Financing the transformation to a sustainable economy

A discussion with BNP Paribas
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This interview is between Alice Spencer, Programme Director at the University of Cambridge Institute for Sustainability Leadership (CISL) and Antoine Sire, Head of Company Engagement, BNP Paribas. BNP Paribas is a French international banking group. It is the world’s 8th largest bank by total assets and currently operates with a presence in 72 countries and employing 192,000 staff. CISL and BNP Paribas have been working together for two years on the Positive Impact Business Training to support the bank’s ambition to lead its sector in driving impact through business model innovation and stakeholder engagement to be ‘the bank for a changing world.’

Alice Spencer: You chose to return to BNP Paribas in 2017 after dedicating your time to creative projects, and I am interested to hear your personal motivations in returning to lead such a significant, complex and long-term programme?

Antoine Sire: I was head of communications of BNP between 1997-2013 and was part of the merger team that saw us become one of largest banks in the world; BNP Paribas. We became a European company with an international footprint, with strong growth in America and Asia; a really rewarding story to be part of. It is not often you can say you are part of the team that made a great company.

Returning in 2013, after writing my second book, was at the request of Jean-Laurent Bonnafe, our CEO, who over lunch told me about the increasing concern about inequality, climate change and biodiversity challenges. He wanted a member of the Executive Committee to embed positive impact for society in all that we do; in our business, our human resource across all levels of the bank, as an investor, a buyer, employer, real estate and asset owner. It was another great challenge and simply something I couldn’t refuse.

This was 3 years ago and I really believe we have put BNP Paribas on the map for sustainability. Since 2010 BNP Paribas had built a strong CSR department, and a few years later our Corporate and Institutional Banking (CIB) had started a very ambitious strategy in sustainable finance. What was needed was to embed those efforts in a unifying strategy, and to make clear to all the divisions of the group that they were empowered to start their sustainable transformation. Now the central Company Engagement team is needed more than ever to make sure the transformation at all levels of company occurs.

Alice: We know that the finance sector is under increasing pressure from regulators, civil society and business to take a leading role in driving action toward a sustainable economy. But what was the critical risk or opportunity that motivated BNP Paribas’ ambition to be the bank for a changing world?

Antoine: Our journey started with a combination of risk and opportunity. We are one of the largest companies headquartered in France. Everyone knows us and we have become a symbol of capitalism, particularly in France and Belgium. Being a symbol of capitalism for 80 million people is a huge responsibility; and there are mounting pressures for banks to step up in being part of the solution to huge societal and planetary issues.

Most importantly, we have seen positive pressure to change, such as the will of employees to be part of a positive story. This is the case across the company from our board of directors to our clients, the students we could potentially hire and all of our 200,000 employees.
This has been a critical part of the BNP Paribas journey – that our people have always had a real vision of their mission. You can work for other banks and make more money but at BNP Paribas our people are here to make a living but also stay true to their mission. People are motivated by clients and really want to serve for the good of society, led by our CEO.

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While our sustainability ambition is now strong, it grows from a purpose to do things differently for the good of society many years ago, before this was fashionable. For example, 15 years ago BNP Paribas (BNP at the time) became the largest employer in Seine St Denis, the poorest parts of the Paris urban area. I went to see our CEO at the time Baudouin Prot and said – we can’t be the largest employer of the district without being more sympathetic to inhabitants and bring social solutions and opportunities for businesses. We developed community-centred programmes in retail and corporate banking that made us aware of what is happening in society and we had hundreds of executives that became mentors for young disadvantaged people. This was an early important part of our story as a Bank – deciding who we were here to serve and how we could do that to the best of our ability.

Alice: We have seen the language in BNP Paribas change from philanthropy and Corporate Social Responsibility (CSR) to positive impact business solutions embedded within the strategy. What has changed?

Antoine: Our slogan is the bank for a changing world and this changing world is happening anyway, with or without us.

It is important to remember that the issues that we face – climate change, biodiversity loss, social inequality – have been created because everyone was just doing their job. Everybody, whether that was individuals, public services or companies, was just doing their job without understanding the wider impact of their activity. We have all endangered our own situation by creating a system where everyone loses, and we need to change this.

There have been key differences between the age of philanthropy and then CSR and now positive impact business. In philanthropy, you look to help where you can. For CSR, you do philanthropy still but also look at behaviours we need to avoid. There is now another narrative: we do our job with consideration of impact and our mission is to repair the conditions that have been created.

