



INTRODUCTION TO IMPACT-BASED FINANCE

**THE FUTURE
IS YOU**  **SOCIETE
GENERALE**

SG'S STRONG E&S COMMITMENT

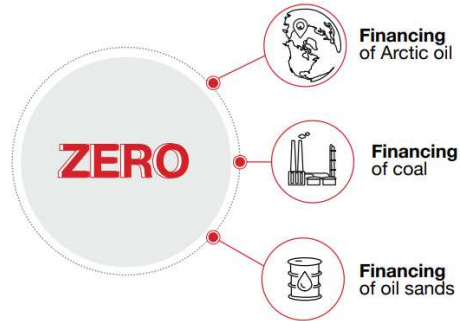
SG is committed to social responsibilities and fighting climate change

SG strengthens its commitments in the fight against climate change

EUR 100bn contribution to the financing of the energy transition between 2016 and 2020

- Contribution of ~EUR 15bn to the renewable energy sector - in which the bank is one of the world leaders
- Aims to direct (or co-direct) Green Bond issues for a nominal amount of ~EUR 85bn on the same period

Strengthening the E&S sector oil and gas policy







Reinforcing SG's standards regarding respect of the indigenous populations' rights

25% reduction in CO₂ emissions per employee by 2020

Driving force in the sustainable and low carbon development of Africa

SG joined or leads best practice initiatives

2018	UNEP- FI Principles for Responsible Banking Partner of the Climate Bonds Initiative
2017	Principles for Positive Impact Finance
2015	Positive Impact Manifesto Banking Environment Initiative Soft Commodities Compact
2014	Green Bond Principles Principles for Responsible Investment Carbon Disclosure Project Transparency International
2011	Guiding Principles for Business And Human Rights
2007	Equator Principles 
2003	United Nations Global Compact 
2001	UNEP Finance Initiative 
2000	The Wolfsberg Group 
1999	OECD Guidelines for Multinational Enterprises

INNOVATIVE SUSTAINABLE FINANCE PRODUCTS & SERVICES

Impact Loan (ESG performance linked Loan)

- A Impact Loan refers to a loan where:
 - The proceeds are usually used to finance General Corporate Purpose expenditures
 - Borrower commits to green/social objectives along the maturity of the loan
 - E&S targets reflecting Client's CSR strategy
 - Monitoring Client's achievement of the E&S targets through KPIs
- **Main objective for the Corporate**
 - Banks pool engagement along Corporate CSR strategy
 - Communication on Corporate role in implementation of Sustainable Solutions

Green Loan

- A green loan aligned with the **Green Loan Principles** ⁽¹⁾ refers to a loan where:
 - The proceeds are dedicated to the financing of « Green projects »
 - The Green projects are selected and evaluated through predefined eligibility criteria
 - The Borrower commits to disclose a reporting covering proceeds allocation and expected impacts of the projects financed

E&S Clients Advisory - SG

- An E&S corporate advisory service aims at accompanying the client in the **enhancement and disclosure of its E&S performance**
- Main objectives for Corporates:
 - Enhance the management of the corporate E&S impacts
 - Improve the extra-financial communication
 - Access to tailor-made E&S products to support the E&S strategy

Positive Impact / Green / Social / Sustainability Bond

- A Green / Social bond is a standard bond which aims at financing **clearly earmarked projects generating environmental or social benefits**
- Structuring articulated on the **Green/Social Bond Principles**⁽²⁾ or **Positive Impact Principles**⁽³⁾
 - Use of Proceeds
 - Project Evaluation & Selection
 - Management of Proceeds
 - Reporting
 - Definition
 - Frameworks
 - Transparency
 - Assessment
- **Main objectives for Corporate Issuers:**
 - Communication (Promote its sustainable activities)
 - Investors diversification
- **SRI Investors' specific "green" expectations:**
 - ESG quality of the Issuers
 - Transparency and ESG performance of the underlying assets

