

MARCH 2018

SUPPORTING THE POSITIVE IMPACT OF YOUR BUSINESS

SOCIETE GENERALE CIB PIONEERS
'POSITIVE IMPACT FINANCE' SOLUTIONS





As the global population approaches eight billion, today's world is one of increasing needs, decreasing natural resources and rapid technological change.

Finance is at the heart of an essential shift to more sustainable development, based on a more inclusive and sustainable economy. Solutions should be looked at through the prism of their holistic impacts on the society, taking into account the positives ones while identifying and mitigating the negative. Business as usual is not an option. We need to change the model.

Societe Generale is a pioneer of banking's response. Since our inception over 150 years ago, Societe Generale has **supported the economy**. Today, we are committed to strengthening sustainable finance solutions for our clients — from economic, social and environmental perspectives. In order to have a **positive impact on society**, Societe Generale has been at the origin of

the concept of 'Positive Impact Finance' which calls for a new financing paradigm¹, and is part of the United Nations Environment Finance Initiative (UNEP FI).

Beyond our own commitment in the way we conduct our business, in recent decades we have developed in-depth **environmental and social expertise across our business-to-business offerings**, to help our clients make the deep transformation to tomorrow's world. We have done so across finance's value chain: from research and advisory, to financing and capital markets, as well as investor solutions and services.

The UN Sustainable Development Goals require an estimated US\$5-7 trillion a year in finance until 2030 – much of it from the private sector. We can help facilitate the transition to a fairer, greener economy by supporting our clients' financing and investments needs as they tackle environmental and social challenges.

Three factors are driving Societe Generale CIB to focus on sustainable finance:

1

We believe that integrating positive impact criteria in financing and investment solutions generates long term outperformance. For our clients, 'sustainable investment' improves the long-term returns of their businesses and portfolios, while meeting the demands of end investors, regulators and other stakeholders.

2

Our clients' growing demand. For the past years, the growth of sustainable investment has outpaced that of the rest of the market. For example, over a quarter of professionally managed assets globally are invested according to responsible investment strategies². Client needs are growing exponentially; we have the solutions to meet them.

3

Our staff is extremely motivated to address these challenges to prove the positive role they play, individually and collectively, in the economy. ”

¹ <http://www.unepfi.org/positive-impact/positive-impact-manifesto/>

² 2016 Global Sustainable Investment Review, Global Sustainable Investment Alliance.

ADVOCATING THE CONCEPT OF 'POSITIVE IMPACT FINANCE'

Societe Generale was a pioneer in the creation of the United Nations Environmental Program “Positive Impact Finance Initiative”, that aims to foster the transition to a green and inclusive economy meeting with the Sustainable Development Goals (SDG). Societe Generale now sits on the initiative’s steering committee.

ABOUT THE POSITIVE IMPACT INITIATIVE

The Positive Impact initiative is a collaborative movement to foster the business and financial ecosystem we need to achieve a sustainable world. As per the Positive Impact Manifesto, it is based on the idea that addressing global economic, social and environmental issues is a matter of strategic concern to the finance sector and to the private sector more broadly, and that a new, impact-based approach is needed.

Through the Principles for Positive Impact Finance, the initiative promotes a holistic yet practical framework for impact-based business development. Through its working groups, is pursuing an open-source research and development approach towards materializing its vision for an impact-based financing paradigm.

