

MAKING TRANSITION PLANS WORK – “USE OF SCENARIOS FOR NET-ZERO ALIGNMENT AND TRANSITION RISK MANAGEMENT” BY BNP PARIBAS

24. September 2024

BNP Paribas S.A. Germany Branch
Sustainable Advisory & Business Germany



BNP PARIBAS

The bank for a changing world



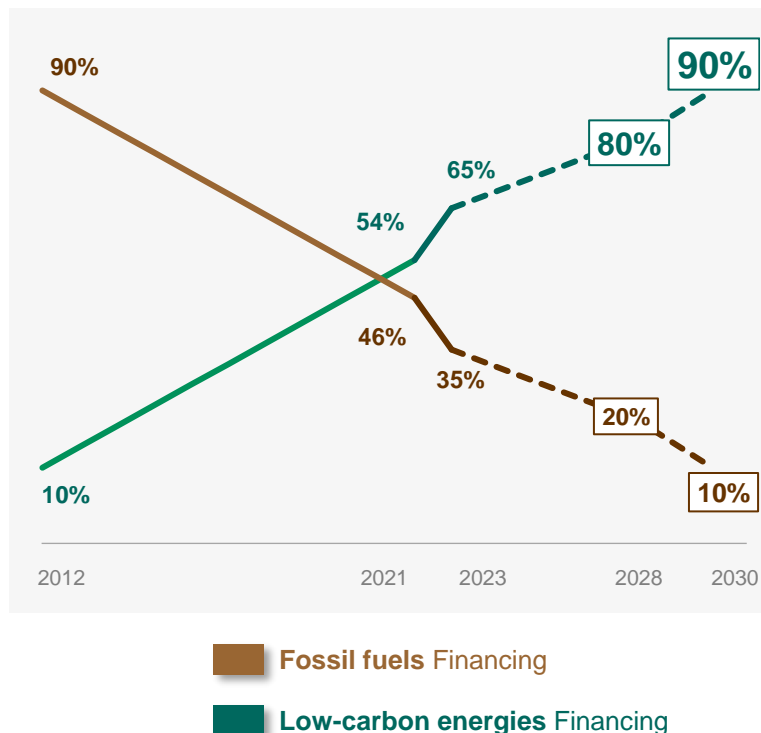
Acceleration of BNP Paribas' pivoting strategy towards a low-carbon economy since 2023

A longstanding commitment towards a low-carbon & sustainable economy

- 2016**
 - **CSR strategy** aligned with UN' 17 SDGs
- 2017**
 - **Exit of financing shale oil & gas** and tar sands projects
- 2019**
 - Founding member of **UN Principles for Responsible Banking**
- 2020**
 - Scheduled **coal exit**
 - Co-developed **PACTA methodology** to align loan portfolio with Paris Agreement
- 2021**
 - **Net-Zero Banking Alliance (NZBA)** Aligning to achieve carbon neutrality in 2050, with interim targets
- 2022**
 - Ramp up of **Low-Carbon Transition Group**
 - 1st **Climate Alignment & Analytics** report

Steering our energy financing portfolio towards 90% low-carbon energies by 2030

Weight of fossil fuels and low-carbon energies in BNP Paribas energy production financing¹