Impact Based Finance - SG

- At the end of 2017, Global Finance, the structured finance arm of Société Générale Investment Banking has set up a specific R&D team to address new business models of **the 4th industrial revolution as well as addressing the SDGs funding gap.**
- The team is involved in the co construction of new financing modes with clients and other business line of the bank, with a strong focus on **Innovation.**

(1) <http://www.lma.eu.com/news-publications/press-releases?id=146>

(2) <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

(3) <http://www.unepfi.org/positive-impact/principles-for-positive-impact-finance/>

IMPACT BASED FINANCE: TURN SDGs INTO MASSIVE BUSINESS OPPORTUNITIES

GLOBAL TRENDS

Growing population Ultra-urbanization Climate change Natural resources scarcity

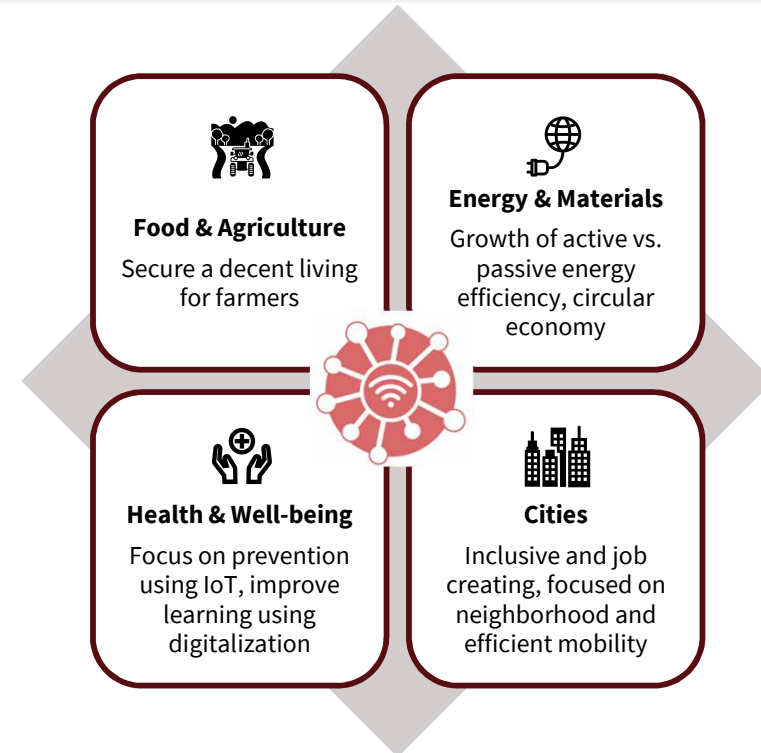
GLOBAL CHALLENGES

Access to housing Access to energy Access to water Food security Education

SUSTAINABLE DEVELOPMENT GOALS



DIGITALIZATION ACCELERATES TRANSITION TO NEW VALUE CHAINS



SDG funding gap estimated at US\$2.5 trillion / year

US\$12 trillion worth of opportunities by 2030

New business and financing models are required to accelerate the convergence between SDG needs and the solutions offered by the digitalization of the economy

Source: Better business, better world, Business & sustainable development commission, January 2017

HOW TO BRIDGE THE \$2.5 TRILLION FUNDING GAP?

Hurdles

HIGH COST-TO-IMPACT

RISK PERCEPTION

Levers

TRANSITION TO AN IMPACT-BASED ECONOMY:

- Leverage the power of digitalization to bring down costs
Impact enhancement
- Improve blended finance
Credit enhancement
- Unify impact language and frameworks to create a liquid market
Positive Impact initiative*
- Build on investor demand for sustainable long-term value

