

# BNP PARIBAS CSR STRATEGY



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November 2020



**BNP PARIBAS**

The bank for a changing world

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# CSR FULLY EMBEDDED WITHIN THE GROUP'S STRATEGY



# 2017-2020 Group strategic plan : focusing on the long term, targeting sustainable growth

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## — ENCOURAGING SUSTAINABLE GROWTH IN THE ECONOMY

BNP Paribas combines **economic efficiency** with the expectations of its clients and stakeholders to **create innovative** financing and investment **solutions**. As such, we seek to :

- Consolidate our **financial performance** and expand our activities
- Support our **client's growth** and strengthen our **international presence**
- Generate a **positive impact** through our products and solutions
- Consolidate **our position as a major player in sustainable finance**
- Build the **solutions of tomorrow** with our **partners** (startups, entrepreneurs and intrapreneurs)

## — DEVELOPING OUR CONTRIBUTION TO SOCIETY

In order to increase its **positive impact on society**, the Group has committed to supporting causes where it can do the most. It is therefore dedicated to :

- Ensure **best practices** in ethics and compliance
- Implement a **fair and responsible HR policy** for the Group's employees
- Adopt commitments **supporting the energy transition**
- Promote a culture of **diversity, equality and inclusion** in our business lines and society
- Develop our **support to territories and local communities** through cultural and solidarity-based initiatives



# BNP Paribas company purpose

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- BNP Paribas has formalized a “company purpose”
  - Elaborated under guidance from the BNP Paribas Executive Committee
  - Approved by the Board of Directors
  - Based on BNP Paribas’ Shared convictions, the Group Code of Conduct and the Engagement Manifesto
  - Communicated to all employees in January 2020 and available externally

*“BNP Paribas’ mission is to contribute to **responsible and sustainable growth** by financing the economy and advising clients according to the **highest ethical standards**”*

- The Group offers secure, sound and innovative financial solutions to individuals, professional clients, corporates and institutional investors while striving to **address the fundamental challenges of today with regard to the environment, local development and social inclusion**
- BNP Paribas employees aim to **deliver services that have purpose and relevance for clients and the world around them**
- The Group innovates in order to be a **leader in sustainable finance**
- BNP Paribas is developing the tools to **measure our environmental and social impact**



# A comprehensive governance

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CSR is overviewed by the **Company Engagement** Department created end of 2017 and directly represented on the Group's Executive Committee

**Executive Committee defines the CSR strategy**

**Board of Directors approves the CSR strategy and the annual reporting**

“Corporate Governance, Ethics, Nominations and CSR Committee” is in charge of ethics, sustainability and CSR since the Annual General Meeting of May 2016

## **GSCC**

(Group Supervisory and Control Committee)  
validates financing and investment policies (e.g. BNP Paribas Responsible Business Principles, 2018 Duty of Care vigilance plan...)

## **CCDG**

(General Management Credit Committee)  
reviews all issues surrounding the acceptability of risks including ethics and CSR



# BNP Paribas 2020 Engagement strategy

Extract from BNP Paribas 2020 Engagement Manifesto:

“We will strengthen our commitment to society, notably in line with the United Nations’ 17 Sustainable Development Goals”



