

Conversations

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for tomorrow

Discussion with
Laurence Pessez,
Global Head of CSR,
BNP Paribas

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Global Head of CSR,
BNP Paribas



SUSTAINABILITY IN THE FINANCIAL SERVICES SECTOR



BNP PARIBAS

Laurence Pessez has been the Global Head of Corporate Social Responsibility (CSR) at BNP Paribas since 2010. She has been

instrumental in building the organization's CSR function, formulating its environmental policy, and overseeing the deployment of a global CSR strategy.¹ Under her leadership, BNP Paribas was named the "World's Best Bank for Sustainable Finance" in 2018 by Euromoney, a leading publication in the field of international finance,² and the "World's Best Bank for Corporate Responsibility in 2019."³ She is a board member of the French think tank, Institute for Sustainable Development and International Relations (IDDRI). She is also a board member of "Finance for Tomorrow," an initiative that brings together leading public, private, and institutional players in the Paris financial center that are committed to sustainable finance. Laurence is also a member of the banking board of "UN Principles for Responsible Banking".

The Capgemini Research Institute spoke with her to understand the key trends and drivers of sustainability in the banking and financial services sector, and the actions BNP Paribas is taking to drive sustainability.

¹ BNP Paribas, "BNP Paribas appoints Laurence Pessez as Group Corporate Social Responsibility Director," June 2010.

² BNP Paribas, "The BNP Paribas Group has been named as the World's best bank for sustainable finance 2018," December 2018.

³ BNP Paribas, "The World's best bank for corporate responsibility in 2019," November 2019.

SUSTAINABILITY AT BNP PARIBAS

What does BNP Paribas’s sustainability approach focus on?

— Our sustainability strategy is structured around four areas of responsibility. First is the economic pillar. This focuses on systematic integration and management of environmental, social, and governance (ESG) risks, conducting business in an ethical manner and engaging with products and solutions that have a positive impact on society. The second one is the social pillar. This focuses on employees by promoting diversity and inclusion, ensuring responsible employee management, and supporting learning. The third pillar focuses on civic responsibility. This encompasses both the social and community involvement needed to ensure our products and services are widely accessible, and the protection of human rights through our financing and investments. The fourth one is the environmental pillar. The key objective is to drive energy transition to low-carbon projects among clients and support engagements that tackle climate change. This also includes a commitment to supporting biodiversity and circular economy topics.

Could you highlight some of BNP Paribas’s notable successes and achievements in the area of sustainability?

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in various ways – reductions in carbon emissions linked to business travel, energy efficiency in buildings and data centers, use of renewable energy, and by compensating for residual emissions. From the core business perspective, BNP Paribas has announced an exit calendar for its support to the coal sector. For instance, since 2017, our funding for new coal-fired power plants has ceased completely. For existing corporate financing for utilities and mining companies using coal, our bank announced a cessation of financing support for countries in Europe and the OECD by 2030 and for the rest of the world by 2040. Overall, we want to align our credit portfolio to support the “below two degrees” temperature target of the Paris Agreement. We have also collaborated with four other international banks to develop a common, open-source methodology, called the PACTA methodology, in order to align our portfolios in the most emitting sectors (electricity production, fossil fuels, transportation, cement, and steel).

How does BNP Paribas monitor the progress of its sustainability initiatives and ensure accountability?

— A public dashboard, where we monitor and report our progress on sustainability initiatives, has been in place since 2012. We also provide details about our sustainability commitments in our registration documents and, today, we are linking the variable compensation of our 7,500 managers, including those from our corporate officers, with targets for sustainability initiatives. Before 2012, sustainability was not viewed as a key subject, but it became mainstream once we linked sustainability targets to the compensation of executives.

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How far has COVID-19 impacted sustainability trends in banking and financial institutions?

