

# **BNP PARIBAS**

## **SUSTAINABLE FUTURE FORUM**

**"Investing for tomorrow's success"**



**2016 INSIGHTS**



**BNP PARIBAS**

**The bank  
for a changing  
world**



**ERIC RAYNAUD**

MEMBER OF THE GROUP EXECUTIVE COMMITTEE, CEO ASIA PACIFIC, BNP PARIBAS

The past decade has seen a welcome and necessary change in the investment landscape across the globe. From financial institutions to companies and individual investors, investment decisions are now made with a greater awareness of a broader societal context.

With some US\$5 trillion to US\$7 trillion a year required to ensure the United Nations' Sustainable Development Goals (SDGs) are realised by 2030, there is a need for urgent action and mobilisation of private sector capital.

In today's financial world, regulators and policy makers are increasingly motivated to drive economic development that is in the best long-term interests of all stakeholders.

But the financial industry also must contribute its expertise and market knowledge, to help policy makers frame policy development that assists the attainment of sustainable economic development, beyond simply awareness.

Our corporate clients need the ability to conduct their business in this context, in a responsible manner that incorporates the highest standards of environmental, social and governance performance as a prerequisite.

The future success of any business will be measured not only in terms of its quantitative results, but also by its contribution to sustainable and responsible economic development.

**BNP PARIBAS SUSTAINABLE FUTURE FORUM**

Thursday 27th October 2016

**THEMES**

- UN'S SDGS**  
A challenge at current pace
- POLICY**  
The need for leadership
- PRIVATE SECTOR CAPITAL**  
Enabling the flow of funds
- SUSTAINABLE FINANCE**  
China driving the change
- CORPORATE PURPOSE**  
Creating ESG incentives
- CLIMATE CHANGE**  
Managing a 2-degree world
- GENDER**  
Unlocking women's economic potential

<b>KEYNOTES</b> 4	<b>CLIENTS</b> 400+
<b>ATTENDEES FROM</b> 20 COUNTRIES	<b>INTERACTIVE PANELS</b> 7
<b>SPEAKERS</b> 33	<b>ORGANISATIONS</b> 220

**SPEAKERS**

- Kevin Anderson - State Street Global Advisers
- Yoshiyuki Arima - World Bank
- Pru Bennett - BlackRock
- Josep Canadell - CSIRO
- Xing Dong Chen - BNP Paribas
- Andrew Cross - International Finance Corporation
- Jia Kang - New Supply-side Economics
- Julian Van Kan - BNP Paribas
- Angelina Kwan - Hong Kong Exchanges and Clearing Limited
- Fiona Lawrie - Wesfarmers
- Colin Lee - Cargill Tropical Palm Holdings
- Tony Lombardo - Lendlease
- Rajeev Mahajan - Green Climate Fund
- Kuntoro Mangkusubroto - Tropical Landscape Financing Facility
- Timothy Nelson - AGL Energy and Adjunct Associate
- Alex Ng - BNP Paribas Investment Partners
- Vivek Pathak - International Finance Corporation
- Jessica Robinson - Principles for Responsible Investment
- Peter Rossbach - Impax Asset Management
- Eric Raynaud - BNP Paribas
- Andreas Schaffer - Avalerion Capital
- Stephanie Sfakianos - BNP Paribas
- Tony Simons - World Agroforestry Centre
- Pavan Sukhdev - GIST Advisory
- Tessa Tennant - UK's Green Investment Bank
- Satya Tripathi - UNEP
- Helena Viñes Fiestas - BNP Paribas Investment Partners
- John Wood - Room to Read
- Ian Woods - AMP Capital investors

**KEYNOTE SPEAKERS**



**CHERIE BLAIR**  
Cherie Blair Foundation for Women



**CHRIS EVERT**  
WTA Legend

**ELLIOTT HARRIS**

United Nations Environment Programme (UNEP)



**YANNICK GLEMAREC**

United Nations Women



## THE CHALLENGE: ACHIEVING THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS BY 2030



Yannick Glemarec, Deputy Secretary General of UN Women, started the day by illustrating the need for urgent action. The SDGs were set by world leaders in 2015 with the ambition of being achieved by 2030. Alongside the 17 SDGs sit 169 targets and 230 indicators.