## EXCELLENCE

*CSR POLICIES*

*DIVERSITY & INCLUSION*

*POSITIVE IMPACT BUSINESS*

*STAFF ENGAGEMENT*

## MAIN WORKSTREAMS

CLIMATE CHANGE & BIODIVERSITY 

YOUNG PEOPLE 

ENTREPRENEURS 

LOCAL FOOTPRINT 



# Our key CSR performance indicators

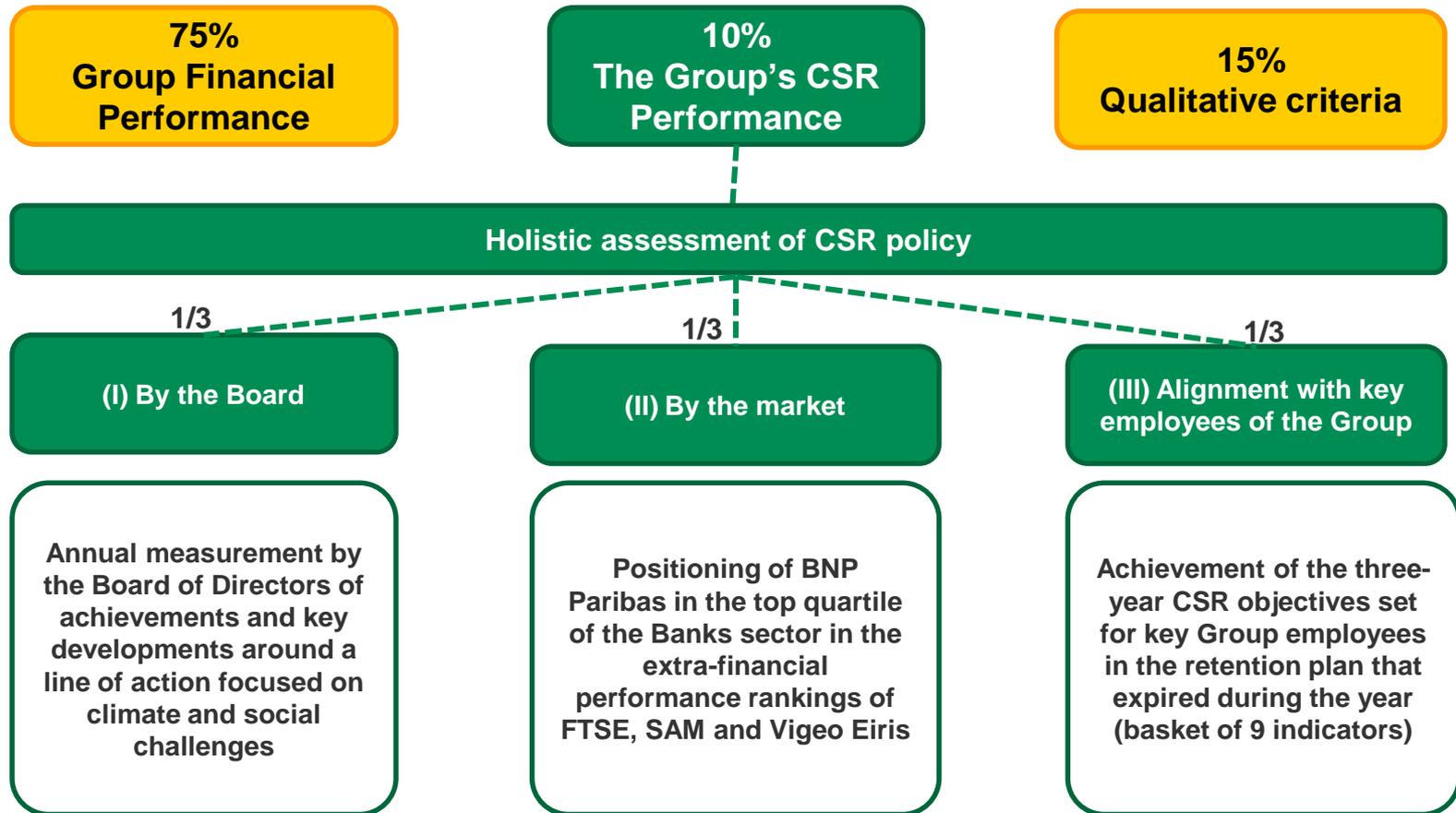
## Group Sustainability and Incentive Scheme:

20% of 7,330 key employees' deferred variable compensation relies on the performance of the 9 CSR performance indicators

