BNP PARIBAS
The bank for a changing world

PERSPECTIVES

Experts' views on the green and social transition

Trimestrial - issue 8 - September 2023 | *on Sustainable Finance*

Are banks change takers or change makers?

by **Eric Usher,** Head of
United Nations Environment
Programme Finance Initiative

To mitigate climate change, will financial institutions merely be "change takers" by reacting to sectoral shifts as they occur? Or are they going to be "change makers" and take action to build solutions and resilience towards a changing climate?

To catalyse the latter approach, UNEP FI worked with 32 banks, including BNP Paribas, to draft UN Principles for Responsible Banking (PRB), with 129 banks becoming founding signatories at the 2019 launch. Most had transaction-based environmental and social risk management practices in place, but lacked the connectivity to understand these ESG risks portfolio-wide in a strategic sense.

The PRB meant moving from a transactional mindset to one aimed at aligning products, services and portfolios with the biggest individual and societal challenges and needs – a new way for the industry to look at its business. Is their funding adding to climate change, or targeting actions to advance society?

The PRB requires banks to go beyond financial metrics to analyse the impact of all their business lines – on job creation, climate or biodiversity loss, gender equality, etc. PRB signatories must set and deliver on targets in the areas where they have the greatest impact, such as aligning with the 2050 net-zero objective. Annual disclosures provide accountability and must be assured by the third year of implementation and through inputs from the PRB's Civil Society Advisory Body.

Today, the PRB has 325 members from 80 countries, representing assets of $90 trillion, or half of the global banking industry. The made progress and areas for improvements are detailed in the second biennial PRB progress report, to be released in September 2023.

Overall, the PRB is proving a key tool to ensure that a growing share of the industry seek to become truly responsible bankers.

ALL STAKEHOLDERS MUST TAKE RESPONSIBILITY FOR ACCELERATING THE TRANSITION

The challenges we are facing require an unprecedented transformation of society and the economy. Major investments are needed to change our industrial, societal and economic models. To achieve net zero emissions by 2050, for instance, annual investments in renewable energy will have to be more than tripled by 2030 according to the IEA.
Financial players are well positioned to deploy their capital, assets and expertise in favour of this transition. They are nonetheless part of a chain of responsibility that includes other stakeholders.
While they grant loans, facilitate debt issuance, manage their clients' assets and so forth, they do not own the economy. Their role is to use their position and implement their resources to influence and encourage the system to transition to a more sustainable and decarbonised world. As this is a recent topic in terms of financial development, it is still not handled perfectly, yet progress is ongoing.

Antoine Sire, *Head of Company Engagement at BNP Paribas*

Principles for Responsible Banking

Launched under the umbrella of the United Nations, these principles describe a unique framework designed to give a purpose, vision and ambition to sustainable finance. Signatory banks commit to embedding these principles in all business areas and at every level (strategic, portfolio and transactional).

Principle 1
Alignement
Align our business strategy to individuals' needs, the United Nations Sustainable Development Goals (SDG), the Paris Climate Agreement and other relevant frameworks.

Principle 2
Impact
Continuously increase our positive impacts while reducing our negative impacts.

Principle 3
Clients
Work responsibly with our clients to create shared prosperity for current and future generations.

Principle 4
Stakeholders
Consult, engage and partner with relevant stakeholders to achieve society's goals.

Principle 5
Gouvernance
Implement our commitment to these principles through effective governance and a culture of responsible banking.

Principle 6
Accountability
Periodically review the implementation of these principles and commit to being transparent about and accountable for our impacts.

Source: UNEP FI

SCAN OR CLICK ON THIS QR CODE TO FIND OUR MORE ABOUT THIS INITIATIVE

What's at stake

The role of the financial sector in the transition

Financial players alone cannot transform the economy, but they can stimulate the transition by complementing the indispensable action of public authorities.

Financial institutions can create a snowball effect

by **Laurence Pessez,**
Head of Corporate Social Responsibility at BNP Paribas

Banks are tasked with supporting the transition stakeholders on the path to a low-carbon economy and harnessing their resources to enable financing of the enormous investments necessary for this transition.