The Sustainable Development Goals (SDGs) show us how we can repair - and really we collectively have a lot of things to repair. But you can’t repair alone, to fix problems you have to work with people finding solutions and also experiencing the results of the problems. I believe in coalitions to respond to complex challenges, and in making sure everyone in the company is working together in the same direction to overcome these challenges.

Being nearly 200 years old as a bank, we have historically participated in a trend of damage while responding to society’s aspirations for a higher standard of living. The finance sector has encouraged individual prosperity as the main goal, which was further enhanced by declarations in the 20th Century that companies only purpose was to serve their shareholders. Of course
our shareholders are important, without them we could not be here, but ignoring sustainability and only thinking about profit is at the disadvantage of wider society.

BNP Paribas is part of the history of France and it is here for thousands of other reasons than shareholder value. It can change lives. To change this machine requires work with external stakeholders and to change elements in our business model with new indicators for being a successful Bank.

Alice: There is a lot of kudus but also a weight of responsibility of being rated a ‘leading’ bank. We know league tables don’t get carbon out of the atmosphere but what role, if any, do these rankings have in your strategy? Is being - and remaining - top ranked one of your explicit goals or is the ranking a consequence of your strategy?

Antoine: A bank is a human organisation. Our people and our clients are human and the league tables are part of the human storytelling. I could be very happy without the league tables but in the real world, being high in the rankings for renewable energy project finance or green bonds or sustainability linked loans, means we have an opportunity to be influential with our stakeholders. Being a leader is very important, it makes people proud and motivated to go even further. It is particularly important for us as a bank in continental Europe when the key financial centres are in London, New York and Singapore. We will always keep the spirit of a challenger bank, no matter where we sit in the league tables, which means we can never relax. Our staff and stakeholders do not see the league tables and think ‘job done’. We will always struggle to prove we are one of the big players and having sustainability as central to our purpose is important in maintaining that position.

Alice: CISL and BNP Paribas have been working together for two years on the Positive Impact Business Training. How do you yourself visualise positive impact business?

Antoine: You need to make it simple. We have 17 SDGs to deliver and positive impact business can play a role in achieving these goals. Positive impact business covers all relevant goals and the interconnectivity between these.

As a bank, our businesses are diverse - we do credit, savings, payments and we provide financial services like fleet leasing. We are therefore having a positive impact if we do all of those things in a way that serves the SDGs better than if they were not focusing on SDGs.

For example, corporate credit needs to motivate our corporate clients to contribute positively to the SDGs. When we run our IT system, which represents a 6m a year investment, we can ensure this process works in a way that addresses the SDGs, for example social inclusivity when we hire people.

The difficulty in being able to measure impact today is that we can’t measure the impact of everything that we do. But this is our intention. This will help us decide, with the SDGs as our compass, where to direct our energy in the future. We are clear and intentional to go in the direction of delivering the SDGs and deciding where to bank accordingly. Things become very simple when you link business outcomes with the SDGs.

Alice: BNP Paribas is unique in that it uses education as a catalyst for innovation. Can you tell me more about the journey that led to this approach?

Antoine: We really believe in both a top down and bottom up approach. Our company purpose was published at the end of 2019 and in this we referenced the SDGs, Principles of Responsible Investment and the Principles of Responsible Banking – plain and simple. We want to be the leader in sustainable finance.

Having decided this purpose, sustainability is now at the centre of our business model and a pillar for the transformation of the company. We are now working to grow a real sustainable business
development plan across the whole company. This has been a relatively top down approach to get all the standards and metrics in place to, for example, align portfolios with the Paris agreement. Making the decision to implement all this came from the top.

But we believe that the solutions and the development of positive impact business must come from the bottom up. I remember when BNP and Paribas were merged, the CEO and Chairman of the time saying – we have never and will never have a centralised marketing department because we believe this approach makes people lose responsibility to find better offers for clients. The results we need are rooted in client relationships and that is where we can innovate to find new products and approaches.

This ethos of client centricity applies to sustainability. We are giving our employees and stakeholders the opportunity to take part in real life innovation. You need to be in the field, in their shoes, to see what might be possible.

**Alice:** As a global bank focussed on positive impact and leading the way to a sustainable economy, what is your strategy for banking emerging economies, without which our global goals (SDGs) would be incomplete?