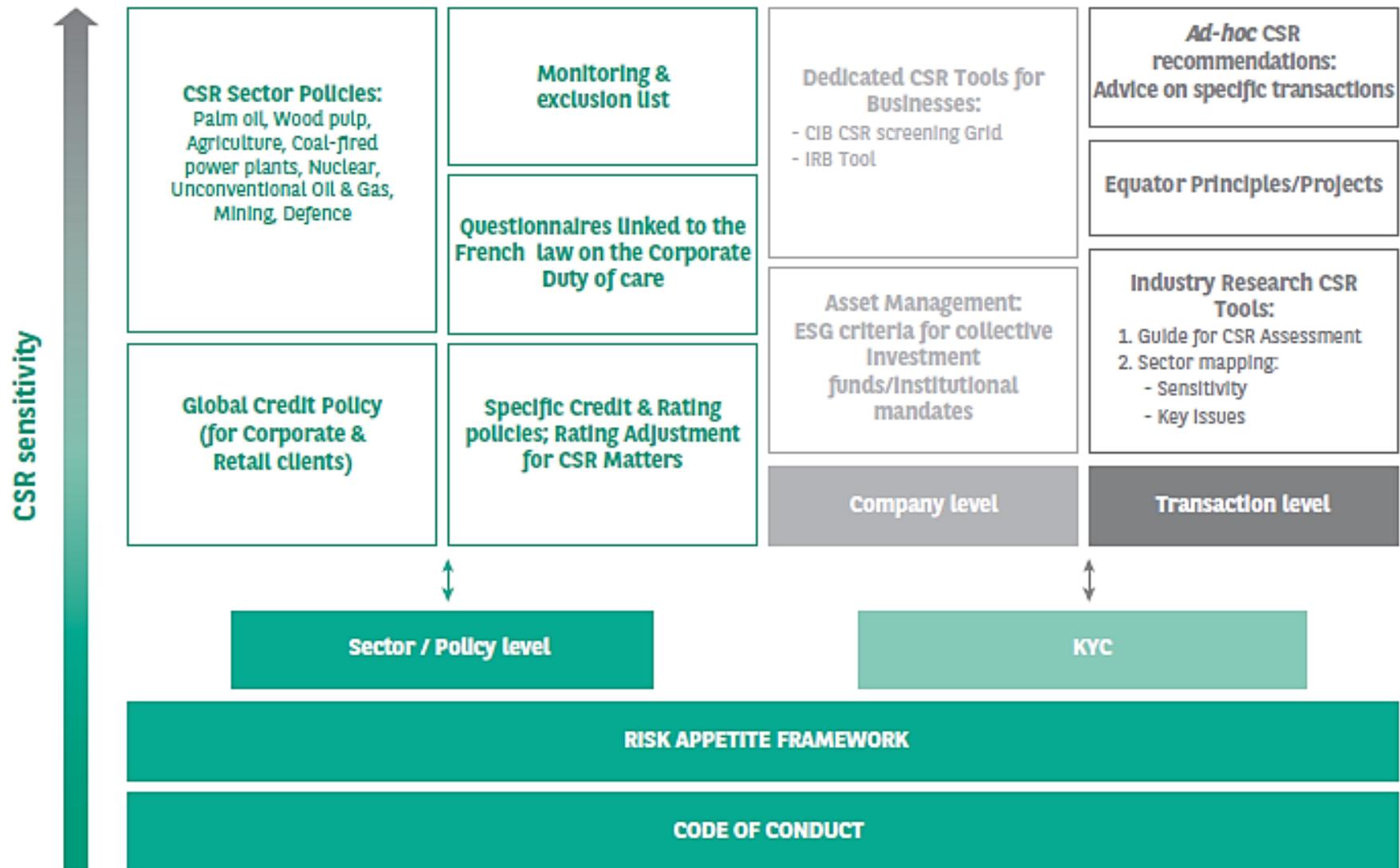
Pillar	Commitment	Indicator	2018 baseline	2019	2021 target
Economic Responsibility	1 - Investments and financing with a positive impact	1 - Amount of financing and investments to companies of sectors considered as contributing directly to the achievement of UN SDGs	€ 168 Bn	€ 180 Bn	Increase by € 10 Bn / year in average over the 2019-2021 period
	2 - Ethics of the highest standards	2 - Percentage of employees trained on an ethics-related issue	96.2 %	95.4 %	Maintain more than 95 % in 2021
Social Responsibility	4 - Promotion of diversity and inclusion in the workplace	3 - Percentage of women among the SMP (Senior Management Position) population	28 %	29 %	Over 31 % in 2021
	6 - A learning company supporting dynamic career management	4 - Percentage of employees having been trained at least twice over the year	91.8 %	94 %	Maintain more than 90 % in 2021
	4 - Promotion of diversity and inclusion in the workplace	5 - Percentage of entities with more than 1,000 employees having taken a commitment as regards disability	91 %	94.8 %	100% in 2021
Civic Responsibility	8 - Combat social exclusion and support human rights	6 - Number of solidarity hours performed by the employees	305 k hours	450 k hours	1 million hours in 2021
	8 - Combat social exclusion and support human rights	7 - Support (financing, investment for the account of third parties) to associations and Social and Solidarity Economy enterprises	€ 5.6 Bn	€ 6.2 Bn	€ 6.3 Bn in 2021
Environmental Responsibility	10 - Partnering with our clients in the transition to a low-carbon economy	8 - Financing for renewable energies	€ 15.4 Bn	€ 15.9 Bn	€ 18 Bn in 2021
	11 - Reduce the environmental impact of our operations	9 - Greenhouse gas emissions in CO <sub>2</sub> teq / FTE (kWh buildings + professional travels)	2.45 CO <sub>2</sub> teq / FTE	2.32 CO <sub>2</sub> teq / FTE	2.31 CO <sub>2</sub> teq / FTE in 2021