For financial institutions, the transition to a more sustainable and low carbon world is a strategic challenge. They must consider the impact of climate change and biodiversity loss on their operations, and ensure that they contribute to improving the situation rather than making it worse.

Banks play a vital role in financing the real economy. They can opt to earmark funding for one sector rather than another, or make it contingent on achieving sustainable objectives or adopting best practices.

The decisions and public statements of large banks and international asset managers are highly scrutinised, due to their impacts worldwide, extending far beyond their operations. When a bank makes its financing to players in an environmentally or socially sensitive sector contingent on achieving sustainable objectives, it wields its leverage to make an impact. When hundreds of institutions make a public commitment to steer their activities towards financing a world that is carbon neutral in 2050, this has a very real influence on the selection of investments and the financing process.

These institutions alone cannot transform the economy. But they can accelerate the transition to a development model that is more sustainable and in line with the planetary boundaries by supporting their corporate and individual customers, providing them the funding required as well as tailored advise.

In order to effectively facilitate the transition, financial institutions are making profound changes. One priority is ensuring that all staff are proficient in sustainable development fields. It is also essential they can access robust data on ESG, as this enables them to evaluate, take actions, account for and measure progress.

Ultimately, a financial institution by itself has very little ability to drive change. So, they are coming together in coalitions, such as under the Principles for Responsible Banking. Given the major challenges facing the world, the key success factor is collaboration between all stakeholders. If we are to act quickly, we must unite our strengths to support a sustainable and fair transition.

Sustainable investing continues to mature, but there is still some way to go before reaching a consensus

by **Jane Ambachtsheer,**
Global Head of Sustainability at BNP Paribas Asset Management

Many financial sector companies claim to be fully committed towards a more sustainable and inclusive economy. Yet scepticism remains whether the industry is shifting fundamentally or making empty promises.

Sustainable finance is flourishing; sustainable investment-related regulations grew from around 50 in 2000 to almost 900 in 2022. More than 500 investors from 50 countries have committed to achieving net zero through participation in GFANZ. Industry participants in Europe have been hard at work implementing the EU's Sustainable Finance Disclosure Regulation. Sustainable investing principles and practices have become increasingly relevant to portfolio management.

However, scepticism remains around how deep the implementation of sustainable investment practices goes. To some stakeholders, investors are not doing enough. To others, the investment community is overstepping its role by addressing issues such as climate change and inequality. Navigating a path forward is critical. To do so, we are seeing increasing action by regulators around the world to define, measure, oversee and enforce standards and disclosures linked to sustainable investing, providing even more oversight. Asset managers have a role to play in the transition. They can implement exclusion policies, offer sustainable thematic and impact investment opportunities, and execute demanding stewardship practices as they engage with companies and policymakers.

Measuring and reporting on impact is also key. Examples include reporting done by signatories to the Operating Principles for Impact Management disclosure document and the publication of BNP Paribas Asset Management's first Biodiversity Footprint. The recent mandatory disclosure of Principal Adverse Indicator data linked to SFDR will also enable industry discussion and analysis. Beyond integrating sustainability within their portfolios, asset managers can lead by example through operational activities – promoting diversity and inclusion, reducing the use of paper, banning single-use plastics, community outreach, etc.

The financial sector has an opportunity and an obligation to use its capital allocation and stewardship practices to promote a more sustainable economy. Given the increasing level of transparency across the industry, it will become harder for laggards to keep up.

Regulatory watch

Regulation, the catalyst of sustainable finance

More and more regulations aim to steer capital towards the transition, but there is still much to be done to ensure they act as a cohesive and transformative force.

Regulation as an instrument for transforming companies

by **Jeanne Aing,**
Head of CIB Regulatory Anticipation
at BNP Paribas

Regulatory initiatives aim to make the economy more sustainable.