Accelerating our support to the Low-Carbon Transition



€40bn+
Financing of low-carbon energies, by 2028



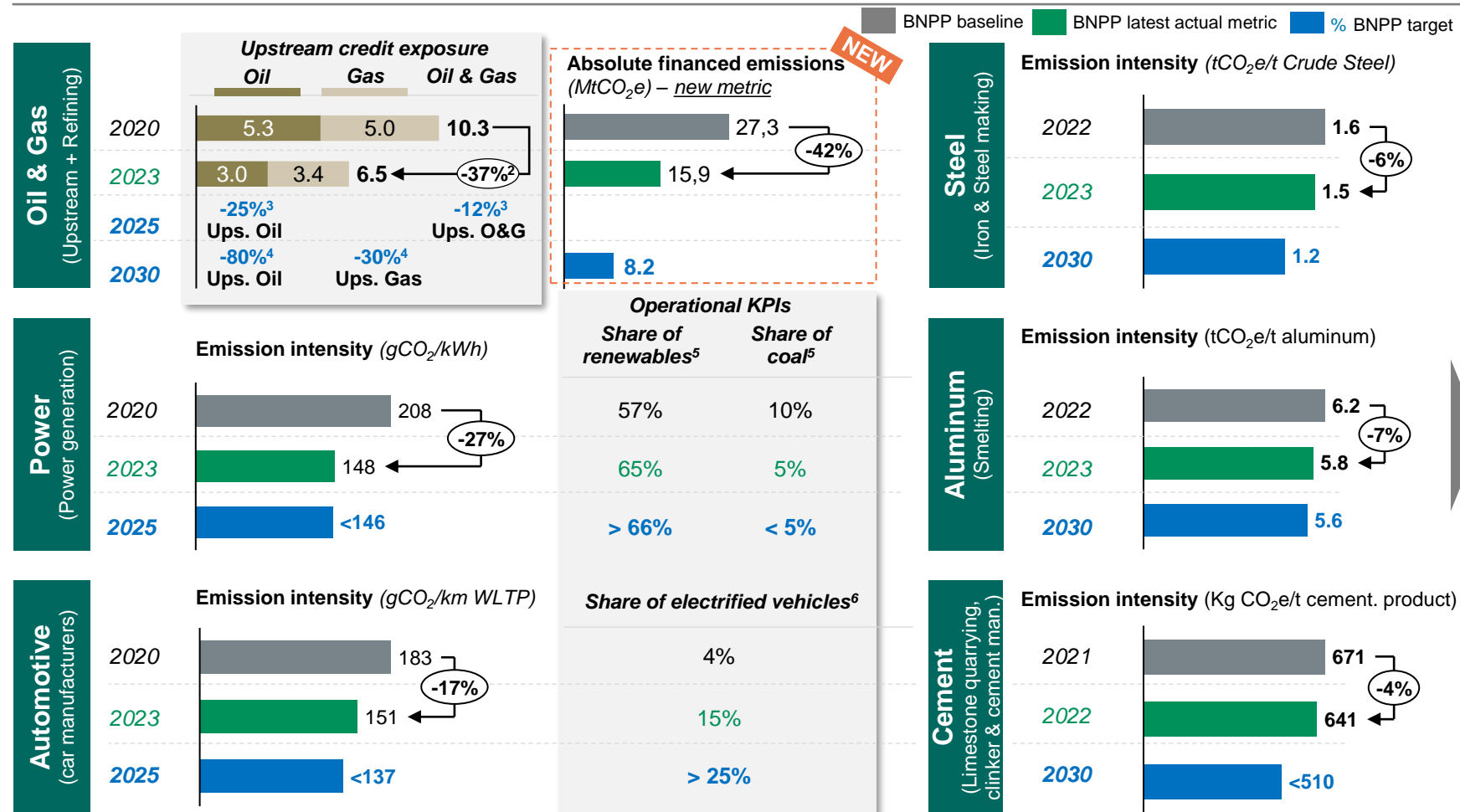
€200bn
Cumulative support to our clients in their **low-carbon transition** between 2022 and 2025

Notes: 1) Financing means lending credit exposure Source: internal figures – credit exposure in €bn as of 30.09.23 vs. 30.09.22; low-carbon (\$32bn as of 30.09.23); renewables (\$28.8bn), biofuels (\$0.2bn), and nuclear (\$3bn); fossil fuels (\$17.3bn as at 30.09.23): refining (\$9bn), gas exploration & production (\$4.3bn), oil exploration & production (\$3.6bn), and coal (\$0.4bn); 2012-2022 illustrative trajectory; The scope of low-carbon energies could evolve as technologies mature | SDG: Sustainable Development Goals | PACTA: Paris Agreement Capital Transition Assessment



BNP Paribas – Metrics, Targes and Alignment Progress – Methodology by Sector

CO2 emission intensity and operational metrics evolution as of 4Q23¹ on sectors already reviewed



Comment

■ O&G:

- O&G exposure reduction targets by 2025 are **achieved**, and **on track** to achieve 2030 targets
- Focus in later slides on the new absolute financed emissions metric

■ Power:

- Decreasing emission intensity in 2023 thanks to greater exposure to low emitting clients and increase in financing amount to renewables

■ Automotive:

- Whilst EV uptake has slowed in later part of 2023, emission factor of ICE⁶ vehicles is improving and leading to an overall decrease of our portfolio emission intensity

■ Steel:

- Positive evolution of year end 2023 emission intensity with a decrease by ~6% from year end 2022, mainly driven by better client data

■ Aluminium:

- Positive evolution of our year end 2023 emission intensity with a decrease by 7% from year end 2022, driven by better client data, portfolio effect (expo. reallocation) and better client electricity mix

■ Cement:

- Exposure increase (+38% vs 2021) was mainly on low emissive type of clients, leading to a portfolio emission intensity decrease by 4% vs 2021

Notes: 1) Except on Cement where latest update is as of 4Q'22 ; 2) (i) Upstream Oil: 4Q23' exposure is 43% lower vs 4Q20 and 40% lower vs 3Q22 (ii) Upstream Gas: 4Q23' exposure is 36% lower vs 3Q22 ; 3) % decrease target vs 4Q'20 exposures ; 4) % decrease target in 2030 vs 3Q'22 exposures 5) In power mix ; 6) Electrified Vehicles, including Battery Electrified Vehicles, Plug-In Hybrid Vehicles and Fuel-Cell Vehicles ; 6) Internal Combustion Engine

Source: bnpparibas.com/2023-climate-report.pdf



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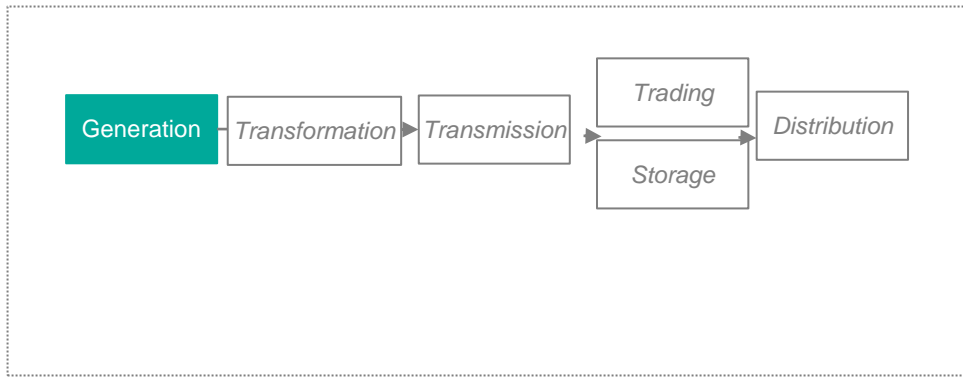


Power Generation | Methodology

Sector highlights

The Power sector is currently responsible for 40% (IEA WEO 2022) of global emissions

In the value chain, generation is the most emitting phase.



Legend: In-scope process Out of scope process

Maturity assessment

Net-Zero industry drivers

Low	Development	Industrialisation	Industrialised	High
	<ul style="list-style-type: none"> Bioenergy Carbon Capture Utilization & Storage Green Hydrogen 	<ul style="list-style-type: none"> Efficiency & savings Batteries to store electricity in energy peaks (intermittent renewables) 	<ul style="list-style-type: none"> Nuclear Renewables (including: hydro, solar, wind) 	

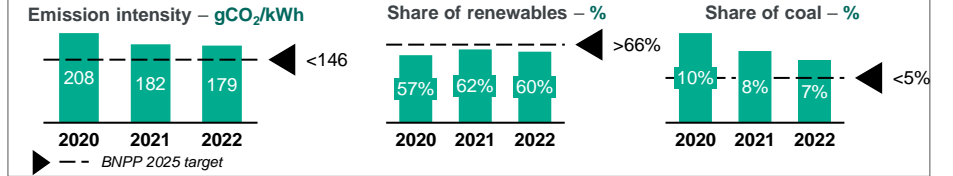
Current methodology

Building blocks

Metrics

- Emission intensity : grams of CO₂ per kWh
- % of coal-fired capacity BNPP exposure.
- % of renewables capacity BNPP exposure (including hydro)

Time horizon



Data source

- Asset Impact (external data provider) for technology mix
- IEA WEO Advanced Economies ³ : capacity factor (or load factor) & emission factor (static)

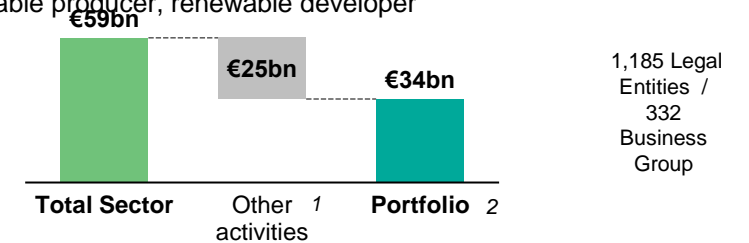
Emissions scope

- Scope 1 (direct emissions)

Financing scope

(as of 4Q22)