# Rules for determining the annual variable remuneration of executive corporate officers for 2019

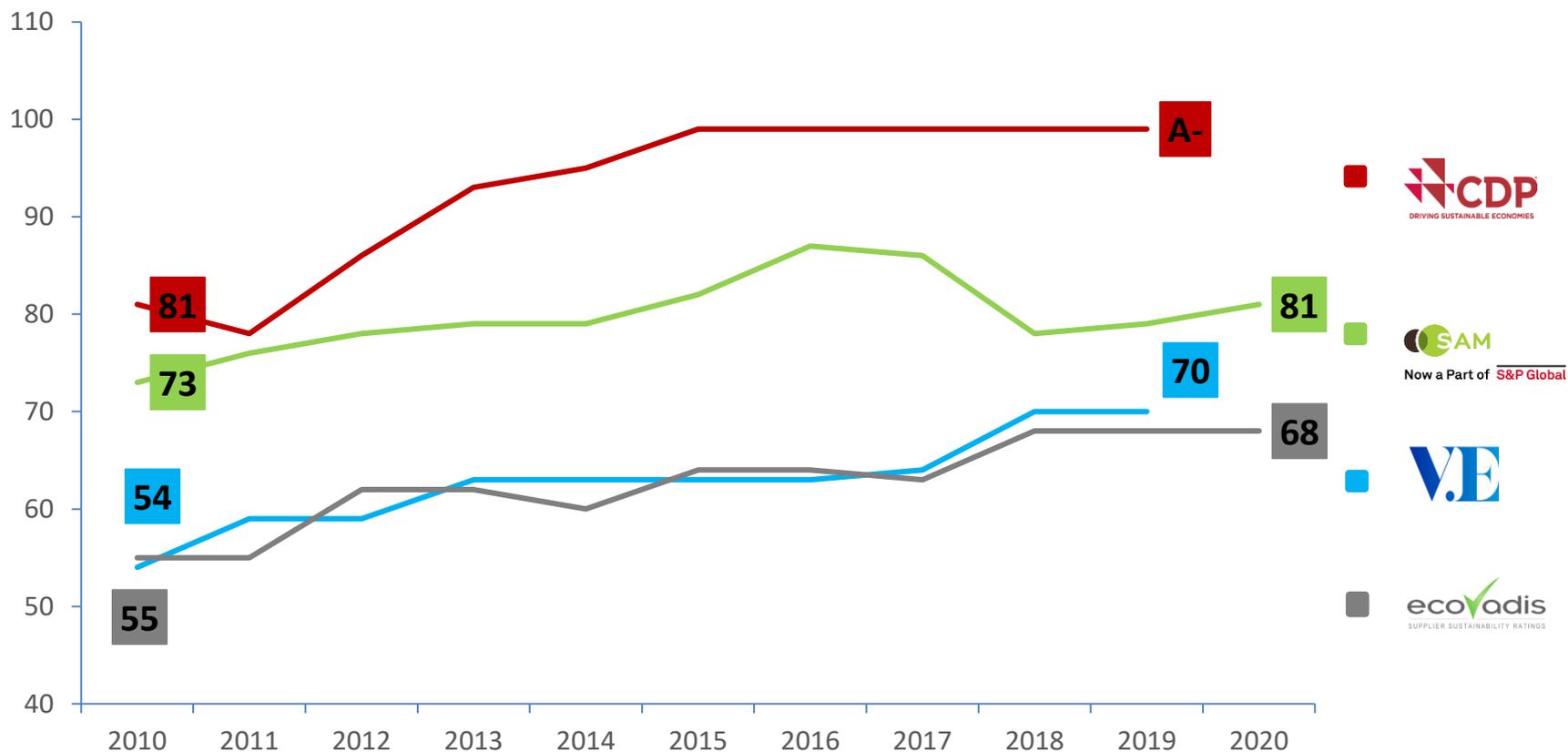


# Overview of BNP Paribas assessment process of ESG risks



# BNP Paribas' CSR strategy recognised by extra-financial agencies

## A high and increasing positioning within extra-financial indices



\* Methodology change: from 2017, CDP scores are now expressed in the form of letters



# Extensive dialogue with stakeholders

- Employees, Central European Committee... : through a regular dialogue and an annual Group's internal survey (with a 78% response rate)
- Suppliers: BNP Paribas is developing balanced relations with its suppliers, in line with its commitments. It also provides its suppliers with a redress procedure in the event of difficulties:
  - All suppliers may refer issues to a mediator internal to the Group
  - 10 cases were referred to the internal mediator in 2019
- Engagement and dialogue with clients on CSR issues
- SRI investors: 37 different investors met at least once in 2019
- Advocacy NGOs: 83 exchanges at Group level in 2019 among which 35 meetings on various topics
  - Social and environmental impacts of the Group's financing and investing activities
  - Human rights
  - Climate change...