Europe has launched many regulatory initiatives to encourage companies to embrace a sustainable approach, from the EU taxonomy and SFDR, to the CSRD and a Green Bond Standard. Regulations that have already been adopted or are under discussion notably aim to facilitate and finance the transition to a low-carbon economy, identify activities that are sustainable and socially responsible, as well as enhance transparency and halt greenwashing.
The CSRD, whose comprehensive standards have just been adopted, is a good example of this. From 2025, some 50,000 companies will need to publish material information about their corporate social responsibility, including through their value chain. Companies that have credible plans should in theory have an easier access to financing.
The challenge is particularly great due to the major needs associated with the energy transition: around €350 billion per year under the European Deal Green alone. The banking sector is a key link that finances the real economy and fosters the energy transition.
Many challenges remain, chiefly ensuring easier and more consistent implementation for companies, and interoperability of the standards globally. Here, some initiatives are moving in the right direction, such as the mutual recognition of sustainability reporting standards at the European (ESRS) and global (ISSB) level. However, it will take longer to achieve comparability between the different taxonomies.

Customers are more aware of sustainability challenges

by **Valérie Truong Tan,**
Sustainability Programme
Manager – Company Engagement
at BNP Paribas

New regulations are transforming the customer relationship.

The extension of the MiFID 2[1] and IDD[2] directives to ESG criteria is transforming the way banks interact with their customers. Henceforth, the banks have to take customers' sustainability preferences into account through a specific questionnaire and align investment products' offer with their objectives and needs. This will require the banks to develop a new range of products aligned with the different aspects of sustainability (E, S, and G), as well as to adapt their advisoty tools and upskill their customer advisors.

Although sustainable investment solutions are increasingly popular, customers are still sometimes sceptical. However, capital reallocation will be a long-term process as markets mature further. Over time, the public will likely become more supportive of such investment, in line with the availability of adapted products as well as more reliable and transparent information. The European Union may also increase the scope of regulations that are now focused on environmental aspects and large companies.

[1]*The Markets in Financial Instruments Directive*
[2]*The Insurance Distribution Directive*

Double materiality principle

Double materiality involves a simultaneous review of the:

- financial materiality, i.e. the impact of physical and transition risks of climate change, loss of biodiversity, etc., on the activities of the company (outside-in);
- impact materiality, i.e. the effect of the company's operations on the environment and/or society (inside-out).

Financial materiality

Information to understand how the company's business and performance are evolving...

Impact of the environment and society on the company

Impact materiality

... and the environmental and social impact of its operations.

Impact of the company on the environment and society

Source: Corporate Sustainability Reporting Directive (CSRD)

The instruments of sustainable finance

Supporting individuals and corporates in the transition

To support the transition, financial institutions must include sustainability in their range of products, while also supporting their customers.

Directing financial flows towards the most virtuous companies and projects

by **Andreas Lambropoulos,**
Head of Sustainability & Company Engagement at BNP Paribas Investment & Protection Services

Numerous sustainable products are now available, but major challenges remain for the next few years.

Banks, asset managers and insurers have a vital role to play in steering investments towards sustainable solutions. This is in line with the interests of customers, who are seeking to give a meaning to their wealth. When creating sustainable products, financial intermediaries analyse environmental criteria (CO_2 emissions, impact on biodiversity, etc.), social criteria (compliance with employment law, etc.), and corporate governance (gender equality in decision-making bodies, etc.). For their SRI funds, asset managers therefore offer a wide selection of solutions: funds or mandates incorporating ESG criteria or thematics, or impact funds designed to generate a positive and measurable impact. This calls for major investments in research, databases, the setting up of methodologies that comply with regulations, and up-skilling of staff.

Data availability is clearly one of the chief challenges in future, as well as speeding up the just transition and increasing investment in biodiversity. The TNFD has therefore just published its recommendations on how companies can structurally integrate nature into their non-financial reporting.

Accelerating the integration of sustainability in life and pension insurance

by **Eric Béquet,**
Head of Insurance Asset Management at BNP Paribas Cardif

Insurers sell long-term savings products and invest in the shares and bonds of governments and companies that they can support on the journey to a more sustainable model.

In a market experiencing transformation due to growing regulatory and societal constraints, insurers are evolving their approach to asset management.

