaries (the Group) intends to take into account the environmental, social (E&S) and governance issues associated with all its activities, to better control their impact and promote good practices, with an objective of continuous improvement.

The Group published E&S general principles which define the overall framework of its E&S risk management system for the responsible conduct of its banking and financial activities. Within this framework, transversal statements addressing issues common to all sectors have been developed, as well as sector policies where the Group looks more specifically into certain sectors identified as sensitive from an E&S standpoint and in which it plays an active role.

The Dams & Hydropower sector has been identified as one such sector.

The Group provides a range of banking and financial products and services to the Dams & Hydropower sector. When part of a well-planned water resources infrastructure, dams can improve resource allocation and help manage floods and droughts. In addition, 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 E&S risks, such as biodiversity depletion, ecosystems disturbances or social impacts on communities through displacement of populations or economic activities.

The Group is willing to remain a value-adding partner to its clients in the Dams & Hydropower sector, while ensuring that such support is provided in a responsible and considered manner. This is why the Group aims for the highest E&S standards when considering the provision of banking and financial products and services to the Dams & Hydropower industry.

## 2. SCOPE

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### 2.1. Geographical scope

The Dams & Hydropower sector policy is applicable worldwide. The application criteria may take into account the robustness of the countries' governance framework where the assets are located.

### 2.2. Scope of the Group's activities

This sector policy applies to all consolidated companies over which the Group exercises exclusive control.

It applies to the following banking and financial products and services: credit, debt and equity markets, guarantees and advisory activities.

### 2.3. Scope of sector activities

This sector policy applies to dams and hydropower infrastructures and client companies owning them.

### 3. DAMS & HYDROPOWER SECTOR ESG RISKS

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A non-exhaustive list of potential E&S and governance risks considered by Societe Generale in its risk management framework is provided in the E&S general principles.

When evaluating corporates' activity in the Dams & Hydropower sector, particular attention will be paid to the following risks:

- 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.
- Cumulative environmental impacts at the river basin level.
- Management of downstream flows (including environmental flows and flooding).
- Risks related to erosion and sedimentation.
- Emission of Greenhouse Gases, in particular linked to reservoir impoundment in tropical areas.
- Impacts on critical habitats and areas protected for biodiversity or cultural considerations, and more generally impact on local biodiversity.
- Increased access to previously remote areas, which can result in impacts by third parties such as clearance of forest, or conflict with local communities.
- Safety of the infrastructure.
- Impacts on local communities 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).
  - Impacts on indigenous peoples or lands used by indigenous peoples.
- Compensation and benefit sharing agreements of affected populations upstream and downstream of the project in regard to their identified rights and needs.

In addition, governance risks are managed as part of the Know Your Customer (KYC) and other Compliance processes to guarantee alignment of the Group with applicable laws and regulations, including exclusions based on international sanctions.

### 4. SECTOR SPECIFIC E&S STANDARDS AND INITIATIVES

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The Group 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. The Group requests its clients to comply with the laws and regulations of each relevant country or region while encouraging them to apply the following E&S standards and initiatives.

A number of institutions, business associations of the Dams & Hydropower industry, and other civil society organizations

have developed standards and initiatives<sup>1</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 framework in the Dams & Hydropower sector:

- The [IFC Performance Standards](#) and [Good Practice Note on EHS Approaches for Hydropower Projects](#).
- The [World Commission on Dams Framework for decision making](#).
- The [Hydropower Sustainability Assessment Protocol \(HSAP\)](#).
- The [International Hydropower Association \(IHA\) Sustainability Guidelines](#).
- The [UN Declaration on the Rights of Indigenous People](#) (2008).
- The [Voluntary Principles on Security and Human Rights](#) (2000).

New regulations and voluntary standards will be developed in the future. The Group will closely follow these developments, use them as references in implementing its Dams & Hydropower Sector Policy and update it if necessary.

## 5. IMPLEMENTATION PROCESS AND COMMITMENT

### 5.1. Implementation process

While it is incumbent on the corporates the Group has relationships with to manage the E&S risks associated with their operations and to comply with the applicable laws and regulations, it is important to the Group to evaluate the consistency of its activities with its E&S commitments.

The E&S general principles set out the main features and implementation processes of the Group's E&S risk management system. The Group's decisions are based on public information or information made available by the client. The Group shall make its reasonable endeavors to ensure the quality and reliability of this information but accepts no liability whatsoever in connection with any such information.

Three types of application criteria have been defined.

The **E&S exclusion criteria** are intended to exclude certain types of corporates, dedicated transactions or services or financial products from the Group's activities.

The **E&S priority evaluation criteria** are criteria for which a specific and systematic answer is requested as part of the evaluation process. For client's evaluation, if the criteria are not fulfilled, a positive evolution from the company current practices is expected in a limited and reasonable timeframe and can be formalized through action plans or contract clauses. For dedicated transactions on projects, alignment with the criteria is expected as part of the project development; for dedicated advisory services ahead of a project's development, the client's commitment to develop the project according to these criteria is evaluated.

The **other E&S evaluation criteria** aim to identify the other risk factors of the sector, that will also be considered as part of the evaluation, and also to specify the best practices that the Group wishes to encourage.