**Antoine:** This is a very interesting and challenging question because around 80-90% of our business is in developed countries. We need to pay a lot of attention to this question because a large part of the challenge and solutions will come from emerging economies. For example, climate change is disproportionately disadvantaging small landholder communities and the big money we manage at a global scale does not necessarily go to smallholders to generate sustainable agriculture or to the mitigation of natural disasters like the avoidance of forest fires, that we need to make the world a safer place.

Right now, we are focussing on emerging country opportunities in places that can help us do banking in a different way and with a high potential for impact.

For example, we are working with the UN in Senegal on a community project for women developing resilient agriculture in an area of the world most affected by climate change. In the beginning, this was philanthropy. But we saw that the women were served by micro-finance institutions with high interest rates which was unfair because they acted as corporates so deserved to be treated as corporates. We help break that cycle by putting in place all of the things the women needed, like sound accountancy, to make them acceptable to a bank as a corporate client. The Senegal smallholders were looking for solutions to change the game, so our goal was to be able to be their bank.

Also, in Indonesia, the Tropical Landscapes Finance Facility has the potential to be a global blueprint for innovative financial thinking to protect ecosystems using a partnership approach. In places like this where the problems are so visible and part of everyday life, it is often easier to pull everyone around the table to find solutions than in developed nations because the urgency is so much greater. We rely on and truly believe in coalitions to have a role in these regions in the future.

**Alice:** With such high ambition publicly available to tackle ‘hot topics’ like inequality and climate change, how do you reconcile that with such low representation of women on your own leadership team and continued banking of non-renewable energy sources?

**Antoine:** You always have to try. There is a correlation between storytelling and reality – you won’t get away with telling nice stories without having tangible action. Society will no longer let companies get away with simply telling and not doing. But you also need to make some strong commitments to do better so people recognise your efforts to make a difference. I realise we are very far from being where we need to be, we still have to change a lot of things, but we are moving.

We are clearly not satisfied by current situation for gender inequality at BNP Paribas but some real action has been taken so far. For example, we have modernised our approach for recruiting heads
of territory where, in the past, men who were more or less clones of the predecessor had been selected and appointed with no opportunity for women to break the mould. As a response, we employed women as heads of territories for the USA West, UK, Canada, India and Brazil, in addition to our largest home market, France, which was a very efficient solution to motivate change and created an extremely refreshing approach for the company.

If you want to progress you need strong and continuous objectives and, we will continue to take strong stances for gender equality at all levels of the company.

Alice: What is BNP Paribas' approach to working with clients that may be profitable in the short term but unsustainable in the long term?

Antoine: We are a bank that financed the industrial revolution and we have traditionally worked with carbon intensive businesses or those that contribute to social issues, which is legacy and understandable. What is not understandable is if they are not looking to improve in all of those areas. We really want to bank mainly with people who are in transition.

I agree that this is a balance between long and short term, but I believe BNP Paribas is more long term than most. On our balance sheets we have long term loans that pay attention to the evolution of companies, rather than being solely in capital markets hopping from place to place where the money is right. As a commercial bank, we are naturally interested by the long term and believe that the Clients becoming more sustainable will be those who are with us for the long term.

In fact, today in 2020, many of our most profitable business are from good long term decisions that were made several years ago and that is the way BNP Paribas operates. Of course, long term decisions must incorporate sustainability, we want to work with companies who will be alive in the future.

We are organising ourselves to do more for those who are moving in the right direction and do less for clients who are not making an effort to be sustainable, for example energy providers not making significant progress toward renewables.

I had a conversation yesterday with someone from corporate coverage who told me that some oil and gas companies will not work with us because we are focussed on sustainability. Good! More and more players, including those in the oil and gas sector, are working seriously on transition. We will work to support businesses during the transition until alternatives are available, for example providing non-renewable energy while we still need petrol for our cars so society can function, but they must be on a trajectory for positive change.

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Alice: BNP Paribas has been commended for heading in the right direction, and we know that we must move further and faster than ever before. What is your approach in accelerating sustainable finance within the Bank?

Antoine: To accelerate change, we all need to make sustainability part of the map.

Our Environmental, Social and Governance (ESG) action plan, which is part of our upcoming 5 year strategic plan, will rate all clients against ESG criteria and we will provide tools to make this part of everyone’s lives inside the bank and with our clients.
This does not come without challenges and the need for cultural and behaviour change within the Bank. Imagine if you have worked in energy financing all your life, it can be hard to swallow that your clients for 20 years are no longer the clients of the future.

We have to give people access to experts, a clear vision and importantly training, which we are doing with CISL, to give people the knowledge they need to succeed. Already 80% of people at BNP Paribas are convinced that sustainability is important but practically, in the day to day, this requires motivating change with new targets aimed at catching new clients.