By implementing sustainable investment strategies through their general funds, insurers are increasingly using sectoral filters and investing in companies that take into account ESG challenges. For unit-linked products, insurance companies include non-financial criteria in the process of asset selection.

By incorporating ESG criteria into their investment decision making process, insurers can avoid future stranded assets. They can also identify opportunities for products and investments that will help the economy to transition. In this way, insurers meet both their customers' needs and their own. In the next few years, sustainable finance will have to tackle new challenges in order to support a just transition and focus on transactions that boost biodiversity protection in particular. Insurers are already developing such expertise.

Enabling everyone to make meaningful investments

by **Eleonore Bedel,**
Chief Sustainability Officer at BNP Paribas Wealth Management

The number of definitions of responsible investment almost matches the number of investors. Consequently, the financial sector's role is to raise investors' awareness of responsible solutions and to help them find those that best fit their needs.

Responsible investment should evidently have a positive impact on society and/or the environment. But how this is done in practice will vary, depending on each individual. For one, it should be an investment to help developing countries, and for another it calls for investing in a low-carbon fund from the outset.

In addition, there are now numerous products for responsible investment, and regulation has resulted in a great deal of information becoming available to investors. Not surprisingly, an individual investor may find it challenging to get their bearings.

This is why financial institutions need to focus on helping their clients navigate the world of sustainable investment. They should make information more understandable and accessible for their clients and potential clients. For instance, BNP Paribas has established a methodology to assist with evaluating the responsibility level of financial instruments, on a scale of zero to 10, illustrated in cloverleaf form. Lastly, it is essential that staff are trained, so they can raise the awareness of clients and support them. Here, bankers also play a vital role. He or she should be able to help their clients to build a portfolio tailored to their ESG preferences, their risk profile and their yield expectations.

The instruments of sustainable finance

The main instruments to finance a sustainable economy

by **Agnès Gourc,** Head of Sustainable Capital Markets, DCM Structuring & Solutions at BNP Paribas

The sustainable loan market continues to grow. A quarter of the EMEA loan market volume is currently accounted for by sustainability-linked loans (SLLs).

Broadly speaking, two approaches are used in sustainable finance. At the entity level, **sustainability-linked instruments** tie the terms of the borrower/issuer's facility to the achievement of sustainability goals. The approach is applied to many types of financial instruments, with SSLs the most widely adopted.

The second approach requires the borrower or issuer to also identify projects with either environmental or social benefits, hence making them **green** or **social bonds or credits**. Transactions involving both are **sustainability bonds** or **sustainability loans**. The proceeds must be earmarked for projects that achieve positive social or environmental outcomes or address a social/environmental issue.

Green financing supports projects such as renewable energy, energy efficiency, green buildings, circular economy, and climate change adaptation. Social instruments are often aimed at people living below the poverty line, marginalised communities, migrants, unemployed, women, sexual and gender minorities, and people with disabilities.

Little market regulation is in place, but market-based principles exist: ICMA principles for bonds; LMA principles for loans.

Carrot rather than stick

by **Valérie Eymard,** Chief Sustainability Officer at BNP Paribas CPBS

The sustainable range of products for individuals is mainly focused on real-estate financing and electric cars.

Over 95% of Europeans say they are ready to adopt a more sustainable lifestyle. Yet according to a Kantar study published in 2022, only 11% are actively following this, mainly due to financial pressures and a lack of confidence in brands.
In terms of positive impact financial services for individuals, the offer is mainly concentrated in financing sustainable housing and mobility. Although the goal is to make additional products more sustainable, it is difficult to ascertain if individuals will actually use the money made available to them to make green purchases.
CO_2 emissions calculators based on expenses enabling clients to understand their expenses' footprint are flourishing, but individuals do not like a spotlight on their negative impact on the environment.
One can see a similar impact when unsustainable practices incur a surcharge. Here, it is better to support and even to reward individuals who adopt virtuous habits, rather than to blame those who do not.

SMEs and MidCaps need to be supported in their transition

by **Arnaud Algrin,** Head of Low-Carbon Transition for MidCaps & SMEs Initiative at BNP Paribas

Banks are a vital link for the successful transition of companies.

