

BNP PARIBAS AND OCEAN PROTECTION



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THE OCEAN PLAYS A CRUCIAL ROLE ON OUR PLANET: ITS PRESERVATION IS A NECESSITY

The ocean is critical for our planet since it accounts for 70% of its total surface from the coastal areas down to its greater depths. The ocean is the cradle of an extraordinary and precious biodiversity for the balance of life on earth. It provides human beings with essential resources, sustains food security, health and preserves habitats; it also plays a key role in the oxygen cycle and in climate regulation. Finally, the ocean is a resource and a vector of the globalized economy, generating direct and indirect jobs, including through its role for science and the development of new technologies.

The state of the ocean is deteriorating rapidly, and the scientific community has been issuing repeated warnings about its situation and calling for urgent action. There are numerous issues at stake:

- climate change and greenhouse gas emissions generate ocean acidification and warming, observed at record high levels over the past 15 years,
- under the pressure of global effects as well as those caused by certain land and maritime activities, marine ecosystems and biodiversity-sensitive areas are disrupted, as illustrated by coral reef bleaching or risks to food supply chains due to overexploitation of some fish species,
- coastal areas, which are home to around a third of the world population, are also affected by erosion, the rise of sea levels as well as pollution from plastic, as an example of the waste and waste water discharges into the ocean.

In this context, in line with its commitment to contribute to reaching the United Nations' Sustainable Development Goals (SDG) particularly through its financing and investing activities, BNP Paribas seeks to take an active part preserving the ocean and its resources. Being aware that the activities of a number of its clients depend on the safeguarding of the ocean, but also that some of them, although highly necessary to the economy, may be contributing to the disruption of its ecosystem, BNP Paribas states its willingness to work with its clients towards the achievement of the SDG 14 ("Life Under Water") for the conservation and a sustainable use of the ocean. This engagement is reflected on the one hand by setting up criteria framing its financings in activities considered as sensitive from the standpoint of environment and oceanic biodiversity, and on the other hand through the active support for initiatives towards a sustainable economy, respectful to the marine ecosystems and human beings.

BNP PARIBAS COMMITS TO FINANCE IN A RESPONSIBLE MANNER ACTIVITIES LIKELY TO IMPACT THE OCEAN

The Group follows the global framework defined by international regulations such as United Nations Convention on the Law of the Sea, as well as the discussions aiming to draw up an international treaty dedicated to the high sea.

In this context, BNP Paribas is setting up dedicated criteria to frame its financing and investing activities towards the maritime transportation industry, wild-caught fisheries and aquaculture, offshore natural resources extracting activities, marine renewable energies as well as onshore activities which have a strong impact on the ocean.

1. Maritime Transportation

Vital industry for international trade and the world economy, accounting for the transit of over 80% of the volume of goods traded around the globe, including many strategic raw materials, the maritime transportation industry illustrates the variety of issues at stake for the ocean.

BNP Paribas takes part in the drive towards modernizing the world's shipping fleet and making it more sustainable, and systematically evaluates the environmental and social performance of its clients in this industry. BNP Paribas commits to financing exclusively merchant ships applying the strictest applicable environmental and social norms and conventions as defined by the United Nations and its specialized agencies (IMO¹ and ILO²). In line with the standards on safety³, maritime pollution prevention⁴, including oil pollution, and on environmental impacts minimization⁵, the Group ensures that the vessels collateralizing its ship financing portfolio are certified by classification societies members of the IACS⁶ ensuring proper design rules, and insured under the best international standards.

BNP Paribas also supports its clients in the ecological transformation of their fleet, considering the necessary anticipation on new regulatory thresholds applicable on sulfur and nitrogen oxides emissions from 2020 onwards, and in the context of the IMO defined trajectory to halve CO₂ emissions by 2050⁷. Taking into account the magnitude of these strategic and technological challenges, and in order to reinforce the dialogue with its clients, BNPP has partnered with Bureau Veritas Marine & Offshore Solutions for general assistance and advice.

¹ International Maritime Organization

² International Labour Organization

³ SOLAS : International Convention Safety of Life at Sea

⁴ Marpol (Marine Pollution Convention) and its appendix I to VI ; Ballast Water Management Convention

⁵ Regarding e.g. antifouling coating and ballast water management

⁶ International Association of Classification Societies

⁷ Initial strategy as defined in April 2018 based on 2008 levels



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The Group also encourages its clients to communicate their policy and adopt the best practices relative to end-of-life ship recycling, and is supportive of international standards such as the Hong Kong Convention⁸, which takes into account environmental issues, as well as the social impact on workers of hazardous materials onboard from a health and safety point of view.