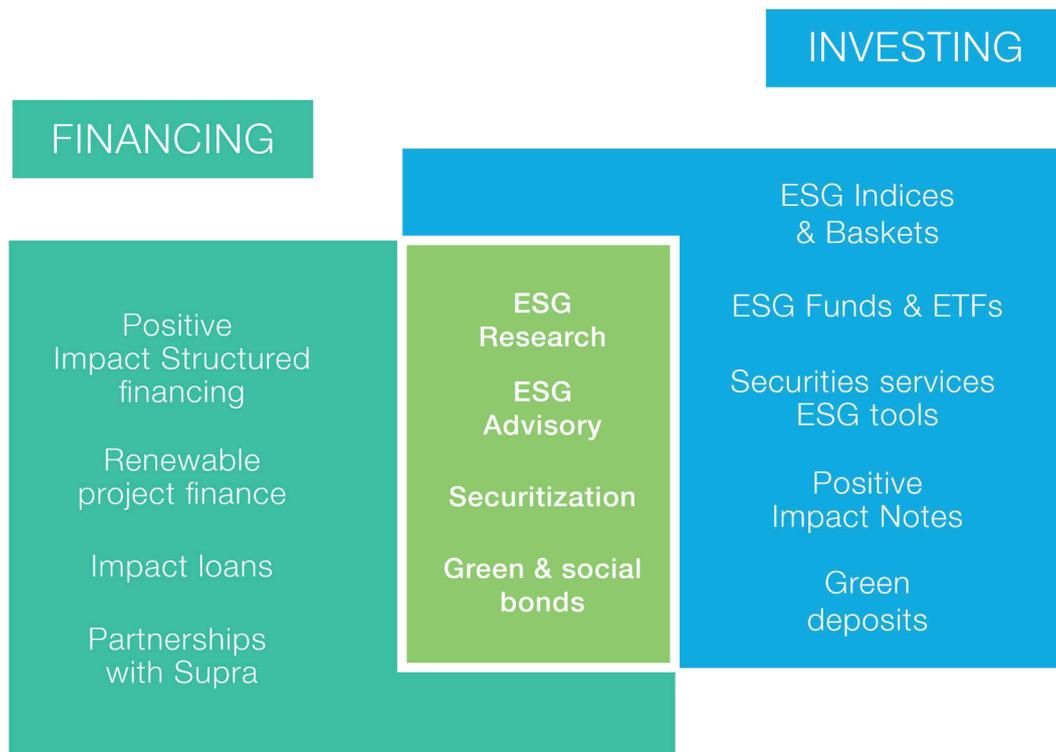
Positive Impact Finance serves to finance positive impact business.

It delivers a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social) once any potential negative impacts to any of the pillars have been duly identified and mitigated.

By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the SDGs.

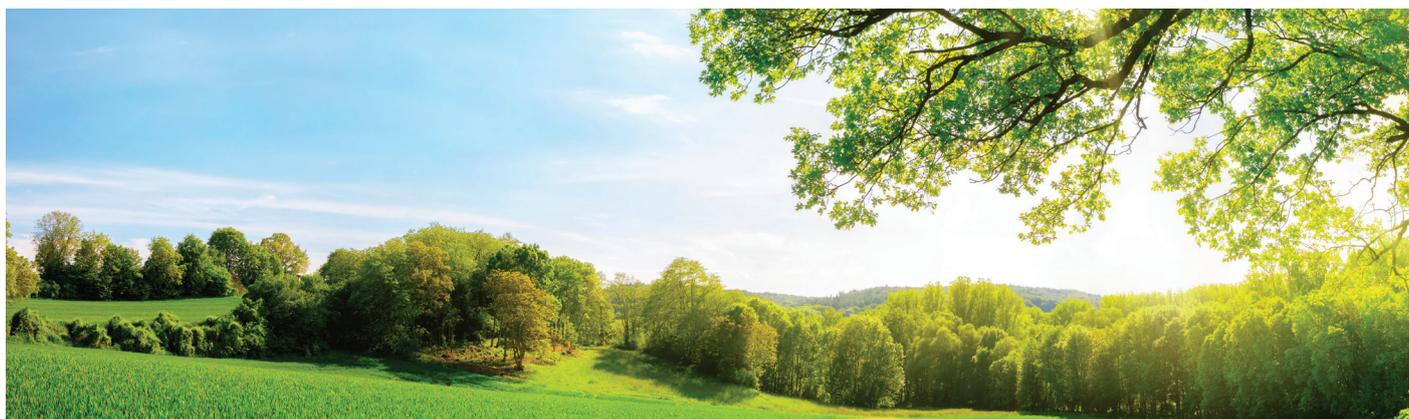
Inspired by the spirit of positive impact finance, we have developed a full range of solutions:

From corporates to investors, Societe Generale supports clients across the full spectrum of sustainable finance



SUPPORTING OUR CLIENTS' TRANSFORMATION

To support our clients' transformation, we trust in the full expertise of our business lines and have launched a "positive impact development offering". This brings together all our environmental and social expertise across investment and financing solutions.