Sustainability is important to accelerate commercial growth too, for example, we have been leading in the offer of green bonds, sustainability linked loans and transition bonds, and our sustainability focus has helped us catch an important market opportunity. Being the global lead in green bonds has been a great accelerator of growth and impact.

We need to be very enthusiastic about changes that are a win for sustainability and a win for business.

BNP Paribas is a large retail bank and during the COVID crisis we saw that demand for green and social investments increased by double-digit figures in some markets.

Alice: Fiscal easing, new investment and redeployment of trillions of dollars will happen in the coming years as a result of COVID-19 and recession, with people from the ‘build back better’ movement saying we have just 18 months to ensure this is directed to creating the sustainable economy of the future. How do we motivate the same level of urgency around climate, ecological and social emergencies as we have seen for COVID-19?

Antoine: Our sustainability ambition is anchored in our purpose.

During the COVID crisis, we discovered that people needed us both for things that seemed obvious and for things that seemed less obvious but became clear when implemented. Obviously, people needed us to lend them money and we have organised the bank to be able to lend money quickly, in fact we led in syndicate loans which resulted in a 16.8% market share in Europe post-COVID. The Senior Management at BNP Paribas worked day and night to make long processes possible in days. They understood that to be useful, it was necessary to respond quickly. It is an opportunity to help businesses not only survive but also to take initiative and position themselves for future growth.

We have helped our clients issue the equivalent of USD59bn in Covid-19 response bonds, a market which has mushroomed during the COVID crisis and again we have proved that we are useful to society while engaging in sound business opportunities, anchored in real societal need.

Watching the global economy slow with half of society locked down, I think people have been made more aware of the common good. This must now be reflected in the climate challenge, which is also a common problem to us all. People will realise this is a personal and a community problem, as well as a country and economy problem.

All projects we have in Sustainable Finance, for example the ESG action plan, were accelerated during COVID crisis, not put on hold. That is a strong indicator of what will happen in the future.

Alice: During COVID-19, new critical challenges have emerged relating to business resilience, health, wellbeing and inequality. Has this changed anything for Banks? Have any new or unanticipated risks or opportunities emerged? In particular – in light of systemic inequalities highlighted through Black Lives Matter and COVID-19 - how can banks really make a difference in addressing inequality that isn’t tokenistic or CSR?

Antoine: The main risk that has emerged as a result of COVID-19 is that people are worried about the future. When I was young, it was obvious that everyone’s situation would improve in the future and this is now much less obvious. When people are worried this creates instability and civil unrest.
The main challenges we face in society, whether that is climate change or social development, depend on having a stable, confident society that believes in science, in democracy and believes that positive change can happen for everyone. If people stop collaborating for a common vision of the future, that is not good for society nor for business.

On the other hand we have also seen some risk converted to opportunity. Some of the organisational measures we have to take required us to completely change how the Bank operated to ensure everyone can work through a crisis. We have been more efficient than before; meetings are better prepared, people are more focused and ego, has been much less of an issue. People are being ambitious but in a way that removes ego and pushes towards the common good for society.

In maintaining the positive effects of this global tragedy, our CEO has asked us to capture the positive things we have learned during the COVID crisis. I see this is the case for businesses and society also.

Alice: I started by asking why you chose to work on such a significant, complex and long-term programme. As a leader, has this required anything different from you? What lessons would you share with others?

Antoine: I know that what we are doing is modest and is perhaps easier than what others have done. People like Professor Mohammad Yunus has transformed finance and his journey began as an economist in the developing world. So it is important to remember we are working in comfortable surroundings and as a Senior Executive, you have a lot of people to collaborate with. The first thing to do is respect others who are doing more difficult things.

Also, everything that I have developed was made possible because it was the dream of my CEO who had a comprehensive view of how a company should work. It has required me to understand the complexity in delivering on this vision, and bringing together all of the elements of the vision that were relevant to my mission – to align our strategy with sustainability. Having good leaders is a real asset and life can be very different with good leadership. But above all you need good teams and, at BNP Paribas, we have damn good teams!

When we do things that work at BNP Paribas, it is always interesting to understand why these things work. In addition to good leadership, we have been granted the power of imagination to generate innovative solutions. We are able to take time to understand the situation of our stakeholders so we might find solutions that have a positive impact. You cannot underestimate the power of imagination when trying to find new ways of doing business in a changing world.