The cruise sector is a fast-growing leisure industry that faces similar issues as the merchant fleet, but also specific challenges, and this is why BNP Paribas regularly proceeds to complementary assessments of its cruise operator clients in terms of environmental and social policies. A particular focus in this assessment is put on the onboard treatment of water and waste, the reduction of air pollution in coastal areas, as well as the implementation of the highest standards in terms of health and safety for crews and passengers.

2. Fishing and Aquaculture

Fishing is also critical for human beings, food security and their economies. However, with close to 90% of fish stocks being exploited at or above biological sustainability levels, the challenge to the balance in the marine ecosystem jeopardizes the sustainability of fishing activities. Being aware of the key role that quotas may play, BNP Paribas engages a dialogue with its clients on fishing techniques and geographical zones, in line with the highest standards. BNP Paribas is committed against illegal, unreported and unregulated fishing to favour a sustainable management of fishing stocks, and requires that its clients do not use dynamite or cyanide, drift nets longer than 2.5km, electric fishing, and bottom trawling beyond a depth of 800 meters.

Aquaculture also presents important challenges, both due to the growth in production, as a response to the decrease in wild fish stocks, and to its environmental impacts: methods of production, discharges, pollution, disease transmission and interbreed with wild species, as well as the degradation of coastal areas such as mangroves swamps. BNP Paribas commits to engage in a dialogue with its clients, and promotes the best practices in the aquaculture industry, both in terms of reducing the impacts on the environment and complying with labour and local community rights.

Furthermore, BNP Paribas encourages its clients to implement voluntary standards such as the MSC⁹ and ASC¹⁰ labels.

3. Offshore oil and gas, deep sea mining and renewable marine energies

With regards to energy resources, a third of oil and a fourth of gas extracted worldwide today come from the marine environment, not forgetting the growing marine renewable energies such as offshore wind or the subsea mineral resources extraction. Keen to support infrastructure projects that minimize their impact on marine biodiversity, BNP Paribas pays

⁸ IMO Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships

⁹ Marine Stewardship Council

¹⁰ Aquaculture Stewardship Council

particular attention to technological and ecological challenges related to the construction and operations of these activities. In line with its Commitments to the Environment, BNP Paribas analyzes projects in this sector in light of the highest international standards in terms of impact on the environment and on marine biodiversity, especially in deep waters and in areas of high biodiversity value such as Marine Protected Areas, and encourages measures taken to reduce and compensate those impacts as much as possible.

4. Land-based activities in relation to the ocean

Beyond its commitments towards sustainable maritime activities, and being aware that 80% of ocean pollution is generated onshore, BNP Paribas considers that a significant part of the challenge to preserve the ocean lies in the form of reduced waste generation, end-of-life management and recycling strategies for materials. Thus:

- in the agriculture sector, the Group evaluates the farming projects it finances with respect to the management of their effluents and waste to minimize water pollution and therefore ocean pollution;
- in the mining sector, the Group does not finance any project that uses riverine or shallow marine tailings disposal. Furthermore, the Group assesses whether the mining project is managing adequately its effluents to minimize water pollution;
- the Group's exit from tobacco sector financing and investing activities also has an impact as cigarette butts represent one of the most common forms of waste both in the sea and on the shores¹¹.

With more than 8 million tons dumped into the ocean each year, plastic pollution is a scourge that also requires specific attention due to its magnitude and its alarming consequences on marine ecosystems as well as on health. The Group therefore commits to ban petrochemical sourced single-use plastics from the working environment of its employees by 2020. BNP Paribas also supports employees' awareness campaigns and their engagement to collect plastic waste, and announced in 2019 a partnership with Craig Leeson, "A Plastic Ocean" film director and BNP Paribas Global Sustainability Ambassador.

¹¹ Source: Ocean Conservancy International Coastal Cleanup, 2018 report



BNP PARIBAS SEEKS TO ACTIVELY TAKE PART IN THE PRESERVATION OF THE OCEAN

1. Support the implementation of best practices through positive-impact banking solutions and services

The Group offers a range of dedicated banking products seeking to finance the activities of its clients who actively manage their impacts on marine ecosystems.