— Overall, sustainability will remain a key theme for banking and financial institutions. This reflects the urgency of reducing CO₂ emissions. COVID-19 will also accelerate the focus on biodiversity as the pandemic has strengthened the link between the loss of biodiversity, especially deforestation, and economic development. This is not an easy topic to address. For instance, measuring the impact of banking activities on biodiversity is complex as it is not restricted to reporting on one unique criterion. So, there is groundwork to be done currently by the financial sector, corporates, and NGOs in finding the right metrics within the framework of the TNFD (Taskforce on Nature-related Financial Disclosure). That is why BNP Paribas has been co-chairing the Informal Working Group that is tasked with setting up and launching a work plan for the TNFD.

The second-most important trend, as a result of COVID-19, is the rise of the social part of sustainability (e.g., initiatives focused on safe working conditions for the workforce, fair labor policies, societal issues). As a result, we feel that the S of ESG parameters must be more extensively considered by asset managers and banks. We are already seeing social bonds (bonds issued to fund social projects) growing in importance. So, the next wave of being responsible will entail broader action, not only in the health and environmental sectors, but also on employment, education, and other broader societal issues.

Overall, sustainable financing will also place more emphasis on the social

aspects of sustainability as well as the “green” environmental aspects. At BNP Paribas, we are already active in financing social projects that offer solutions focused on employment access, education, or fighting inequality. We are also active in social bonds and have been financing microfinance institutions for 30 years now, with a total of two million beneficiaries of our loans.

What are some of the challenges that organizations face in achieving their sustainability targets and ambitions? How do you overcome these challenges?

— The major challenge is change management. This is because sustainability entails in-depth transformations in the way we operate. When we initiated sustainability-driven, non-financial lending criteria, our relationship managers found it difficult to drive such conversations with corporate clients. Now our credit committees use lending criteria that extend beyond financial metrics and include potential risks from an ESG perspective as well. Our emphasis on including sustainability-driven criteria for lending accelerated in 2016 after COP 21. This helped us to push the subject of climate change to clients and make them feel responsible. Now, most of our corporate clients in different countries are working on transforming their business models, especially on the climate front. In 2017, we went one step further. We created an organization-wide company engagement department to embed sustainability within the different layers of the organization. This included rolling out training to all the staff and enhancing awareness on different pillars of sustainability, such as climate change and social issues.

Could you talk to us about your work in establishing standards for sustainable financing?

— We have set sustainability-driven standards and criteria for our corporate clients as we wanted to create some impact on society as a whole. But the impact would be much more powerful if many banks collectively agree and operate on common standards and principles. This is the foundation of the “Principles for Responsible Banking.” This is a United Nations global initiative, launched in September 2019, which has already gathered 200 banks – operating across different business models and geographies. As part of the initiative, we agree to align our portfolio with the Paris Agreement and contribute to the SDGs of eradicating poverty, protecting the planet, and ensuring prosperity for all by 2030.

What is BNP Paribas's view on the outlook for sustainability initiatives in the near and long term?

— Sustainability is going to be increasingly regulated instead of only being a voluntary action on the part of firms. Sustainability is going mainstream, gaining in importance, and must therefore be seriously managed. Banks and financial institutions need to be prepared to report additional financial and non-financial metrics, adapting their IT systems and databases to embed sustainability criteria. However, complexity is bound to be an issue here as it's a new topic for risk, compliance, and regulatory departments. Ultimately, we want to prioritize sustainability so that it is as important as the rest of the business. We foresee sustainability being embedded across the firm – from any investment decisions the bank takes to the performance appraisals of relationship managers.

What recommendations would you offer financial services firms that plan to scale their sustainability initiatives?

— The support of the board and management is one of the critical success factors for sustainability initiatives. However, boards are realizing the importance of sustainability, especially with growing regulations, and are taking bold actions such as linking sustainability targets with compensation. The next success factor is the importance of collaboration and working with different stakeholders. This is because sustainability is a journey. We must join forces with investors, NGOs, and corporates to drive broad, inclusive growth. •

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