

MATERIALITY FRAMEWORK

HOW DOES BNP PARIBAS DETERMINE THE ISSUES THAT ARE ADDRESSED BY ITS CSR STRATEGY?



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Introduction – Definition and purpose of BNP Paribas' materiality framework

BNP Paribas' CSR strategy is based on a materiality assessment that ranks CSR issues with regards to their relevance to its stakeholders and their relevance to BNP Paribas' performance, with the aim of addressing the social and environmental issues that are material for a bank with a presence in 74 countries and financing all kind of sectors.

Therefore, materiality at BNP Paribas consists in estimating the outcomes of long-term value creation on our present and future business activities, and to transparently report it.

Contribution of BNP Paribas' stakeholders is at the core of its materiality analysis

The materiality assessment is based on a continuous process that includes consideration of, if not compliance to, international CSR standards¹ (GRI, Global Compact, ISO 26 000, UNEP-FI, Sustainable Development Goals etc.) plus sound dialogue with BNP Paribas' stakeholders (regulators, extra financial rating agencies, clients, NGOs, trade unions, investors, staff, medias...) to identify relevant CSR issues and frequently review their expectations:

- Consideration of the issues rose by the **extra-financial rating agencies** in their questionnaires and controversies alerts: participation to 9 annual questionnaires in 2016 (Carbon Disclosure Project, RobecoSAM, Vigeo Eiris, Corporate Knights, etc.) addressing different subjects (from the Group CSR policies to ESG Risk management, Governance and Diversity...),
- Consideration of the **international CSR standards**: Global Compact, Global Reporting Initiative (GRI), ISO 26 000, United Nations Environment Programme Finance Initiative (UNEP-FI), UN Sustainable Development Goals (SDGs), etc.
- Compliance to French law “**Grenelle II**” that commits the Group to report annually on round forty CSR items,
- Compliance to UK law “**Modern Slavery Act**” that commits the Group to produce a slavery and human trafficking statement for each financial year,
- Consideration of the issues rose during meetings dedicated to CSR with **staff representatives**,
- Consideration of the issues rose during meetings dedicated to CSR with investors: in 2016, 28 **SRI investors** were met at least once, representing 40% of BNP Paribas' capital held within a SRI management framework,

¹ BNP Paribas, 2016 Registration Document and Annual Financial Report, pp. 521-524



- Consideration of the issues rose during meetings with **NGOs**: 18 meetings and about 54 exchanges in 2016, notably dedicated to social and environmental impacts of the Group's financing and investing activities, human rights, tax havens, etc.
- **Assessment of employees' views** on the Group's commitments in the annual Group's internal survey²: 130,577 employees surveyed in 2016, with a 72% response rate; 70% of them with a positive opinion on how the Group discharges its social and environmental responsibility and its commitments as a responsible bank³,
- **Annual risk survey**, published in our annual Registration Report, that identifies on a yearly basis risks related to the bank, its strategy, management and operations, such as intense competition by banking and non-banking operators and reputation risk⁴,
- Active membership in many initiatives⁵ on various subjects dedicated to CSR, such as **environment** (the Carbon Disclosure Project (CDP), Institutional Investors Group on Climate Change, Businesses for the Environment (EpE), the French Business Climate Pledge, the World Resource Institute's (WRI) Science Based Targets Initiative, the French Institute for Sustainable Development and International Relations (IDDRI)) ; **deforestation** (the Roundtable on Sustainable Palm Oil (RSPO)) ; **human rights** (Businesses for Human Rights (EDH), Thun Group) ; **gender issues** (the UN Women's Empowerment Principles, Convergences) ; **health** (Businesses and Health).
- And other active partnerships for **sustainable finance and transparency**, with the Global Compact (Club Advanced), the UNEP-FI, the Equator Principles, the Responsible Investment Principles, the Observatoire de la Responsabilité Sociétale d'Entreprise (ORSE), etc.

Best case of consultation with key stakeholders:

In 2016, BNP Paribas Real Estate⁶ launched a materiality analysis by inviting 6,600 internal and external stakeholders (internal partners, business partners, market regulators, opinion leaders etc.) to an online survey. 53% of respondents considered BNP Paribas Real Estate's social responsibility approach to be "pioneering or engaged". Stakeholders ranked 28 priority issues that were used to produce a materiality matrix and to conceive the new CSR strategy "Inspire Real Estate 2020", published in January 2017.

² BNP Paribas, 2016 Registration Document and Annual Financial Report, p 481

³ BNP Paribas, 2016 Registration Document and Annual Financial Report, p 458

⁴ BNP Paribas, 2016 Registration Document and Annual Financial Report, "Annual Risk Survey" section, pp. 238 – 253

⁵ BNP Paribas, 2016 Registration Document and Annual Financial Report, "Public Positions" section, p459

⁶ More information available in BNP Paribas Real Estate's [press release](#) on January, 9th 2017



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The approach used for materiality assessment

In order to evaluate each subsidiary's own stakes and materiality, in line with a continuous improvement plan based on the Group's twelve commitments, Group CSR department is providing an internal self-assessment tool. This tool is based on the French Norm XP X 30-029, establishing priorities to tackle the action areas of social responsibility as defined in the ISO 26000 standard guidelines.