While Dr Glemarec painted a gloomy picture given the current pace of change (see opposite page), he cautioned that this did not spell certain disaster for the SDGs nor render them a pipedream:



**“With political will, smart allocation of resources and innovation, trends can be broken.”**

Yannick Glemarec, Deputy Secretary General of UN Women

The Forum explored the interconnectedness of the SDGs and repeatedly stressed that they need to be viewed as a complete set, with each goal's success highly dependent on the completion of the others. For example, solving the gender equality goal will help to progress a number of goals from universal access to education. The reverse is equally true. With the right policy frameworks, private capital structuring and commitment from all segments of the community, these SDGs can be holistically tackled.

## SUSTAINABLE DEVELOPMENT GOALS

The pace of action is too slow, with efforts significantly behind the 2030 targeted completion date.



# POLICY

The need for leadership, clear guidelines and conviction

**“The government used to be the director and coordinator of the development world and now it has to become an enabler,”**

Professor Kuntoro Mangkusubroto, Tropical Landscapes Finance Facility



The morning plenary panels debated the role of policymakers in setting the frameworks to enable the flow of funds into projects capable of achieving the SDGs. Panelists discussed China's leadership in tabling Green Finance as an agenda item for the first time at 2016's G20 Summit in Hangzhou.

## KEY TAKEAWAYS

- Public sector will not make the difference in greening the economy, but it will need to establish the right policy settings to enable this to happen.
- Private sector needs to move beyond thinking about sustainability as a CSR issue and think about it as a business opportunity.
- Countries need to understand the GDP-impact of not acting. For example, China needs to design long-term policy to reduce healthcare costs in the future.
- Policymakers must build robust frameworks for incorporating ESG into the way exchanges measure corporate performance.
- Companies need metrics to measure social dividends in the same way they measure company dividends.
- Companies should work with governments to establish the right environment to enable sustainable development.



**“Instead of changing public policy to bring the side of the disadvantaged up, reduce the perverse incentives that raise the other side of the playing field,”**

Elliott Harris, UNEP

# PRIVATE SECTOR CAPITAL

The keys to unlocking private sector capital



**“The poor do not need charity, they need dignity. Getting them the right type of credit is the greatest respect we can give to those who are not as privileged,”**

Satya Tripathi, Tropical Landscapes Finance Facility



The need to unlock the flow of \$5-7 trillion of private sector funding into the projects that can achieve the SDGs was discussed. While there is no shortage of funds, there is a fundamental mismatch between the scale of assets looking for investments and the size and governance of the small projects that can make the greatest difference. Finding new mechanisms to channel sustainable finance to the right projects will be critical.

## KEY TAKEAWAYS

- Private sector funds seek private returns – change the paradigm to see returns without inflicting external casualties and even strive for returns that bring positive change.
- The overall financial objective of the TLFF is to create a mechanism to access and deliver private sector capital to assist Indonesia to meet its significant development and climate targets.
- Money needs to be allocated in the right way: If green bonds make up 1% of the total value of debt capital markets, 99% of bonds do not have a specific ESG purpose.
- BNP Paribas, ADM Capital, UNEP and The World Agroforestry Centre have established the Tropical Landscape Finance Facility (TLFF).
- Simple changes can make a big difference. The World Bank changed the minimum denomination of social bonds from \$100,000 to \$100 and introduced unique mutual funds invested only in World Bank bonds for a retail audience.
- Measuring what can be achieved other than financial returns is inherently challenging for the private sector.
- The IFC's blended finance facility – a very unique pocket of the corporation – can be directed at projects with challenges around the rate of return where it is clear what can be achieved.
- The trillions of dollars already available need to be invested in the right way, in projects that are delivering the SDGs.







# SUSTAINABLE FINANCE

## \$63 TRILLION SIGNED UP TO THE UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

But we need to find new mechanisms - in addition to green bonds - to channel the \$5 trillion to \$7 trillion into projects that will achieve the SDGs.