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

## 5.2. Commitment

The results of the evaluation in regard to the different criteria will provide evidence for decision-making process to the Group. The Group will work with clients within the implementation scope of the policy who meet or aim at meeting the applicable E&S criteria.

The Group may refuse to provide banking or financial products or services to certain corporates or refuse to be involved in certain transactions as a result of this evaluation, even if the exclusion criteria defined in this sector policy are not applicable. The Group may also require additional actions or engage in an additional due diligence process before concluding on the acceptability of a client or a transaction.

## 6. APPLICATION CRITERIA

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Based on the analysis of the initiatives listed in Section 4. and of best practices of multilaterals and other financial institutions, the Group has defined the following E&S criteria which are incorporated into its decision-making process when considering provision of banking and financial products and services in the Dams & Hydropower sector.

### 6.1. Clients criteria

#### Priority criteria

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When conducting a corporate E&S assessment of a client involved in this sector, the Group considers the following criteria:

- Whether the client company has E&S risks management measures in place, commensurate to its impacts, and addressing in particular:
  - Health and safety.
  - Impacts on biodiversity.
  - Impacts on human rights, with specific consideration of child and forced labour as defined in the International Labor Organization (ILO) Conventions, and, where applicable, management of impacts on indigenous people.
  - Engagement with local stakeholders.

#### Other criteria

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When conducting a corporate E&S assessment of a client involved in this sector, the Group also considers the following criteria:

- Whether the client company applies the best E&S practices of the sector such as the International Hydropower Association (IHA) Sustainability Guidelines or the IFC Good Practice Note on Environmental, Health, and Safety Approaches for Hydropower Projects.
- Whether the client company publicly reports on its environmental and social standards and performances.

## 6.2. Dedicated transactions, products and services criteria

### Exclusion criteria

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The Group will not provide dedicated financial transactions, products and services when the underlying activities are:

- Development, construction or expansion of storage hydro power projects located within a UNESCO World Heritage Site, a Ramsar site, a nationally protected area (IUCN categories I-IV) or a site of the Alliance for Zero Extinction.
- Any operation with material adverse impacts on the Outstanding Universal Value of a World Heritage Site.

### Priority criteria

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When conducting an E&S assessment of a dedicated transaction, product or service in this sector, the Group considers the following criteria:

#### For new developments or expansions:

- Whether the IFC Performance Standards are complied with.
- Whether the client has management policies applicable to the project, as may be relevant covering Watershed Management, Habitat Conversion, Changes in Instream Flow, Stream Morphology and Sediment Management, Reservoir Management as described for example in IFC Performance standards 3, 6 and IFC Good Practice Note on EHS approaches for Hydropower projects.
- When the activities associated with the transaction or service are located within, or with potential material impacts on Key Biodiversity Areas or protected areas, whether a third-party assessment of the potential impacts on biodiversity and related ecosystem services has been carried out. The assessment will have demonstrated that:
  - The client is implementing a mitigation strategy which prioritizes efforts to prevent or avoid adverse impacts to biodiversity, then to minimize and reduce those effects, to repair or restore them, and finally to offset or compensate them, with a view to achieving no net loss, and preferably gain of biodiversity.
  - Adequate consultation of local population and other stakeholders, where relevant.

For activities located within, or with potential material impacts on a protected area, if the exclusion criteria are not triggered, evidence is provided that the development is legally permitted and consistent with any regulatory management plans for such area.

- Whether there is a health and safety management plan for construction works, for example as described in IFC Performance standards 2 and 4.
- Where applicable, whether a dam safety and emergency preparedness and response plan has been developed, as described for example in the IFC Good Practice Note on EHS approaches for Hydropower projects.
- Whether local stakeholders' engagement has been developed and if necessary, a process of Informed Consultation and Participation (ICP).
- Where indigenous peoples are affected, and in the circumstances prescribed by IFC Performance Standard 7, whether their Free, Prior and Informed Consent (FPIC) is obtained in due time as a result of the ICP.

For 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.

The Group applies the [Equator Principles](#) to the transactions and services falling in the scope of this initiative. The criteria above are applied in conjunction with, or in addition to the underlying standards of this initiative.

#### Other criteria

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When conducting a corporate E&S assessment of dedicated transaction or service in this sector, the Group also considers the following criteria:

- Whether the Hydropower Sustainability Assessment Protocol is used as a tool at the different phases of the project and to share the results of the HSAP assessment with the stakeholders.
- Whether a Climate Change Risk Assessment has been performed.

## 7. DISCLOSURE AND UPDATES

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This sector policy is applicable from the date of its publication to all services provided therefrom, with exceptions for pre-existing business commitments or opportunities at an advanced stage of negotiation.

This sector policy may evolve in time, in accordance with legislative or regulatory evolutions and as a result of the discussions between the Group and its various stakeholders. Therefore, the Group reserves the right to modify this sector policy at any time. Updated versions will be posted on the Group's website, where the E&S general principles and the E&S transversal statements and other sector policies are also available.

This document cannot be interpreted as a contractual commitment.

This sector policy has been established in French and in English. The English version is a free translation.