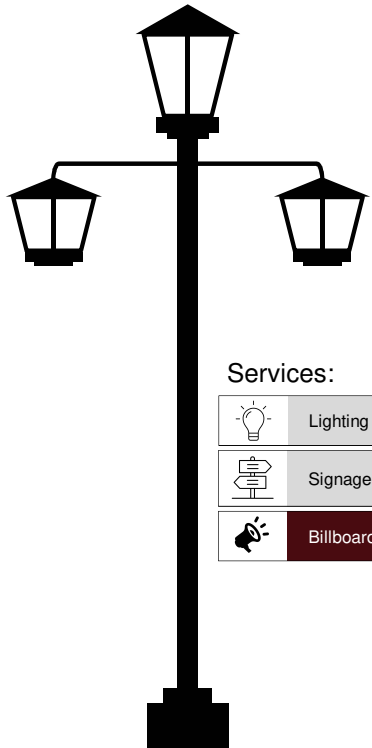
**Support /co-construct new business models, make them more impactful
Create collaborative ecosystem enabling 1st movers to scale up and bring systemic change**

**For more details on Positive Impact (“PI”) Initiative launched jointly with UNEP-FI: <http://www.unepfi.org/positive-impact/positive-impact/>*

IMPACT-BASED FINANCING MODELS

Example : Solution-to-impacts Street lighting

Traditional lamp-post



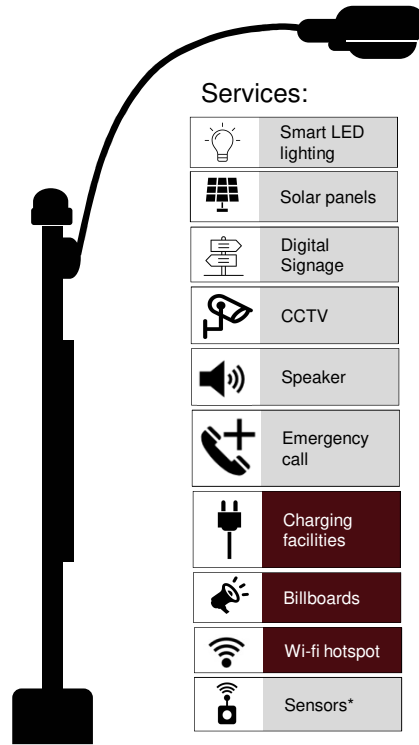
Services:

	Lighting
	Signage
	Billboards

Positive impacts:

	Safety
	Access to culture

Smart lamp-post



Services:

	Smart LED lighting
	Solar panels
	Digital Signage
	CCTV
	Speaker
	Emergency call
	Charging facilities
	Billboards
	Wi-fi hotspot
	Sensors*

Positive impacts:

	Energy efficiency
	Increased safety
	Improved traffic
	Improved air quality
	Increased mobility
	Internet access
	Access to culture
	Data generation

Examples of sensors:
Temperature, humidity, air quality, pollution control, CO₂ level, noise, water level, pedestrian counters, real time traffic updates, parking monitoring, gunshot detectors, etc.

SOLUTION-TO-IMPACT(S)

Beyond light, the lamp-post can provide additional services which can generate revenues and data.

These revenues, in addition to savings, can be used to finance the smart lamp-post (in part or in full) and reduce the investment required upfront.

The multiplication of impacts and savings bring down cost-to-impact.

It's a shift of business model: the operator buys the right to provide long term results and access long term revenues

Revenue generating

IMPLEMENTATION OF THE POSITIVE IMPACT INITIATIVE

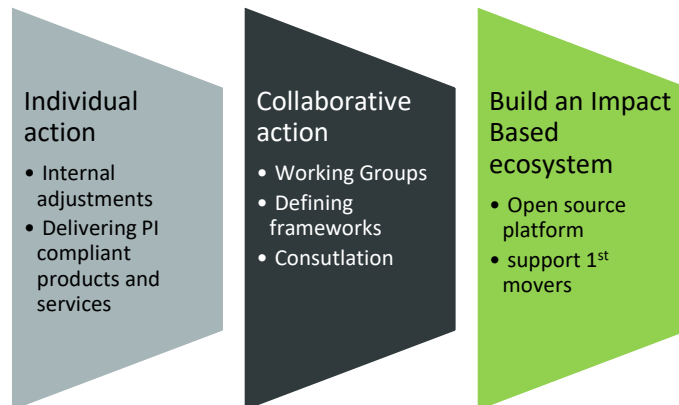


PRINCIPLES FOR POSITIVE IMPACT FINANCE (PPI)

