

THE INVESTOR ROLE

THE EXPERIENCE WITH CLIMATE ACTION 100+ AND THE EU TAXONOMY



HELENA VIÑES FIESTAS

11 October 2019

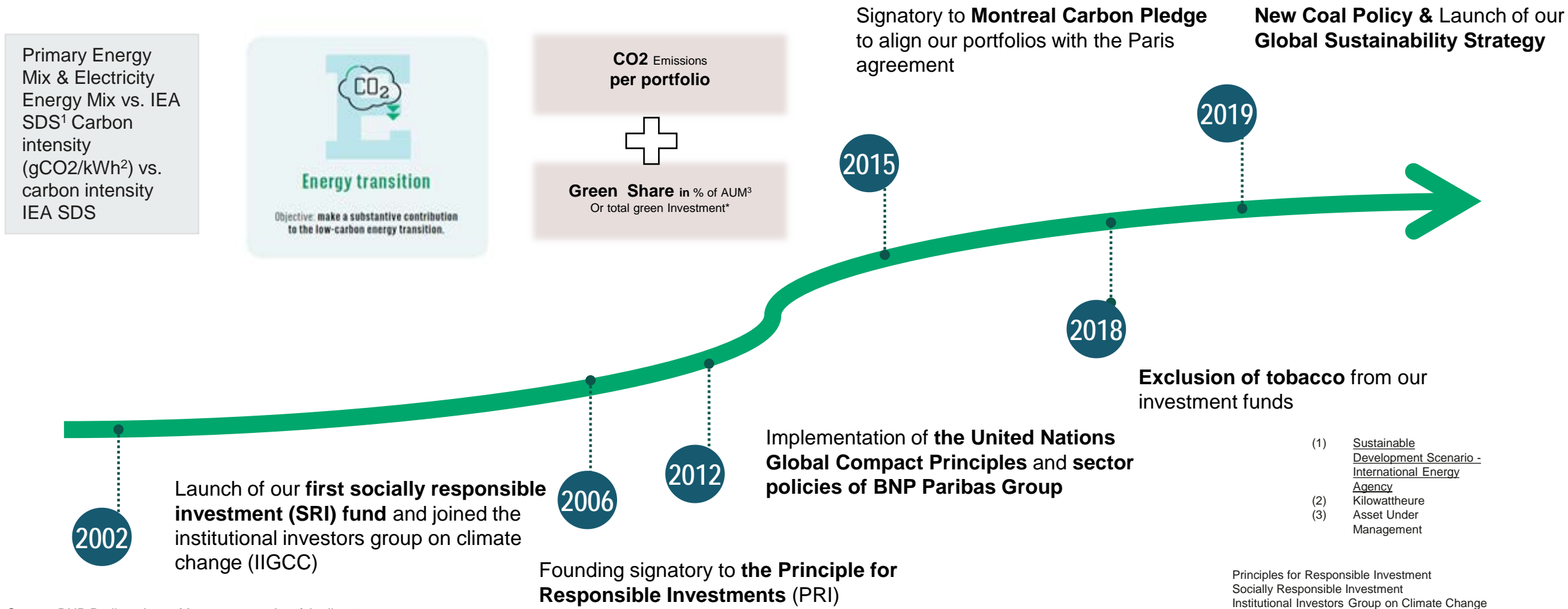


BNP PARIBAS
ASSET MANAGEMENT

The asset manager for a changing world

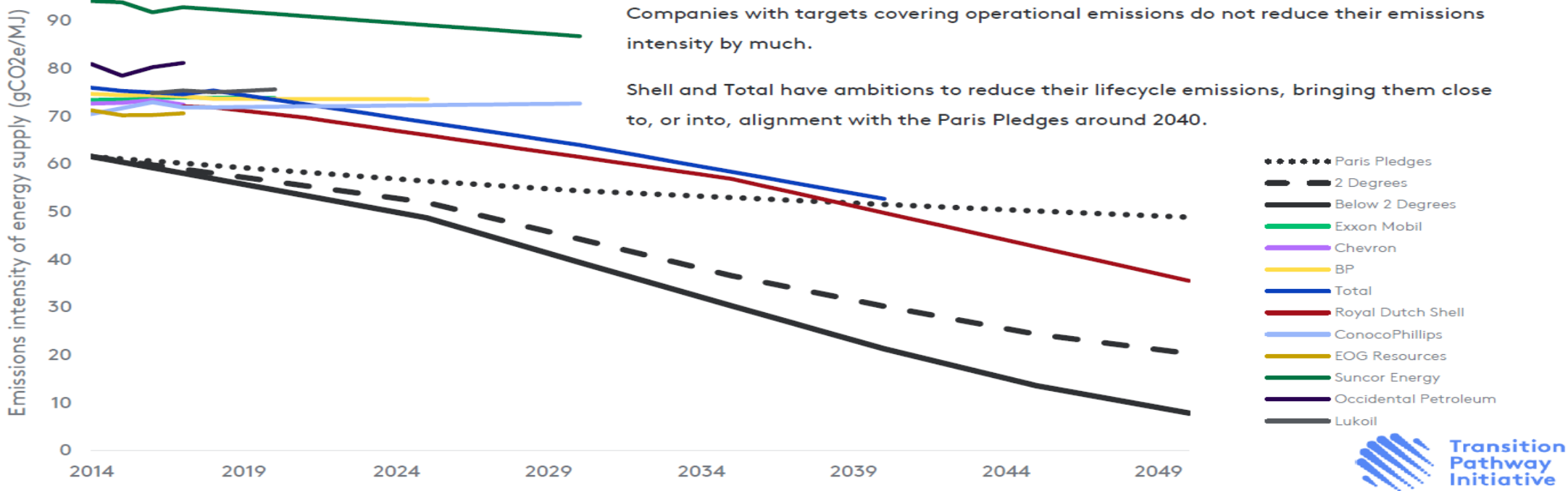


Committed to align our portfolios to the Paris Agreement Goal



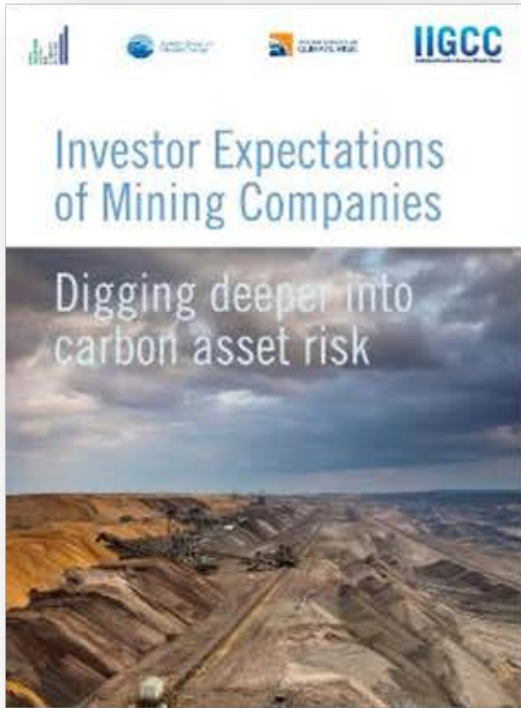
Source: BNP Paribas Asset Management - As of April 2019

Example: Transition Pathways for Oil and Gas Industry



Collective engagement

Mining Companies



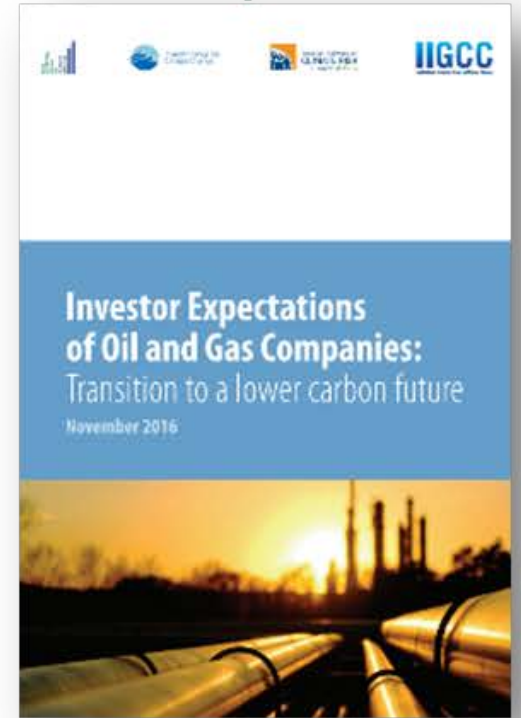
Electric Utilities



Automotive



Oil & Gas Companies



**Climate
Action 100+**
Global Investors Driving Business Transition

Climate Action 100+ & Climate Corporate Lobbying

Shell to quit US oil lobby group over climate change clash

Energy sector under pressure to align lobbying with green goals



© Bloomberg

Ed Crooks in New York and Nathalie Thomas in Edinburgh YESTERDAY

Royal Dutch Shell is leaving one of the largest US oil industry of differences over climate policy, underlining the pressure bi companies face from investors to ensure any lobbying matches carbon emissions.