The vast majority of SME owners in the industrial sector became aware of the energy challenges following the recent crisis. However, only 20% have devised a decarbonisation strategy, often due to a lack of time and resources. This shift will accelerate in the coming years because of pressure from key clients and regulations. Companies with a turnover of more than €40 million and 250 employees will have to comply with the CSRD.
A study we completed in 2022* highlights how business leaders are mainly asking for support to find financing adapted to their transition projects. Moreover, they would like to be guided towards reliable partners who can implement these projects and therefore expect to turn to their bank for expertise.
Banks must therefore be ready to provide innovative solutions that facilitate the transition of such stakeholders. For example, banks are today leveraging on AI to help companies find the appropriate public funding from among the hundreds of programmes available; or provide new turnkey offers supporting them to electrify their fleet as part of their mobility transition.

**Survey of 1,100 SMEs and MidCaps in four countries, and 49 relationship managers at BNP Paribas Fortis in Belgium*

Innovation watch

Financial and technological innovations supporting the transition

From securitisation to artificial intelligence, various solutions can contribute to developing sustainable finance and accelerating the transition.

Supporting the transition through securitisation

by **Francois Artignan,**
Global Head of Group Public & Regulatory Affairs at BNP Paribas

Europe's climate ambitions should encourage the use of securitisation.

The EU's aim to be climate neutral by 2050, and to reduce by half its greenhouse gas emissions by 2030, will require additional financing. The needs are estimated at €350 billion per year simply to reach the goals for cutting CO_2 emissions. Given the pressures on public budgets, all resources will have to be mobilised.

Securitisation is one of the options available and can help to turn a loan portfolio into debt securities or financial products that may then be sold to investors. Banks can harness this method to free up regulatory capital, in order to increase their financing capacity. A tool of this kind is suitable to support the financing of green assets, such as SME transition loans or mortgages for energy-efficient homes.

This year, the EU created a European label for green bonds (the Green Bond Standard) that applies to securitisation operations if the funds raised are used to finance activities that are aligned with the European taxonomy. However, EU regulations are still restrictive and are hampering the development of the securitisation market. It is hoped that the EU's climate ambitions will foster the emergence of more favourable conditions.

Algorithms support sustainability initiatives

by **Imène Ben Rejeb-mzah,**
Head of Climate Analytics and Alignment (C2A) Data Analytics at BNP Paribas

AI tools are one of the options now being explored to overcome the scarcity of extra-financial data.

To develop sustainable finance, we need to roll out tools measuring environmental and social risks, with a maturity level matching that of tools to measure financial risks. Just as an assessment of a company's financial risks involves reviewing its financial statements, an assessment of its environmental and social risks will require data identifying these risks, such as carbon footprint or energy performance. Customers are not yet required by regulations or laws to provide these extra-financial data.

For example, we have recently developed a machine-learning algorithm that enables us to model the energy performance certificate (EPC) for residential properties that are not available in the French Agency for Ecological Transition's (ADEME) database, which has centralised the data for French EPC since 2013. This data allows us to measure the average energy performance of our real estate loan portfolio for individuals, as well as to design and implement a decarbonisation strategy.

The use of machine-learning modelling to fill data gaps is among the solutions being studied in order to comply with European regulations on climate risk transparency (CSRD, Pillar 3) and to align the financing trajectory with the climate goal of reaching carbon neutrality in 2050.

Developing low-carbon hydrogen

Air Liquide in China

Thanks to a green loan, SCIPIG, a Chinese subsidiary of Air Liquide, will invest 500 million yuan in the production of low-carbon hydrogen, thus avoiding the emission of 350,000 tonnes of CO_2 annually.

Aimed at funding two steam-reforming hydrogen production units and related infrastructure, this green loan will enable Shanghai Chemical Industry Park Industrial Gases (SCIPIG) to accelerate its low-carbon transition. Both units will be equipped with CO_2 capture and recycling facilities.

Replacing an existing coal-based gasification unit, they will be gradually brought into service from the end of 2023. When operating at full capacity, the project will avoid emissions equivalent to the electricity consumption of one million Chinese households.