Once clearly identified, all the CSR relevant issues are assessed and prioritized by Group CSR department, at least once a year prior to the release of the Registration Document, by notably weighting:

- Their importance for the key stakeholders (identified through the input collected through the initiatives mentioned above),
- Their CSR materiality (environmental, economic and social impacts of issues),
- Their legal risks if any,
- Their impact on the company's reputation,
- Their possible impact on the business performance.

Aligning key material issues with BNP Paribas' strategy and commitments

As an outcome of this analysis, several material issues have been identified. The most material ones have been translated into BNP Paribas' 12 commitments structured in 4 strategic pillars into its CSR strategy. CSR commitments are validated and frequently reviewed by the Executive Committee and the Board of Directors. These key issues include⁷:

Business ethics: applying solid ethical values, without compromise, may be the most material issue as it impacts the bank's reliability as well as its long-term profitability and value creation – Related CSR indicator: Percentage of employees trained on an ethics-related issue.

Climate strategy: supporting the energy transition is a way for BNP Paribas to seize major business opportunities and to ensure sustainable development in the same time. The Bank took new commitments in favour of the energy transition in 2015, ahead of COP21, and further commitments in 2017 regarding the sector of coal – Related CSR indicator: Amount of funding devoted to renewable energies.

⁷ Please see BNP Paribas' 13 CSR management indicators, available in [2016 Registration Document and Annual Financial Report](#), p458



Human rights: ensuring that human rights are respected in all activities and promoting their respect more generally is one of BNP Paribas' responsibilities as an employer, provider of financial services and purchaser, towards all stakeholders involved (employees, supply chain, customers, communities in which it operates) – Related CSR indicator: Percentage of employees directly contributing to the promotion of human rights who have received a dedicated training.

Impact on society: fully contributing to attaining the UN Sustainable Development Goals (SDGs), which notably cover economic growth priorities, inclusion of vulnerable populations and preserving resources, corresponds to BNP Paribas' ambition to support the global process of building a sustainable future – Related CSR indicator: proportion of loans making a direct contribution to attaining the SDGs.

Corporate governance: managing its activities with the utmost responsibility and transparency, notably by ensuring independence and diversity of the Board of Directors, is a way for BNP Paribas to protect the interests of its shareholders, employees and other key stakeholders – Related CSR indicator: Percentage of employees with a positive opinion of how the Group discharges its social and environmental responsibility and its commitments as a responsible bank.

These most material issues are integrated at the highest level of BNP Paribas' strategy. Indeed, having an “ambitious Corporate Social Responsibility policy” is part of the **Group 2017-2020 Business Development Plan**. It implies developing an ethical corporate culture, having a positive impact on society through our financing and our philanthropic actions as well as playing a major role in the transition towards a low carbon economy.

Other material issues at the core of BNP Paribas' CSR strategy include: responsible products, financial stability, diversity, financial inclusion, social entrepreneurship, environmental impacts and community involvement.

To ensure the transparency of impact measurement, most of these material issues are embedded into the 9 CSR management indicators used in calculating the deferred variable compensation of the Group's 5000 top managers and account for 20% of the conditions for attributing this compensation.

BNP Paribas reports on these commitments on an annual basis, and performance is being monitored to drive continuous progress. The Group's good governance practices, which guarantee the long-term interests of the business, represent the foundations of this structure.

BNP Paribas strives to develop a culture of reliability and accountability. This is why the Group publishes its Registration Document and Annual Financial Report annually. This



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document combines quantitative data and qualitative data; it is subjected to an external assessment from Statutory Auditors, appointed as an independent third-party⁸.

Conclusion – The shift of BNP Paribas’ material issues over the past three years

The past three years have been marked by a significant shift of BNP Paribas’ material issues, due to internal shocks but also to external dynamics – with the Paris Agreement and the implementation of the UN Sustainable Development Goals, sustainable development and climate change were recognized as global priority issues in which Banks can play a decisive role thanks to the leverage effects of their activities. BNP Paribas seeks to be a pioneer in this new stage and has already taken several ambitious and innovative measures to do so. More information available in the CSR dedicated seventh chapter of [BNP Paribas’ annual Registration Document](#).

References:

BNP Paribas’ stakeholders mapping and dialogue are outlined in the document “Objectives and methods of the dialogue between BNP Paribas and its stakeholders”, which is available, along with the BNP Paribas materiality note, under “Our environmental and social responsibility/Organisation, governance and strategy” of the BNP Paribas website: <https://group.bnpparibas/en/organization-governance>.

April, 28, 2017.

⁸ BNP Paribas, 2016 Registration Document and Annual Financial Report, p 548



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