Royal Dutch Shell PLC ✓ Added

Shell yields to investors by setting target on carbon footprint

Cutting emissions to be linked to executive pay in industry first



© Bloomberg

Anjli Raval, Leslie Hook and Attracta Mooney in London DECEMBER 11

Royal Dutch Shell will set carbon emissions executive pay, reversing its chief executive's pressure from shareholders who want fossil responsibility for their contribution to global



Technology

Shell, Total Are Anomaly, Allowing Investors to Track Carbon

By [Mathew Carr](#) and [Kelly Gilblom](#)

7 November 2018, 15:00 CET Updated on 7 November 2018, 17:05 CET

- ▶ Funds can use new data to favor companies in transition
- ▶ Church pension mulling switch for \$855 million of holdings

LISTEN TO ARTICLE

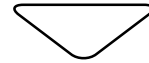
Royal Dutch Shell Plc and Total SA are the only companies among the 10 biggest oil and gas producers in the world which disclose how their carbon

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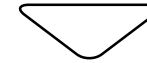
Leveraging our voting rights

WE WILL OPPOSE

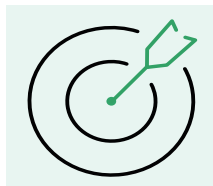


- On financial accounts or statement during AGM's if a company does not report properly on its carbon footprint or when it does not want to engage with us in relation to its business strategy to mitigate and adapt to climate change

WE WILL SUPPORT



- Resolutions asking companies to reduce GHG emissions in line with a 2°C scenario
- We will inform publicly and before the general meetings our willingness to vote in favour of resolutions



Shareholders force ExxonMobil to come clean on cost of climate change

'Historic' vote by nearly two-thirds of shareholders will force annual 'stress test' to measure how regulation will affect assets



Michael Herskovich
Head of Corporate Governance
4 mois · Modifié



62% of support on the climate reporting proposal at ExxonMobil AGM. Great victory for our first co-filing in the US

What is the EU Taxonomy

A list of economic activities with performance criteria for their contribution to six environmental objectives, while ensuring they do not harm significantly any other of the environmental Objectives.



BNP Paribas Asset management committed to monitor and report on their % invested in green activities (following the EU Taxonomy wherever possible) as a total % of AUM (Global Sustainability Strategy)

Six Environmental Objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, waste prevention and recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

EU Taxonomy uses

What the taxonomy can be used for



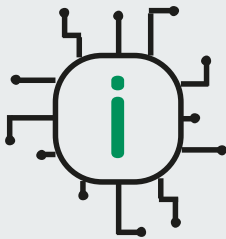
To design and constructed my green portfolios



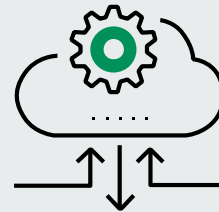
The EU taxonomy is THE dictionary of what is green, what is transitioning and what is not green. It will “unblock” existing hurdles for the green finance market to grow and will benefit from the entire EU policy package



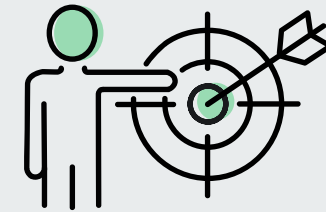
To assess my exposure to brown investments



To assess and calculate the green share of my portfolios, my investments by asset class and of my total AUM



To develop new green financial products. The biggest potential lies in debt/lending that allow ring-fencing



To focus our engagements with companies, harmonise messaging and improve environmental disclosures

First delivery: the Climate Taxonomy

Climate mitigation	<ul style="list-style-type: none">• 67 activities that can make a <i>Substantial Contribution</i> to mitigation objectives• All with <i>Do No Significant Harm</i> assessments (Water, Circular Economy, Biodiversity, Pollution)
Climate adaptation	<ul style="list-style-type: none">• A methodology + examples for <i>Substantial Contribution</i> to adaptation objective• A methodology for <i>Do No Significant Harm</i>* to adaptation objective

- The TEG** delivered a framework and a methodology; a proposal on how to use it and how to make it work.
- The TEG will produce a User Guide and deliver its final recommendations by end Q4 2019.