This project "contributes to China's energy transition and highlights the key role that hydrogen can play," said Nicolas Poirot, CEO of Air Liquide China. "This green loan underlines our capacity to achieve the highest environmental standards, while providing reliable and competitive solutions," he added. The funding is in line with "the Equator Principles, the principles that govern green loans, and the EU-China Common Ground Taxonomy, the world's strictest," noted LI Nan, CFO of Air Liquide China.

Involving all the stakeholders

With innovative financing, and the collaboration of every stakeholder, it is possible to support projects that make a difference around the world.

Impact bonds, a new kind of partnership for tailored financing

by **Maha Keramane,**
Head of the Positive Impact
Business Accelerator at BNP Paribas

Experimenting solutions to ensure inclusion of the most vulnerable through impact bonds.

An impact bond is based on an innovative form of financial partnership designed to address social and environmental needs that are hardly or not at all covered by current facilities (see below for the definition and outline ▾). Our first social impact bond was launched in 2016, and we have continued to develop this tool, in terms of the number or size of projects and the range of societal issues addressed such as environmental challenges or development in countries in the Global South, etc. We participated in designing and financing the first development impact bond, a pilot project launched by France to tackle menstrual precariousness in Ethiopia alongside AFD[1], the NGO Care (based in France and Ethiopia), and the French Ministry for Europe and Foreign Affairs. "Through the lens of menstrual hygiene, we are tackling the key challenge of gender inequality and women's autonomy and empowerment," says Care's Helen Pankhurst. Indeed, the absence of appropriate water and sanitation infrastructures and accessible sanitary products can lead to school dropout and workplace absenteeism. In effect, this unique project combines three intervention areas linked to this issue – raising awareness among 320,000 people, distributing reusable sanitary pads to 30,000 young girls, and building or renovating water and sanitation facilities in 60 schools in Ethiopia's Adama region. "This collaboration places menstrual care at the heart of the debate and reinforces the dialogue with the Ethiopian authorities, with the ultimate goal of scaling the programme nationally," concludes AFD's Virginie Arnaud Le Pape.

[1] *Agence Française de Développement (French DFI)*

Aligning finance and mission: the challenge for nonprofit associations

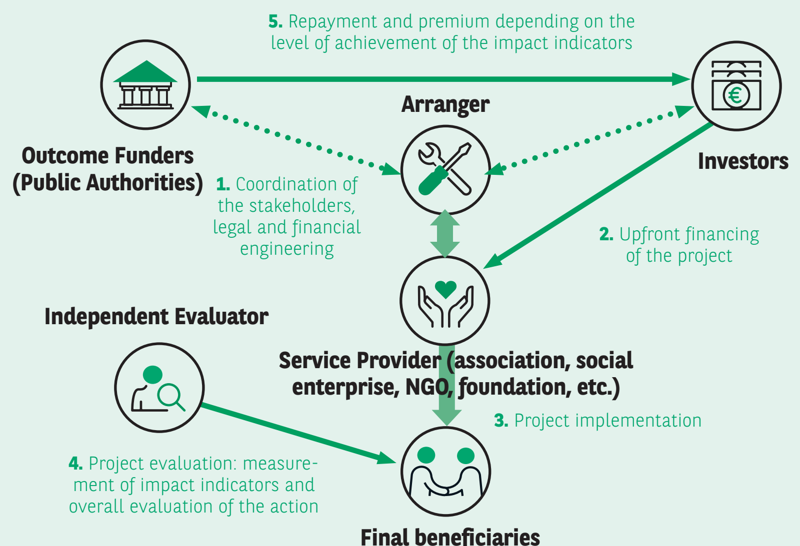
by **Vanessa Bouquillion,** Head of Company Engagement at BNP Paribas Wealth Management France and Private Banker for Non-profits and **François Soulage,** Former President of Secours Catholique, President of the Kaori Ethical Committee

Nonprofit associations must innovate in their tools, yet stay faithful to their values.