2015  
Asia 7%



2015  
Rest Of World 93%

Table highlights the total AUM of PRI signatories based on region



### GROWING TOGETHER

While Asia-headquartered signatories represent only a fraction of the total AUM signed up to the PRI today, there is no reason why we can't see a similar growth trajectory to China's green bonds story as stock exchange regulators look more closely at embedding ESG reporting into listing-requirements.

### GREEN BOND VALUE

= ≤ US\$1bn    = US\$10bn    = China    = Rest of World



## CHINA'S CONTRIBUTION TO THE GLOBAL GREEN BOND MARKET IS GROWING

More innovative mechanisms - like the TLFF - are needed to channel private sector capital at scale into projects of all sizes.



2015  
China only 4% of the global market



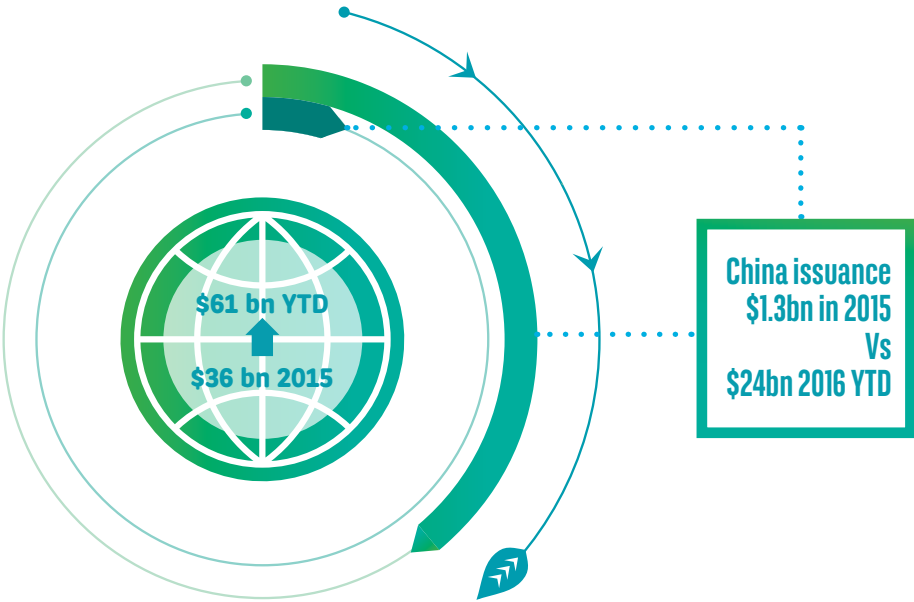
2015  
Rest of World (RoW) total issuance \$36 bn



2016 YTD  
China 40% of the global market



2016 YTD  
RoW total issuance RoW \$61bn



### WHILE THE TREND IS ENCOURAGING...

The global market has exploded from \$300m in 2007 to \$61bn YTD 2016. But green bonds still represent only 1% of total capital markets and we need to see China's impact replicated across all asset classes to achieve scale in Sustainable Finance.

# CORPORATE PURPOSE

The need for corporate purpose – increasing the social and environmental dividend to deliver value

**“Businesses are finding out that purpose is the new competitive advantage. I think the smartest businesses in the world, and this includes BNP Paribas, are realising that when you can hook yourself to a larger purpose, it’s the number one way of recruiting talent, and not just millennials. Whether you’re 40, 50 or 60 years old, you want to work for a company that has a social conscience, it’s a great way to motivate employees,”**

John Wood, Room to Read.



There was active debate about how important corporate purpose is to creating strong environmental, social and governance (ESG) frameworks. In the afternoon panels, boardroom governance and the importance of diversity in decision-making featured in the discussions.