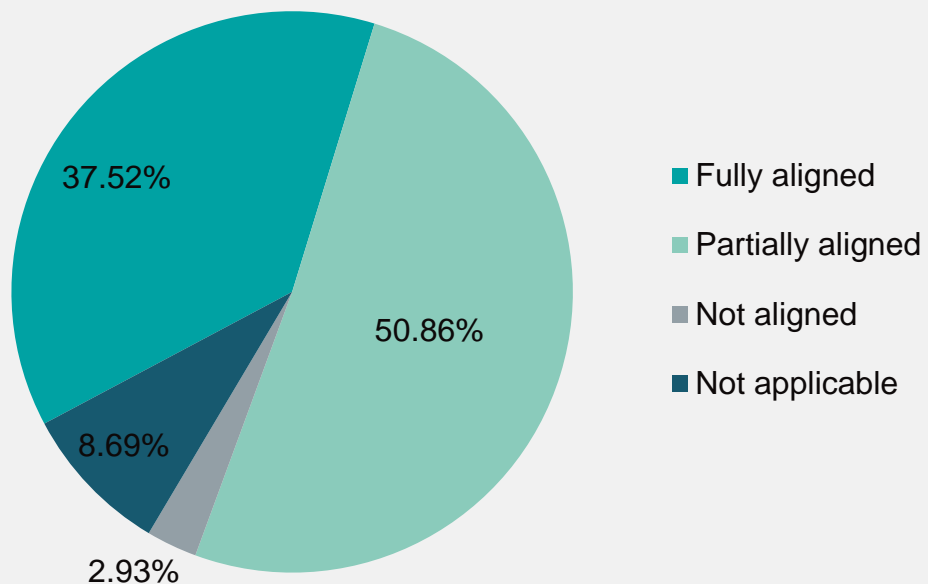
Climate mitigation – supporting economic transition

Type of activity	Characteristics	Description	Criteria	Examples
Low carbon activities	Greening of	Already low carbon (very low, zero or net negative emissions). Compatible with net zero carbon economy by 2050	Likely to be stable and long term	<ul style="list-style-type: none"> • Zero to 25g/kwh electricity generation; • nearly zero energy buildings; • zero emissions cars
Activities that contribute to transition	Greening of	Contribute to a transition to a zero net emissions economy in 2050 or shortly thereafter, but are not currently close to a net zero carbon emission level;	Likely to be revised regularly; be tightened over time; eventually to zero.	<ul style="list-style-type: none"> • Building renovation; • 25-100gCO₂e/kWh electricity generation; • Aluminium production below 2.9tCO₂e/t; • Road transport vehicles up to 50g/km; • Bundle of agriculture practices.
Enabling activities	Greening by	Activities that enable emission reductions in the above.	Some likely to be stable and long term, some likely to be revised regularly.	<ul style="list-style-type: none"> • Manufacture of wind turbines, • Installing efficient boilers in buildings;

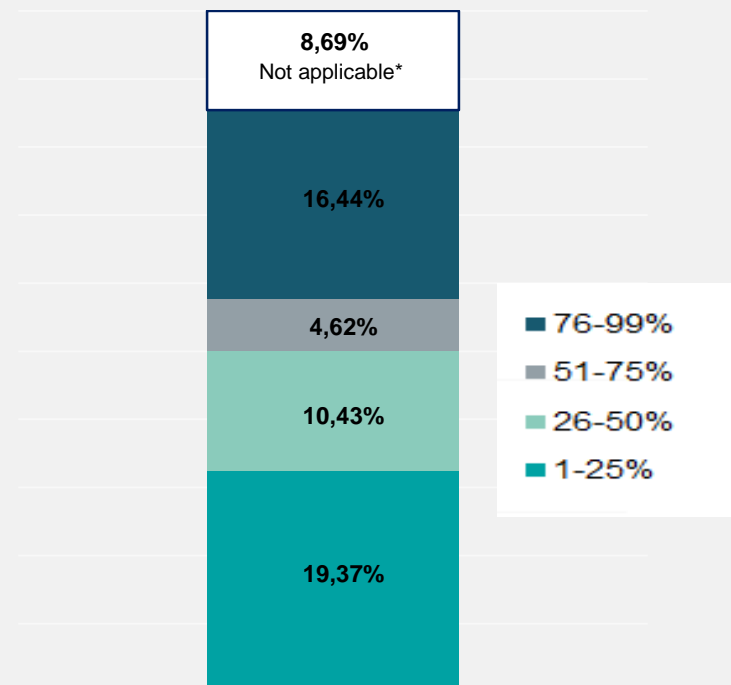
Source: Based on TEG Report on Taxonomy (June 2019)

