‘So much for self-regulation! You promised you were only going to have two pints!'

Source: PRI responsible investment regulation database available at www.unpri.org/sustainable-markets/regulation-map
The regulation map: cumulative number of policy interventions

- ESG pension funds
- Stewardship codes
- ESG integration beyond PFs
- Corporate disclosure guidelines

Source: PRI responsible investment regulation database available at www.unpri.org/sustainable-markets/regulation-map
Action Plan on Financing Sustainable Growth

Mapping and links of the 10 actions along the investment chain

1. Reorienting capital flows towards sustainable investment
2. Mainstreaming Sustainability into risk Management
3. Fostering transparency and Long-termism
4. Incorporate Sustainability in Investment Advice
5. Sustainability Benchmarks
6. ESG in Ratings and Market Research
7. Institutional investors duties
8. Sustainability in prudential requirements
9. Sustainability in Disclosure & Accounting
10. Foster Sustainable Corporate Governance

- EU Sustainable Taxonomy
- Create Standards and Labels
- Investment in Sustainable Projects
- Sustainability in Disclosure & Accounting
- Sustainability in prudential requirements
- Institutional investors duties
- Sustainability Benchmarks
EU Taxonomy

The taxonomy expands the investment universe as it includes transitioning activities e.g. aluminium or cement.

Traditionally believed green activities will be scrutinised. Criteria for some activities are stricter; and DNSH offers an opportunity to address “trade-offs”.

The greatest opportunities lie in debt and lending-related products that allow to ring-fence funding.

Taxonomy will be the base for the coming Ecolabel (2020), the EU Green Bond Standard and for standards and labels at national level set on green investments.

A global taxonomy with a shared spirit, framework and methodology, adapted thresholds and criteria where needed.

Encourage companies to truly transition and be more sustainable. Sends a clear signal about climate targets, stakeholders’ expectations & on environmental disclosures.
A few reflections

### Common definition of what is environmentally sustainable and transitioning

- 6 environmental objectives, SC & DNSH, defining environmental sustainable activities (and transition activities)

### Mandatory disclosures for all types of investment products

- Thematic, ESG and “mainstream. Comply and/or explain. ESG risks plus adverse impacts. In addition to disclosures at firm-level

### ESG disclosures and Incentives for Benchmarks, CTP and PAB

- The role (and regulation) of data providers and benchmark providers becomes critical in a context of mandatory reporting and market concentration

### Mandatory ESG preferences in investment advice

- The development of standards and pan-European labels have started with EU GBS and Ecolabel

### Stewardships codes and EU SRD II

- Mandatory Stewardship policy, active ESG engagement and voting (“say on pay”. Transparency on voting and proxy advisor policies.

### Alignment between investors & corporate disclosures: NFRD revision

- Data availability and quality will determine the pace of growth of sustainable finance, but critically, the IMPACT on companies
Investor collective action: Climate Action 100+, Transition Pathway Initiative

Companies with targets covering operational emissions do not reduce their emissions intensity by much.

Shell and Total have ambitions to reduce their lifecycle emissions, bringing them close to, or into, alignment with the Paris Pledges around 2040.
Investors’ concerns on stranded assets

Collective pre-capex breakevens for oil majors, 2018-35

Committed to align our portfolios to the Paris Agreement Goal

- Signatory to Montreal Carbon Pledge
- Exclusion of tobacco from our investment funds
- New Coal Policy & Launch of our Global Sustainability Strategy
- Implementation of the United Nations Global Compact Principles and sector policies of BNP Paribas Group
- Founding signatory to the Principle for Responsible Investments (PRI)
- Launch of our first socially responsible investment (SRI) fund and joined the institutional investors group on climate change (IIGCC)

Source: BNP Paribas Asset Management - As of April 2019
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|---------------|----------------------------------|-----------------------------------------------|
| **“Thematic funds”** (environmental or social objectives) | Financial products will need to include:  
  • Description of how and to what extent investments are invested in environmentally sustainable economic activities.  
  • Share of investments in environmentally sustainable economic activities, including details on proportions of enabling and transition activities | • Ex-ante & ex-post (reporting ESG)  
  • How objective/characteristics are attained + information on why and how the reference benchmark is consistent/aligned  
  • Description of the extent to which the characteristics are attained or on the impact of the product through relevant indicators.  
  • Description of the characteristics/objective + information on methodologies used to assess, measure and monitor characteristics/impact  
  • Specific indicators/technical standards will be provided.  
  • Specific requirements for funds that claim to reduce their carbon emissions |
| **ESG products** (environmental or social characteristics) | Under discussion but will establish set of compulsory requirements for all ESG marketed products  
  • Potentially min. % of exclusion and/or % better ESG score than benchmark after % exclusion | • Information ex-ante & ex-post (ESG reporting)  
  • Idem above. |
| **Rest of products – mainstream** | Mandatory to add: “The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable investments.” | Are ESG risks integrated in investment decisions and the resulting financial impact (comply or explain)  
  • Explain if and how adverse sustainability impacts are taken into account |
| **Other impacts** | CO₂ reporting  
  • TRS – derivatives  
  • Fonds monétaires, real estate | Reporting at firm-level:  
  1. ESG risk  
  2. Adverse impacts on sustainability  
  • (minimum disclosures requirements including policies, engagement, etc.) – 2 technical standards to be provided by ESAs.  
  • (disclosure re. remuneration & ESG risk integration) |