## KEY TAKEAWAYS

- Too heavy a reliance on “CSR” departments rather than integrating sustainability into the core purpose of organisations.
- Companies need to be open and transparent on actions and areas they are working to improve, as well as offering timelines for progress.
- Companies need to maintain a responsible supply chain and engage with suppliers to work through issues and improve.
- Bolster understanding amongst the investment community about the link between their fiduciary duties and ESG: 75% of a company’s value lies in intangible assets (brand, supply chain, clients).
- Diversity has to go beyond inclusion, especially from a policy perspective. MSCI report showed that having more women on boards delivered 36 percent better return on equity.
- Tying corporate purpose to sustainability matters will help to mainstream ESG.
- Investors need to make the links between the relationship between ESG and performance.



# CLIMATE CHANGE

Managing a 2-degree world



**“One of the biggest challenges that we have is educating the pension funds and the big insurance companies about not just the risks of climate change to their portfolios globally, but the opportunities and the returns that are available for people to invest successfully in renewable energy and in other climate-related products,”**

Peter Roszbach, Impax Asset Management

Arresting climate change, much like ensuring gender equality, is imperative to so many of the SDGs and intertwined amongst many of the 17 goals. Panelists debated the challenges of delivering real action on climate change and the need for developed countries to set and achieve stretch targets. The role of banks financing renewable energies and helping energy companies transition from carbon dependence will be critical.



## KEY TAKEAWAYS



- The last three years have seen barely any growth in carbonisation BUT the global economy has grown, bucking the trend of normal periods where carbonisation does not grow.
- The developed world can also replace ageing installed power-generating capital stock with clean-tech.
- The cost of renewables has fallen drastically over recent years, but policy levers need to enable the flow of renewables to places where state-backed energy players control the grid.
- 30,000 solar panels being installed/produced every day thanks to China.
- Consumers are leading the push toward clean energy in developed countries: one in four households in some states of Australia now have installed solar capacity.
- The developed world still needs to decarbonise much more quickly than the current targets set.



# GENDER

Empowering women key to unlocking economic potential

**“Investors should be asking themselves why is this board pale, male and stale? And if it is pale, male and stale, they shouldn’t be investing in the company,”**

Cherie Blair, Cherie Blair Foundation for Women



The issue of gender equity permeated many of the panel discussions given the matter is so crucial to solving most of the SDGs. The broad-ranging discussion moved from women’s participation in the economy on equal terms as being the key to boosting economies to the importance of diversity in business decision-making and to the foundations of robust governance.

## KEY TAKEAWAYS



■ The economic case for diversity is indisputable – all reports say diversity on boards leads to better financial outcomes.

■ If Asian countries could catch up to Singapore’s lead on gender in the region, we would add \$12 trillion or 1.1% of GDP by 2025.



■ Even in the Scandinavian countries widely lauded as being the most progressive on gender issues, it would take 170 years to achieve equal participation.

■ \$260 billion to \$320 billion gap in financing women entrepreneurs even though they outcompete their male counterparts by a ratio of 2:3.



■ The private sector accounts for 90% of jobs in the developing world, therefore business is a swing factor in the struggle for a sustainable and more equal world.



Chris Evert In Conversation with Angelina Kwan from the Hong Kong Exchanges & Clearing

## BNP PARIBAS WTA FINALS SINGAPORE

Sport – the original battlefield for gender equality



**“Billie Jean King, she’s really the one who should get all the credit for having that equality with men. I think every sport needs a Billie Jean King, every business needs a Billie Jean King. She spoke up but what she said made sense,”**

Chris Evert, WTA Tennis Legend



**BNP PARIBAS  
WTA FINALS  
SINGAPORE**  
presented by SCglobal

The inaugural Sustainable Future Forum took place alongside the world’s premier sporting event for women, given the importance of achieving gender equality to creating a more sustainable world.





## WHAT'S NEXT?

BNP Paribas is committed to working with our clients to harness all of the opportunities and tackle the challenges that were discussed at this year's Sustainable Future Forum.

Across all of the key areas examined at our Forum, we look forward to reporting solid progress in moving toward a sustainable future at next year's event, in October 2017, as well as delving into new areas of opportunities.



Please visit <http://apac.bnpparibas/en/sff/> for more information



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