Through the Climate Action+ alliance, the Church of England pension fund played a role in the 2020 negotiations that obliged Shell to commit to net-zero emissions. Last May, it sold all its shares in the oil company, after Shell announced that it intended to increase its fossil fuel capacities. Justin Welby, Archbishop of Canterbury, said at the time: "The Church will follow not just the science, but our faith – both of which call us to work for climate justice." The decision may seem surprising, but it is in fact very much aligned with the fund's values.
France has also been active in the ESG movement followed by non-profit associations. In 2022, Secours Catholique-Caritas France launched Kaori, a savers association offering an unrivalled responsible and socially supportive life insurance policy. Its members are invited to vote regularly, in order to make sure the selection of the contract's underlying assets is aligned with members' expectations in terms of non-financial criteria. These requirements exclude the most polluting companies and finances only those whose activities are the most virtuous, particularly for the fight against global warming and boosting social benefit.
Foundations and associations can therefore play a dual role in the environmental and social transition. Thanks to their status and goals, they can offer (financial) tools that enable their members, and possibly even the public at large, to shift towards a society that is more sustainable and more in tune with their main mission. They can also apply pressure through their investment decisions, ensuring that funding is harnessed as fast as possible for a just transition.

How impact bonds work

An impact bond, which is a financing tool to foster innovative social and environmental projects, is based on a unique collaborative model between the public, private and the social and solidarity economy (SSE) sectors. Practically speaking, the experimental project is pre-financed by investors, who will be fully or partially repaid by the public authorities, depending on the achievement of impact objectives (reducing criminal recidivism, waste recycling rate, etc.). The impacts generated enable cost savings for the government, some of which are used to repay and remunerate the financial risk borne by the investors. BNP Paribas supports the development of impact bonds in Europe: click on this link to learn how.



Flashforward

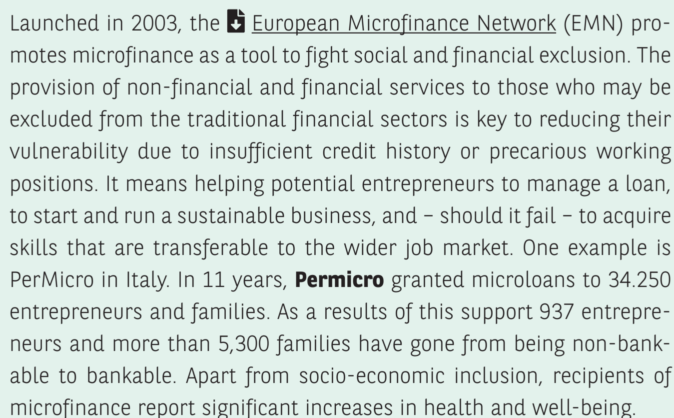
Collaboration as a lever for action

By itself, the financial industry will not change the world, but the involvement of other stakeholders, such as microfinance institutions and training professionals, can help everyone to progress

Microfinance: delivering financial services to the underserved

by **Caroline Tsilikounas,** General Manager at European Microfinance Network and **Nicola Benaglio**, Programme and Research Manager at European Microfinance Network

Microfinance helps people start new ventures, consolidate existing businesses and improve their living conditions.



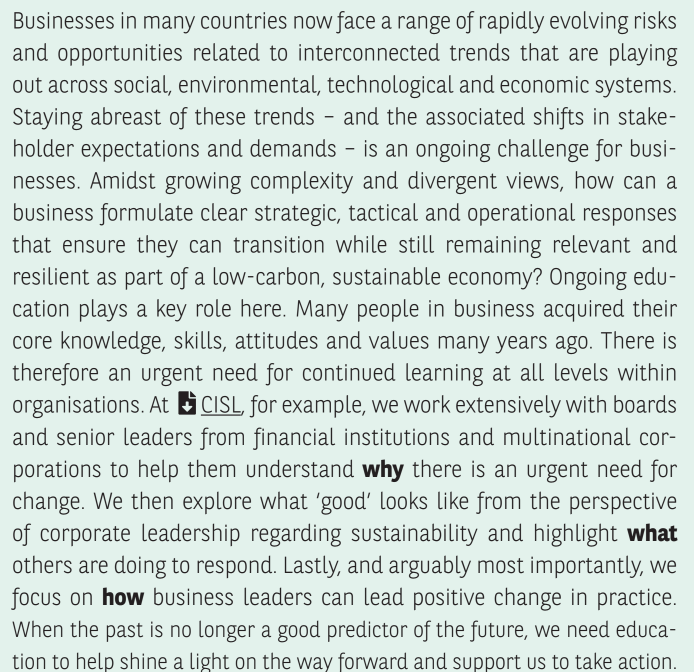
The main principle of microfinance is to ensure that households without much or any collateral can benefit from financial services that will help start or grow their businesses. In Europe it includes a variety of financial services, not just loans, for low-income entrepreneurs; supporting non-financial services to increase the prospects of success; and ensuring that donor subsidies complement rather than compete with private sector capital.