**GREENPEACE**



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# 2020 TOP HIGHLIGHTS



# Leading positions in sustainable finance

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- **Financing for the renewable energy** sector amounted to **€15.9 billion** at end-2019. The Group raised its financing target for the sector to €18 billion by the end of 2021 (vs €15bn at end of 2020)
- **#3 worldwide<sup>1</sup> in the sustainable bonds market** as at the end of September 2020 with €8.7bn in sustainable bonds as joint bookrunner for its clients
- **Issue of BNP Paribas' 5th green bond**, totalling **€3.25bn over 4 years**
- **#1 worldwide<sup>1</sup> in Sustainability Linked Loans**, a financing tool indexed to ESG<sup>2</sup> criteria with €2.6bn signed by the end of September 2020,
- **Lead manager and key player** in the **record success of the European Union's social bond issue** in the amount of **€17bn**, which aims to fund SURE<sup>2</sup>, an instrument for mitigating the unemployment risks related to the Covid-19 crisis (October 2020)
- 2019 BNP Paribas' support (financing, investment for the account of third parties) to **associations and Social and Solidarity Economy enterprises: € 6.2 Bn**
- **World's Best Bank for Financial Inclusion in 2020** for its support to microfinance and its inclusive products and services (*Euromoney Awards for Excellence*)

1. Source: Dealogic; 2. "Support to mitigate Unemployment Risks in Emergency".

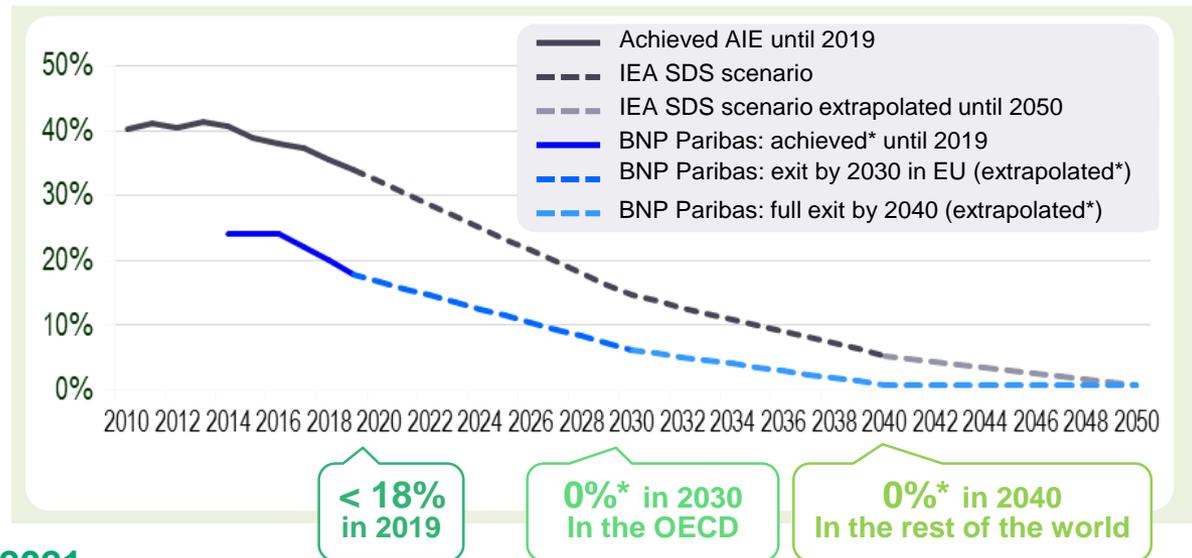


# A global thermal coal exit timeframe

BNP Paribas is the **only bank in the world** (i) to have announced a timeframe for complete thermal coal exit, (ii) to have ceased financing unconventional oil and gas, (iii) at the same time, to be a leader in renewable energies.

