

Expertise / One Man and His Team

## Denis Childs - Making finance positive at Societe Generale CIB

His team helps the bank's clients to undertake projects with a positive social or environmental impact.

*By Florent Le Quintrec*

Denis Childs has been trying to restore finance's reputation for almost 15 years now. A pure product of Société Générale, he has headed up the bank's advisory activities in the environmental, social and positive impact finance spheres since 2008. As a pioneer in this field, his aim is to "bring to the fore the good things clients are doing".

He first began working in this area in the early 2000s, when the major international banks came up with the Equator Principles,

an initiative aimed at including environmental, social and development criteria in project financing transactions, in line with World Bank standards. Then in 2005, Société Générale's corporate and investment bank decided to put together an environmental and social (E&S) analysis and advisory team, based in the front office, in order to evaluate and manage the risks attached to client projects in these areas, in the context of financial transactions with the bank. "Our teams comprise engineers on the ground with expertise in the various regions of the world and in different types of project. This is because managing a mine does not involve the same environmental and social risks as operating an oil field or building a wind farm", explains Denis Childs.

### Denis Childs.

Holds a Master's degree in law and post-graduate diploma in banking management.

**1978:** joined Société Générale, working for the French retail banking network.

**1981:** moved to Société Générale CIB (SG CIB), where he was responsible for developing the Export Finance department.

**1993:** set up the SG CIB global commodity financing business line, to which mining project financing and then oil and gas project financing were added later.

**2007:** appointed Global Head of Natural Resources & Energy at SG CIB.

**2008:** appointed Head of Environmental and Social Advisory and Positive Impact Finance at SG CIB.

"We also included finance professionals in this team, to manage the project financing aspects."

The team that analyses these transactions has four members, and is led by Céline Houdin. "We base our analysis on the available information, such as consultants' reports, impact studies and even site visits," she explains. "Our next task is to suggest the measures clients need to take to bring the projects

into line with the E&S standards we are aiming for, and to minimise credit risk and reputational risk for the bank." To take the example of a project involving oil field operations, if the client's environmental management plan does not meet the team's criteria, corrective measures will be stipulated in the credit documentation, making it the client's responsibility to improve the situation.

### Pioneer

Over time, the activity has grown beyond project financing and covers all transactions involving E&S issues. Since 2010, Denis Childs has led Société Générale's initiative to extend E&S analysis to all the bank's activities. "This development stems from a group directive, with the definition of 14 sector policies covering transactions as well as client activities. We work in sectors that are considered to be highly sensitive, such as nuclear, palm oil production and power plants." Four people, including the team leader Carine Farcouli, are tasked with identifying and analysing the companies in terms of their opportunities and their environmental and social risks. "It is our job to help the sales managers conduct client analysis before a business relationship is established", says Carine Farcouli. "And throughout the business relationship, we provide detailed analysis of the client's policies, its CSR reports, etc. It's similar to what the extra-financial rating agencies do." This work is integral to the bank's decision to maintain the relationship with the client or not. If the corrective measures suggested by the bank are not properly addressed by the client, Société Générale reserves the right to end the business relationship, request early repayment of loans or block credit line drawdowns.

With the benefit of this experience, and as ever, seeking to promote more virtuous financial practices, in 2011 Denis Childs' team began to compile a directory of positive impact finance clients. A concept that Société Générale helped to create, positive impact finance refers to the financing of any activity that has a positive impact on the economies of the world's poorest countries and the basic needs of populations or the environment, while ensuring that any negative impacts are effectively managed. "This notion of 'positive impact' was adopted at the end of 2015 by the UNEP-FI (United Nations Environmental Program-Financial Initiative), which published a 'positive impact manifesto' establishing a roadmap for the financial sector. It also defined the Principles for Positive Impact Finance which were officially launched in Paris in January," explains Denis Childs. These principles define positive impact finance as any financial activity that makes a positive contribution to one or more of the three sustainable development pillars (the economy, environment and society), once the negative impacts on one of its pillars have been identified and mitigated. They also promote the use of



processes and tools that facilitate the analysis of these positive impacts, with reference to transparency and measurement of impacts.

Wishing to set an example, Société Générale undertook to align itself with the International Energy Agency's 2°C scenario at the time of the COP 21 climate change conference. Denis Childs is overseeing the implementation of this policy, which focuses on reducing the bank's carbon-producing activities.

To offer clients and investors the benefit of his environmental and social expertise, the bank has added a positive impact financial product structuring activity to Denis Childs' responsibilities, headed up by Sandrine Enguehard and two colleagues. The bank has now issued two EUR 500 million positive impact bonds, in November 2015 and September 2016, which will be used to finance selected projects – a global first.

*“So far, the theme selected for these bonds has been the fight against climate change”, commented Sandrine Enguehard. “We choose the projects identified by the E&S Transactions Advisory Team that fall into this category, and we set the performance indicators and decide on the guarantees that will meet investor expectations.”* Moreover, Société Générale is also issuing “positive impact notes” aimed at its individual customers. More than EUR 100 million has already been subscribed for. The projects financed via these different instruments have been approved by EY and Vigeo.

While positive impact bonds have so far only been issued by Société Générale, the structuring team has already worked on 20 green bond investments on behalf of clients including the French government. Far from resting on its laurels, Denis Childs' pioneering positive impact finance team is now considering other positive impact issues that could take a different form from the previous examples.