Launched in 2003, the European Microfinance Network (EMN) promotes microfinance as a tool to fight social and financial exclusion. The provision of non-financial and financial services to those who may be excluded from the traditional financial sectors is key to reducing their vulnerability due to insufficient credit history or precarious working positions. It means helping potential entrepreneurs to manage a loan, to start and run a sustainable business, and – should it fail – to acquire skills that are transferable to the wider job market. One example is PerMicro in Italy. In 11 years, **Permicro** granted microloans to 34.250 entrepreneurs and families. As a results of this support 937 entrepreneurs and more than 5,300 families have gone from being non-bankable to bankable. Apart from socio-economic inclusion, recipients of microfinance report significant increases in health and well-being.

Education is key to accelerating the transition to a sustainable economy

by **Thomas Vergunst,** Programme Director, Finance Sector Education at Cambridge Institute for Sustainability Leadership (CISL)

Ongoing learning is vital to help financial institutions and businesses navigate a rapidly changing world.



Businesses in many countries now face a range of rapidly evolving risks and opportunities related to interconnected trends that are playing out across social, environmental, technological and economic systems. Staying abreast of these trends – and the associated shifts in stakeholder expectations and demands – is an ongoing challenge for businesses. Amidst growing complexity and divergent views, how can a business formulate clear strategic, tactical and operational responses that ensure they can transition while still remaining relevant and resilient as part of a low-carbon, sustainable economy? Ongoing education plays a key role here. Many people in business acquired their core knowledge, skills, attitudes and values many years ago. There is therefore an urgent need for continued learning at all levels within organisations. At CISL, for example, we work extensively with boards and senior leaders from financial institutions and multinational corporations to help them understand **why** there is an urgent need for change. We then explore what 'good' looks like from the perspective of corporate leadership regarding sustainability and highlight **what** others are doing to respond. Lastly, and arguably most importantly, we focus on **how** business leaders can lead positive change in practice. When the past is no longer a good predictor of the future, we need education to help shine a light on the way forward and support us to take action.

The BNP Paribas 2025 objectives for sustainable finance

BNP Paribas is convinced that finance is a key lever to accelerate the transition.

Financing the transition:
- €150 billion in sustainable credits to companies, institutions and individuals for sustainable projects;
- €200 billion in sustainable bonds issued for clients of BNP Paribas.

Responsible investments:
- €300 billion in sustainable investments, i.e. assets under management in line with ESG principles;
- €200 millions in own investments to support innovative-impact companies in three fields: local development and climate, social and societal activities, as well as natural capital.

Civil responsibility:
- 6 million beneficiaries of products and services that support financial inclusion.

To find out more about the BNP Paribas objectives for CSR, click here.

Disclaimer
This publication has been prepared by BNP PARIBAS for informational purposes only. The opinions expressed are personal views and BNP PARIBAS will not be responsible for any consequences resulting from the use thereof. Although the information has been obtained from sources which BNP PARIBAS believes to be reliable, it has not been independently verified. Neither the information nor any opinion constitutes a recommendation, solicitation or offer by BNP Paribas or its affiliates, nor shall it be deemed to provide investment, tax, legal, accounting or other advice.
© BNP PARIBAS. All rights reserved.

If any question or feedback, please contact group.nest@bnpparibas.com.