- The **Positive Impact Principles** aim at defining a **common language** amongst all financial sector players to **accelerate and scale up** the transition towards an inclusive and low carbon economy
- An **inclusive** initiative integrating **all forms of financial institutions and financial instruments**



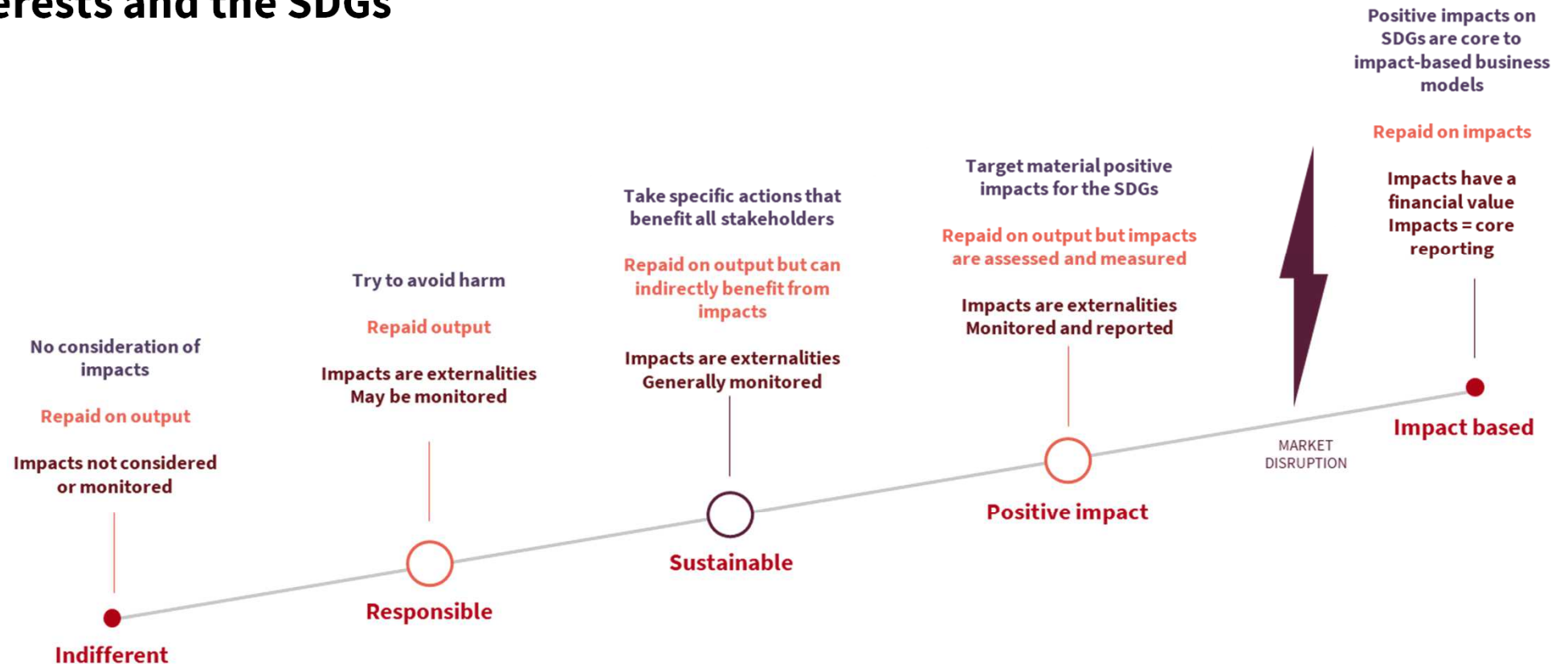
HOW TO IMPLEMENT THEM?



CONCLUSION : WHERE ARE YOU ON THE IMPACT JOURNEY?

- New business and financing models need to be financed
- Digitalisation is an opportunity
- Maximise impacts

=> **Re-purpose and leverage to accelerate the convergence between business interests and the SDGs**



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