- **The biggest bank in the world** to have announced a complete exit from the use of coal in electricity production
- **A residual share of coal (2.4%) approaching 0%** in the field of energy extraction
- **A reinforced ambition** in terms of the financing of renewable energies

● Objective: **EUR 18 billion in 2021**



\* Data based upon 80% of BNP Paribas portfolio's coal capacity at the end of 2019 (data used for the calculation of the Group electric mix); The trajectory is based on the hypothesis of a full exit for each perimeter, and doesn't take into account potential commitments terminating after the exit dates



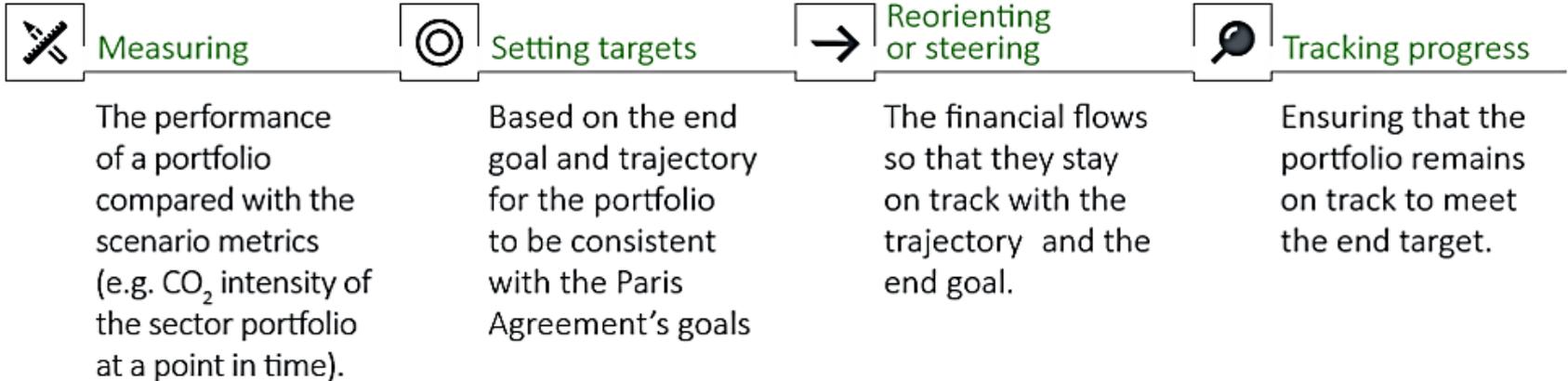
# Publication of BNP Paribas' first TCFD report

- Since 2011, BNP Paribas has been strongly engaged in the fight against climate change and works to align its activity with the objectives set by the Paris Climate Agreement. BNP Paribas has therefore endeavoured for several years to identify, analyse, and manage the climate-related risks and opportunities for the Group and its clients;
- In 2017, BNP Paribas CEO Jean-Laurent Bonnafé publicly supported the release of the final recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which have been supported and implemented by the Group since then;
- Also, within BNP Paribas, Jane Ambachtsheer (Global Head of Sustainability, BNP Paribas Asset Management) and Mark Lewis (Global Head of Sustainability Research, BNP Paribas Asset Management) are both members of the TCFD;
- On May 18<sup>th</sup>, 2020, BNP Paribas published its first dedicated and stand-alone TCFD report, which represents an additional step toward leading this alignment with constructive transparency.



Link to the report: [https://group.bnpparibas/uploads/file/bnpparibas\\_tcf\\_d\\_report\\_en.pdf](https://group.bnpparibas/uploads/file/bnpparibas_tcf_d_report_en.pdf)

# Aligning portfolios with the Paris Agreement goals



BNP Paribas works together with other signatory banks to test and recommend ways to improve the Paris Agreement Capital Transition Assessment (PACTA) methodology developed by the **2 Degrees Investing Initiative**, so as to provide open-source methodologies and tools that can be used by all banks. In September 2020:

- the **finalized IP (Intellectual Property) rights free, open source software** has been released, enabling any bank to carry out the analysis,
- the Katowice Banks published their 'Application of the PACTA methodology'.



