HOW CAN IOMC SUPPORT INSTITUTIONAL INVESTORS TO REALISE TARGET D3 THROUGH THEIR STEWARDSHIP?

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BNP PARIBAS ASSET MANAGEMENT

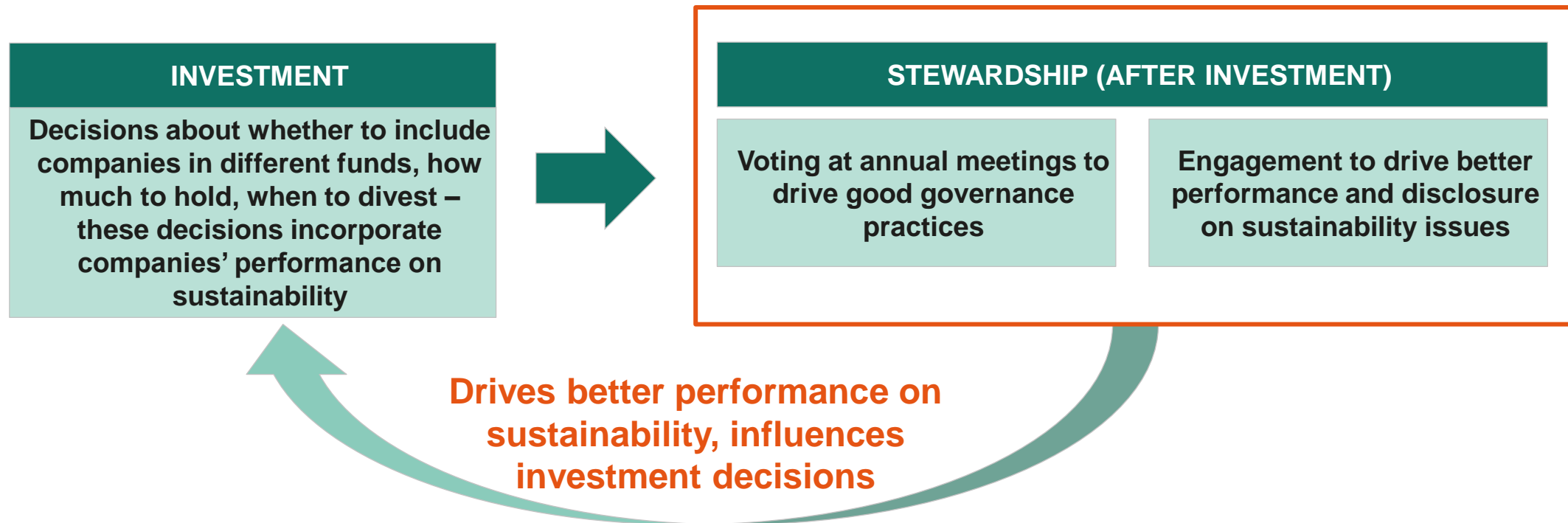The sustainable investor for a changing world

BNPPAM's stewardship focuses heavily on addressing 'systemic risks'

- BNPPAM is the asset manager of BNP Paribas, with **€604 billion in assets under management** as of 31/12/2024.

- **Key belief: Sustainable investment is critical to building sustainable economies**

- As a **global broadly diversified investor,** that invests in companies and all sectors across many developed and emerging economies, **we focus our engagement on addressing systemic risks.**
  - *Systemic risks* are typically generated by one or more sectors and **impose long-term impacts and costs on many other sectors, and therefore the wider economy and society**. They need to be addressed using strategic, joined-up solutions.

- ➢ **The production and use of hazardous chemicals generates several, interlinked, long-term, global impacts and related risks.**

- ➢ **We therefore focus our stewardship on selected chemicals producers and users in our portfolios using 3 levers:**
  - Corporate engagement
  - Voting at AGMs
  - Public policy engagement, e.g. through the GFC process.

Source: BNP Paribas Asset Management, Feb 2025.

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TARGET D3

By 2030, the private sector, including the finance sector, **incorporates strategies and policies to implement the sound management of chemicals and waste** in its finance approaches and business models, and applies internationally recognized or equivalent reporting standards.

INVESTMENT
Decisions about whether to include companies in different funds, how much to hold, when to divest – these decisions incorporate companies' performance on sustainability

STEWARDSHIP (AFTER INVESTMENT)	
Voting at annual meetings to drive good governance practices	Engagement to drive better performance and disclosure on sustainability issues

Drives better performance on sustainability, influences investment decisions

What do institutional investors need to support effective stewardship?

- **Consistent, comprehensive corporate disclosure on chemical producers' and users' sustainability performance**
  - CSRD / ISSB / GRI etc
  - Improving, **need continued drive towards harmonisation across markets**
  - **Critical that disclosure standards are based on the 'double materiality' concept,** so that we can understand and address systemic risks to our portfolios, not just individual companies' risk exposure and management

- **Comparative analysis of companies' performance – which companies meet global standards, which ones don't (sheep, goats ..)?**
  - **Paid resources:** Sustainalytics, MSCI etc – wide company coverage, comprehensive and sophisticated
  - **Free resources**: Indexes / benchmarks like ChemScore, Chemical Footprint Project and others – good but too limited in scope.
    - **Investors would value their substantial expansion, or additional similar projects**

- **Gold standard guides based on agreed international agreements, frameworks and standards**
  - **For producers**: If a chemical company is fully aligned to the Global Chemical Framework, what does that look like? What policies, commitments, targets and plans on key topics should companies adopt?
    - Emissions reduction / climate adaptation / nature and biodiversity protection, inc water, pollution / labour standards etc.
  - **For users in different sectors**: Same question/challenge/need
    - ➢ **Publication of such guides by IOCM (or other global authoritative body) would be highly valuable**

'Gold Standard' example – TPT sector-specific Climate Transition Plans (IFRS now responsible)

1. Climate-transition guides develop by Transition Plan Taskforce (TPT) available for many sectors ..

- **Is a Guide on Chemical Sector decarbonisation in the works? Likely …**
- **Could IOCM link up with authors / disseminate once done etc?**

2. We would welcome similar additional (combined?) guidance from IOCM, e.g.:

- Guidance on Chemical sector 'detoxification' – what would a transition to safer chemistry look like?

- Guidance on Chemical sector transition to circular models / zero waste and pollution

- Plus similar tailored guides for all sectors that use chemicals …

- **Investors (and other stakeholders) could then use these guides as the basis for engagement with companies**

- **Reporting bodies could base their disclosure guidance around them**

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How could Gold Standard guides shift global investment (and finance) flows?

GFC Objectives and Targets already linked to Paris Agreement, GBF, Conventions etc

Gold Standard Guidance by industry sector – how to realise GFC objectives and targets

Companies publish plans following the guidance, (ideally validated by independent third-party)

Independent organisation analyses companies' plans vs gold standard, publishes results

Investors engage with companies to improve plans to eventually meet Gold Standard, placing most emphasis on the laggards

Companies closer to meeting Gold Standard attract more investment / generate better returns / can access cheaper finance in long term

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