GLOBAL FINANCE

Building on our historical skills in environmental and social risk management, structured finance and capital markets, we have developed an expertise that is essential for meeting the increasing demand of our clients for financial solutions that match their sustainability agendas. In that context and inspired by the spirit of the Positive Impact Finance Initiative, we are developing new financial solutions to help achieve the 17 UN Sustainable Development Goals.

Renewable energy

With a global presence and acknowledged energy sector expertise, Societe Generale is also fast becoming a leader in renewable energy (solar, wind and biomass energy, etc.). We aim to double our funding of renewable energy projects by 2020, to reach up to EUR 15 billion.

Beyond renewable energy financing, Societe Generale's production of Positive Impact Finance assets has risen more than threefold.

Impact loans

As an innovative way to value our client's sustainability performance, Societe Generale has developed an 'Impact Loan' offer, which links the financing structure to the achievement of the client's corporate and social responsibility (CSR) targets, such as CO2 reduction goals. Through this contingent structured offer, Societe Generale intends to work with its clients towards their sustainability ambition and CSR achievements.

For instance, when a corporate underperforms the defined sustainability expectations, we integrate within the financial structure some compensatory measures. Those measures usually take the form of a commitment from the corporate to invest a defined amount for CSR corrective actions, or to donate an equivalent amount to non-governmental organizations which have similar sustainability objectives.

This new offer is a good example of the value we place on our clients' sustainability agenda.



Green, social and Positive Impact bonds

Our unique platform combines Societe Generale's longstanding environmental, social and impact structuring expertise with our leading debt capital markets structuring and distribution platform. The successful issuance of two EUR 500 million Positive Impact bonds (2015 and 2016), demonstrated the bank's capabilities to develop innovative sustainable funding solutions for a low-carbon economy.

Our clients' activity in this field is increasing: in 2016, Societe Generale contributed to the issue of eight green bonds totaling EUR 6 billion. In 2017, we co-led the issuance of 27 new green bonds (as of 31/12/2017). This ranks us third in Europe as of end of December 2017 and seventh worldwide (*source: Bloomberg league tables*). Between 2016 and 2020, we aim to direct (or co-direct) Green bond issuances for a cumulative nominal amount of approximately EUR 85 billion.

Societe Generale is also supporting the rise of social bonds, which have recently garnered more attention following the launch of the Social Bond Principles in June 2017. We have seen a ten-fold increase in issuance of green bonds between 2013 and 2017. Societe Generale believes that the social bond market also has great potential and intends to support it.

Furthermore, Societe Generale is active across the entire spectrum of the green bond market, having participated in various private placements and RMBS.

Societe Generale led the successful placement of the EUR 500 million Green Storm 2016 and the EUR 550 million Green Storm 2017 transactions, which were largely oversubscribed and backed by mortgage loans related to energy-efficient residential buildings or improved energy efficiency in houses. Those transactions were aligned with the best market practices such as the Green Bond

Principles. This RMBS received the award for Innovation of Environmental Finance, as well as the best asset-based bond.

Partnerships with supranationals, multilaterals and development finance institutions (MDFIs)

We develop partnerships with MDFIs through co-financing, co-investment and risk-sharing deals, including:

- Projects in the commodity sector or commodity trade finance programs, infrastructure projects in Western Europe and emerging countries, Positive Impact Financing in emerging countries;
- Originate-to-distribute transactions, with MDFIs acting as investors in the whole range of securities, from debt to mezzanine and equity.