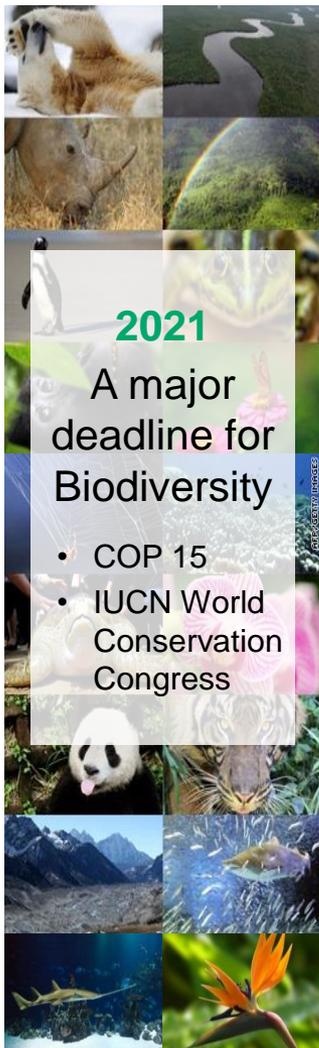
# Biodiversity, a major topic

## BNP Paribas' action to fight deforestation:

- **4 sector policies** related to forest protection
- Member of **“Act4Nature”**, initiative which gathers scientists, governments, companies and associations
- Group CEO Jean-Laurent Bonnafé is president of **“Entreprises pour l’Environnement”**
- BNP Paribas nominated co-chair of **The Task Force for Nature-related Financial Disclosures**
- BNP Paribas AM signatory of the **Cerrado Manifesto** (2018) that aims to protect the tropical Brazilian savanna and of the **Investor Statement on deforestation and forest fires in the Amazon** (2019)

## Objective 2021: publish a global public position on biodiversity

Existing		New Commitments	
Wood Pulp		Soya 	Farming 
Palm Oil		Cocoa 	Grounds' Artificialisation 
		Traders 	



# Notable results and actions regarding gender equality

## A commitment from the Executive Management

- **Increase of the share of women** in key populations: all the objectives are reached or overcome, with for instance 31,2% of the SMP at end of October 2020 (31% targeted by 2021)
- Jean-Laurent Bonnafé becomes **Thematic Champion** of the **He For She** initiative
- First company of the CAC 40 to be engaged with **#JamaisSansElles**
- **€ 2 billion** allocated to support women entrepreneurs' projects
- **Paid maternity leave of at least 14 weeks** in all entities of the Group



## Training, awareness raising actions and commitments

- Personal development programmes, such as “**Active Inclusion**”, “**#WomengotTalent**” or “**Women in Business**”
- Awareness of the bias, stereotypes, sexism, violence against women: **Respect campaign**, member of the intercompany European network “Cease” with the **signature of the charter “Une femme sur trois”** (one woman in three)

## External recognitions

- Presence of the Group in **specific indices related to professional equality** topics, such as the **Bloomberg Financial Services Gender Equality Index (BFGEI)** or the **Pax Ellevest Women's Index Fund**
- **No.1 French Bank in Equileap's gender equality ranking** (and 33<sup>rd</sup> organization overall)
- **Scoring 100/100 at the Corporate Equality Index 2020** published by Human Rights Campaign Foundation for being a business most welcoming to and respectful of the LGBTQ population in the United States



# New version of the Group Code of Tax Conduct released in 2020

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## THE BNP PARIBAS GROUP'S CODE OF TAX CONDUCT

- On May 15<sup>th</sup>, 2020, BNP Paribas published its renewed Group Code of Tax Conduct, which defines the Tax principles and procedures applicable to operations made and offered by the Group.
- It aims at giving a better visibility to the Group's commitments in this field, and thus allows to share it with all BNP Paribas' stakeholders.

### Link to the Code of Tax Conduct:

[https://group.bnpparibas/uploads/file/the\\_bnp\\_paribas\\_group\\_s\\_code\\_of\\_tax\\_conduct.pdf](https://group.bnpparibas/uploads/file/the_bnp_paribas_group_s_code_of_tax_conduct.pdf)



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# FROM VOLUNTARY COMMITMENTS TO REGULATION



# The French Law on the Duty of Care

## French Law on the Duty of Care

BNP Paribas' systems in place to identify and manage risks (i.e. on human rights, health/safety and the environment) enable the Group to meet the requirements of the **French Law on Duty of Care**



### **“BNP Paribas Responsible Business Principles”**

- Published on the Group's website at end of 2018, valid for all commercial relationships of the Group
- Reference to BNPP's mission to contribute to changing the world according to its existing commitments of promoting Human Rights and protecting the environment
- **Expectation of BNP Paribas to engage with clients having a high degree of governance and responsibility**



### **Environmental and Social (E&S) risk per country**

- Definition of a level of risk: very high, high, medium and low



### **Dedicated measures according to the E&S country risk and the sector**

- **Additional sector questionnaires** for the most sensitive sectors



# Exploratory exercises on climate stress tests

## Bank of England:

- 2021 biennial exploratory scenario ('BES') on the financial risks from climate change
- First to test the vulnerability of today's balance sheets to climate change, and then to ask firms how they might adapt their business models under the scenario

## ACPR:

- Announcement of climate pilot exercises for major French banks and insurances from 2020
- 2/3 adverse climate change scenarios
- Pilot exercise not leading to any capital requirement