BNP Paribas therefore offers credit loans with enhanced interest rates (Sustainability Linked Loans) upon the achievement by the client of specific and measurable sustainability key performance indicators in relation to the ocean. This includes the reduction of greenhouse gas and particles emissions in the atmosphere for maritime transportation projects, or the transition towards a circular economy for plastics and the use of recycled products in industrial processes. The Group also supports its clients through Green loans and in raising funds through Green bonds which enable them to transform their business models in an ambitious way and preserve the ocean.

In the maritime transportation sector, BNP Paribas commits 1 billion euros by 2025 to financing the ecological transition of ships, supporting for example dual-fuel Liquefied Natural Gas (LNG) propulsion projects. More specifically in the cruise industry, the Group will ensure that its financing portfolio of newbuilding ships will meet the highest environmental standards, and that LNG will constitute the preferred propulsion mode.

BNP Paribas also proposes carbon emissions offset solutions to its clients willing to enter into voluntary compensation through its Social Business subsidiary ClimateSeed, for instance in the merchant ship or yacht financing sectors.

2. Support innovation

The Group seeks to promote innovation in a complementary way and relies on its international start-ups support network to foster innovation, key to build a sustainable ocean economy.

BNP Paribas supports the Sustainable Ocean Alliance start-up accelerator program, which backs young entrepreneurs in the development of positive-impact solutions for the ocean. Based in the area of San Francisco, this international program seeks to support the growth of 15 initiatives in 2019. This project completes the Ocean Tech practice launched in San Francisco by the Atelier BNP Paribas, the innovation studio of the Group.

In France, BNP Paribas has also partnered with Ze Box, incubator and accelerator for start-ups inaugurated in Marseille in 2018 to support innovation, particularly in the sustainable maritime transport sector.

The Group also supports innovation through investments and in particular in the context of the 100 million euros global envelope dedicated to investing in start-ups fostering the energy



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transition by 2020 and which targets, among others, start-ups active in sustainable maritime transportation. In 2018, BNP Paribas also invested in French start-ups developing innovative and sustainable solutions about aquaculture and packaging for instance. BNP Paribas has also financed start-ups developing solutions for waste revaluation, recycling of maritime plastics as well as energy efficiency in maritime transport.

3. Moving the needle

BNP Paribas takes part in several initiatives to raise awareness and promote best practices linked with the ocean.

In 2018, the Group thus joined the Tuna Protection Alliance, a working group coordinated by the Earthworm Foundation NGO, gathering a number of actors in the tuna fisheries chain and seeking to share commitments, develop action plans to support responsible practices with a focus on transparency and monitoring, including in the transformation and distribution chains.

In the yacht sector, BNP Paribas collaborates with the SYBAss¹² Think Tank to develop “Green” certifications, and promote technologies with higher energy efficiency, the use of non-polluting, recyclable and environmental friendly materials, as well as working on the end-of-life ship economy in favour of materials reuse.

Lastly, BNP Paribas Asset management, the Group’s subsidiary for asset management, endorsed in 2018 the “New Plastics Economy Global Commitment” launched by the Ellen Mac Arthur Foundation, and its vision for the development of a circular economy for plastics.

4. Support research for a better understanding of the ocean

The BNP Paribas Foundation supports research with its international sponsorship program, the *Climate and Biodiversity Initiative* with a new call for projects launched in 2019. For example, three projects linked to the ocean have been funded since 2017:

- *SENSEI* (led by Christophe Barbaud and Yan Ropert-Coudert, CEBC/ CNRS/ Université La Rochelle): measure the impact of global warming on seabirds and marine mammals that inhabit the Arctic and Antarctic regions or rely on them for their reproduction;
- *REEF SERVICES* (led by Valeriano Parravicini, CRIOBE/ EPHE/ CNRS/ UPVD/ PSL): measure and predict the consequences of global warming on coral reefs and the services they provide (fishing, tourism, coastal protection);
- *EAIIST* (led by Joël Savarino, IGE – CNRS/ Université Grenoble Alpes): collect unprecedented data to model the evolution of East Antarctica, a region still largely unexplored, and its possible consequences on ocean level rise.

¹² Superyacht Builders Association

The BNP Paribas Foundation also contributes to raising awareness and disseminating knowledge on the importance of and the threats to coral reefs and their ecosystems. The *Corals Matter* toolkit was also launched in 2018 with the Association of Science-Technology Centers (ASTC) that gathers scientific information, high quality images and videos on coral reefs, freely accessible online as well as in all partner museums.