SRI/ESG research

Socially responsible and impact investing (SRI) issues, as well as environmental, social & governance (ESG) factors, have become important performance drivers. Sitting alongside financial and macroeconomic considerations, ESG factors have become easier to quantify and should be considered when assessing any company. Since 2016, Societe Generale's dedicated ESG research team has helped investors and asset managers to integrate these criteria into investment decisions.



We have a strong track record. The Extel survey ranked our teams number one in SRI Research (2015 & 2016), including number one for SRI & sustainability, and number four for corporate governance.

Sustainable investment products

From vanilla to customized solutions, Societe Generale links a wide range of issuers (sovereigns, supras, agencies, corporates) and investors (insurance companies, asset managers, etc.) through green bonds or structured, tailor-made products.

- Performing index solutions

The Societe Generale Index (SGI) range covers a wide scope of assets, including ESG indices based on our ESG research or our comprehensive network of ESG partners. We also engineer custom indices. Whether derived from a flagship index or created at the client's request, these are developed to precisely match investors' objectives and constraints.

- **Tailored 'green' or 'positive impact' structured solutions:** Societe Generale has been issuing structured notes for more than 20 years, including ESG index-linked structured notes. Our latest structured solutions package green or sustainable investments into four main formats:

- **Positive Impact Structured Notes:** Societe Generale has created a range of products to allow clients to invest in a structured note while promoting Positive Impact Finance. Positive Impact Structured Notes are linked to a SRI index. The bank commits to hold in its books an amount in Positive Impact Finance assets equivalent to 100% of the nominal amount of such products.
- **Repack of a green bond:** Societe Generale issues a bond-repacked note for which the yield of a third-party bond (the reference bond) is used as a funding source.
- **Green notes issued by an external issuer:** the issuer tracks the investment of the note's proceeds in green projects, or is a recognized 'pure player' which exclusively funds green projects.
- **Green or socially responsible deposits:** Societe Generale uses funds collected through the deposit to finance short-term loans to corporates that have received the highest extra-financial rating, and to finance commodity transactions selected for their high standard of responsible practice. This offer



allows our corporate clients to contribute to a new responsible lending approach.

Lyxor Asset Management's ESG innovation

Lyxor Asset Management is addressing within its active and passive solutions the challenges of climate transition and the growing demand for responsible investments.

As a pioneer of ETFs in Europe, Lyxor has leveraged on its strong ability to innovate in order to provide investors with ESG solutions. As such, Lyxor provides ETF-based thematic solutions aligned with four Sustainable Development Goals - Water, New Energy, Climate Action and Gender Equality. Lyxor launched a water ETF in 2007, which has grown to become Europe's largest with EUR 600 million of assets under management. In 2017, Lyxor broke new ground with the first Green Bond ETF worldwide, which captures the performance and positive impacts of green projects.

In parallel, Lyxor has been gradually increasing the integration of ESG criteria within its equity active management, through the GARI strategies which integrate companies' ESG ratings and risks in the selection of investment universes. Furthermore, Lyxor has integrated extra-financial criteria in the management of an institutional mandate which invests in French SMEs. Lyxor can also provide ESG and carbon footprint indicators for its

vehicles to address climate issues. At the end of December 2017, Lyxor managed EUR 18 billion in line with a Shareholder Voting commitment, EUR 1.1 billion involved exclusion lists, EUR 722 million environmental issues and EUR 27 million ESG selection.