Portfolio alignment with the EU Taxonomy (test)

Total market cap. of the portfolio = 100%



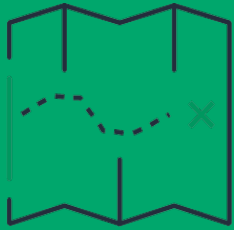
Break-down of partially aligned by % of use of proceeds aligned with the EU standards, market cap. = 50,86%



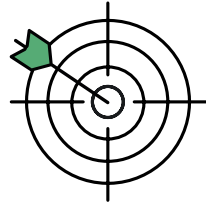
***Not applicable:** includes Watermanagement, Waste Recycling, Pollution and Social actions categories, for which the EU does not have any strict requirements as well as categories for which the threshold will be defined in the 2nd Round, namely threshold for hydro power density [$>x$ W/m²], country specific thresholds for new buildings and vehicles direct emissions.

What investors should keep in mind

Transition Period



Lack of data availability
Adapt internal processes
Role of data providers
Rest of taxonomy by 2022
Guidelines on how to report



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



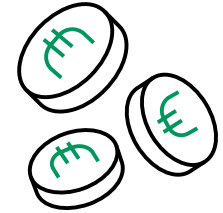
Taxonomy will be the base for the coming Ecolabel (2020), the EU Green Bond Standard and for **standards and labels** at national level set on green investments



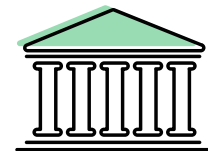
Traditionally believed **green activities will be scrutinised**. Criteria for some activities are stricter; and DNSH offers an opportunity to address “trade-offs”



We need to work towards a **Global Taxonomy**



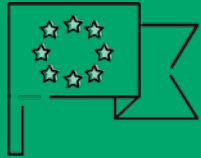
The **greatest opportunities lie in debt and lending-related** products that allow to ring-fence funding



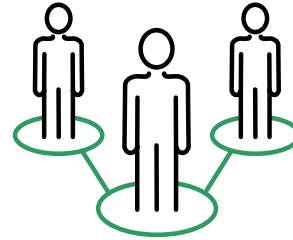
Positive signals of **early market adoption** - EC budget, EIB investments, BNPP AM – will use the taxonomy. Central Banks as asset owners, enhancing their investment opportunities?

How it should evolve

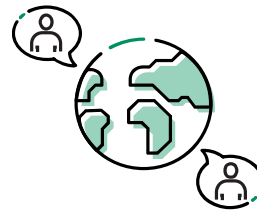
The Secret is on the future Platform



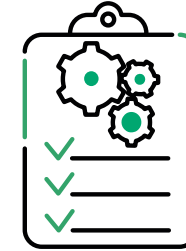
ESG risk management integration: the need to develop international framework – S and G standards



An independent multi-stakeholder platform is put in place with an extensive portfolio of competences – incl. economic impact assessments



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

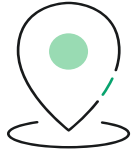


A periodic review of thresholds and open process to update the taxonomy in the light of a ratcheting up process and a “reality check” of where the industry and science is



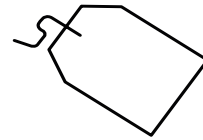
An on-line internet User Guide, research and data access platform

The taxonomy medium to long-term benefits



Common reference point

Provides a reference point on what is an environmentally sustainable activity and under which circumstances.
It helps everyone talk the same language



Ends fears of greenwashing and of conflict of interests

Provides the market and the public with the necessary confidence
Create a common language

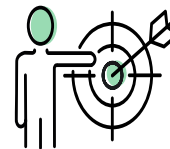


Helps public and private investors contribute to the ecological transition as well as monitor and track the investments made.
It helps making informed decisions, developing more effective policies

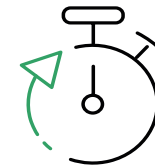


Scientific and Evidence-based

An open and dynamic process that builds on the best science available and best practices



Encourage companies to truly transition and be more sustainable
Sends a clear signal about climate targets, stakeholders' expectations & on environmental disclosures



Saves time and work

To everyone, private and public, creating economies of scale; particularly for the institutions who don't have the necessary in-house capabilities

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