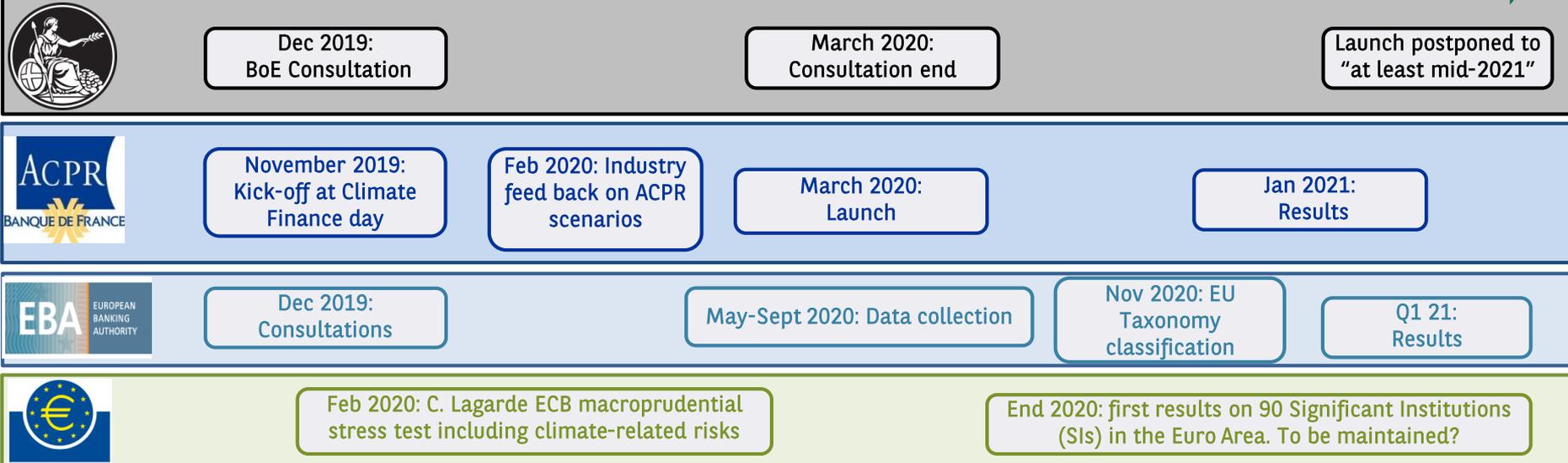
## EBA:

- CRD5 Mandate
- Pilot exercise on a voluntary basis
- Objectives: understanding of banks' vulnerabilities to climate risk and estimate of brown and green exposures held by banks
- Data collection and mapping with EU Taxonomy
- Not part of the EU-wide pilot exercise, no P2G

**BNPP participates to all initiatives, which are to be articulated and organised in a transversal manner:**

Interactions with the work on taxonomy ; classification and the prudential treatment of green versus brown assets

Group position: test & learn approach, aggregated data by sector / sub sector, transition risk only for banks



# European taxonomy defining “green” activities



## What is the context of the European taxonomy?

- EU Sustainability roadmap is composed of **4 pillars, amongst which sustainable finance**
- EU sets a plan of 10 actions along the investment chain of the financing of sustainable growth, whose 1<sup>st</sup> one is to **define the EU Sustainable Taxonomy**
- The action plan has 3 objectives in the global path to a carbon-neutral economy:
  - Reorienting capital flows** towards sustainable investment
  - Mainstreaming sustainability into **risk management**
  - Fostering transparency** and long-termism

## What is the Taxonomy and what does it include?

The purpose of the EU Taxonomy is to define a common language on a list of activities that are considered environmentally sustainable

3 kinds of activities are considered to make a substantial contribution to climate change mitigation

Activities that are **already low carbon** (e.g. zero emissions transport)

Activities that **contribute to a transition** (e.g. low-carbon electricity)

Activities that **enable the aforementioned** (e.g. manufacture of wind turbines)

The activities must make a substantial contribution to at least 1 of the 6 environmental objectives listed below **AND** must not harm any of them

Climate change mitigation	Climate change adaptation	Pollution prevention and control
		
Sustainable use and protection of water & marine resources	Transition to circular economy, recycling & waste prevention	Protection of healthy ecosystems
		

## Who is concerned by the European Taxonomy?

- The **scope** of the EU Taxonomy is “financial market participants making available financial products” :
  - portfolio management
  - alternative investment firms
  - insurance-based investment products
  - pension products
  - pension schemes
  - UCITS
  - pan-European personal pension products
- Credit and core banking products are not included** in the definition of “financial product”
- The taxonomy however offers **great business opportunities for banks** in the development and sale of green financial products such as green bonds, loans or mortgages (e.g. when the use of proceeds is dedicated to green investments)