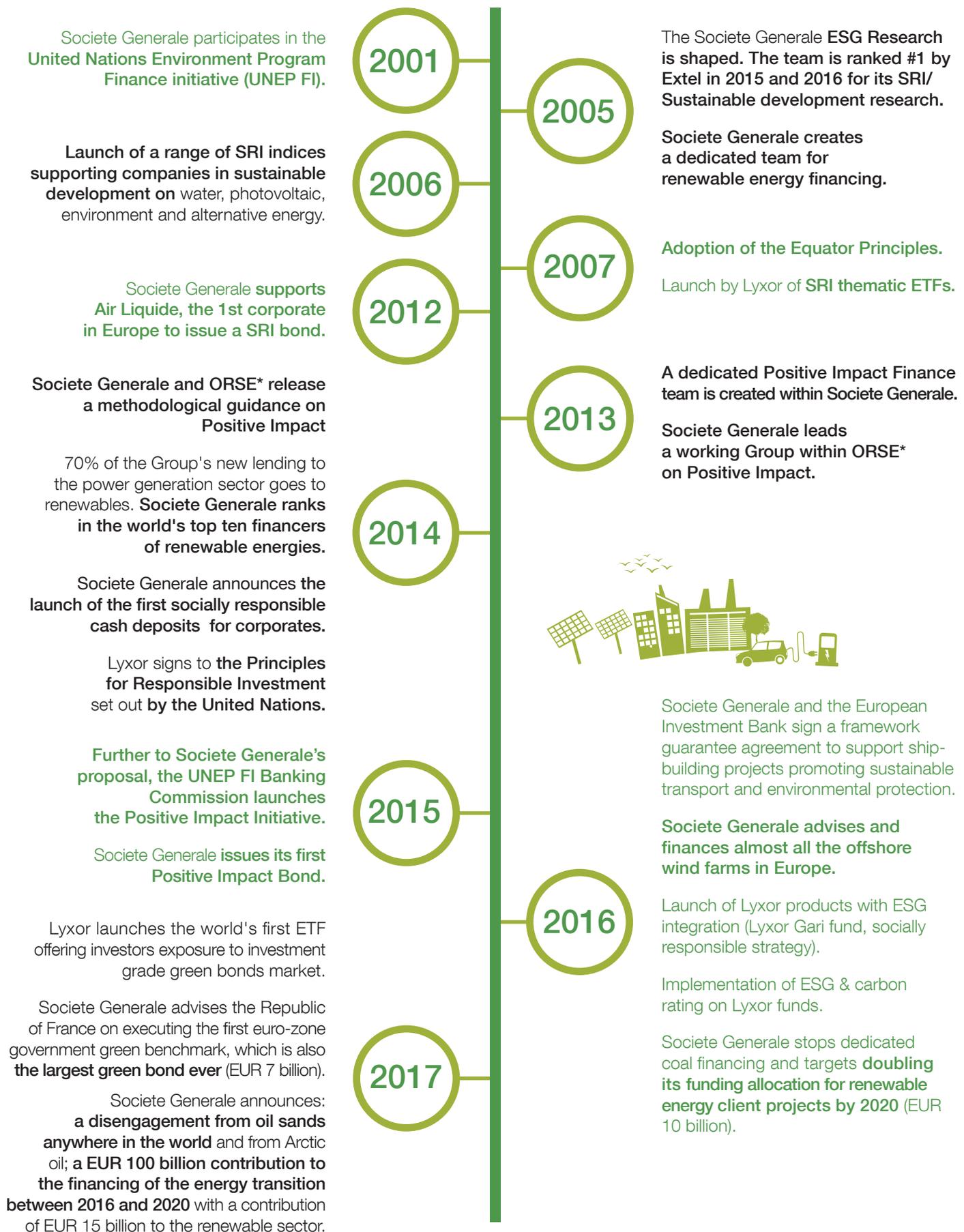
Securities Services integrates ESG factors

Societe Generale Securities Services is fully committed to support its clients in their sustainable finance practice - whether they are issuers or institutional investors - helping them to solve various technical challenges related to the integration of ESG factors. Societe Generale Securities Services' modular offer includes:

- Portfolio analysis based on various ESG metrics, including carbon footprint, benefitting from independent calculation capabilities;
- A proxy voting service through a single platform covering 36 markets and connected to 16 proxy advisers.



SOCIETE GENERALE KEY MILESTONES



SOCIETE GENERALE

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