- Weighted KPI by the exposure of each Legal Entity
- Loan and contingent lines, assumed constant over time except coal
- BMRC extraction based on industry codes: production of electricity, renewable producer, renewable developer



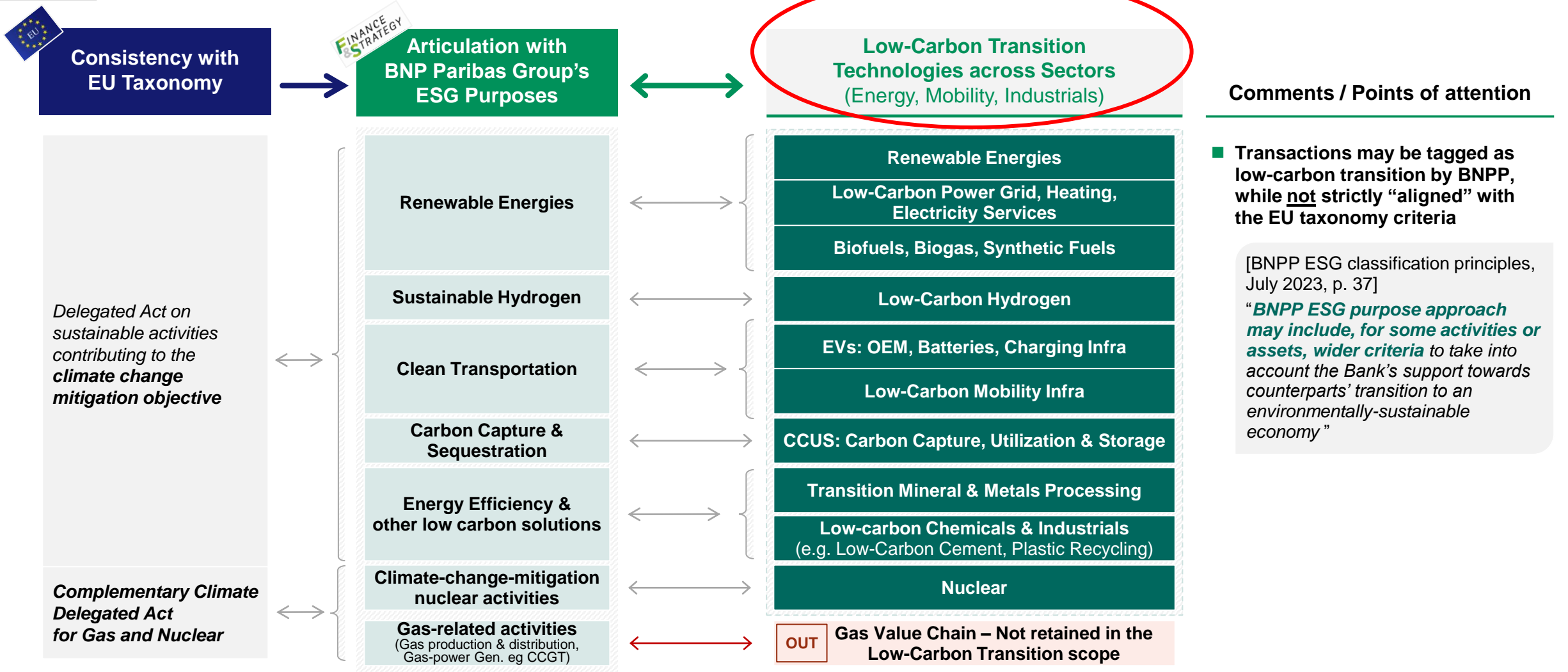
Others

- IEA Net Zero 2050 with a 50% probability to reach 1.5° above pre industrialized era in 2050

Notes: 1) Other activities : **Business Group Approach Power sector** (captures indirectly 300 040 Electricity trading) and 270 040 Distribution of gas fuels + **Legal Entities** 270 020 Transportation of electricity 270 030 Distribution of Electricity | 2) **Portfolio: Legal Entities approach**: 270 010 Production of electricity except renewables 600 020 Renewable energies: Developer, 600 030 Renewable energies: Operator | 3) International Energy Agency – World Energy Outlook – Advances economies = OECD countries + EU countries non OECD countries such as Bulgaria, Malta, Cyprus, etc.



Scope of Low-Carbon Transition for CIB



Notes: The EU Taxonomy on Climate Mitigation is based Delegated Acts on Sustainable activities for climate change adaptation & mitigation (Jan. 2022) & complementary Climate D. A. on Gas & Nuclear activities, Jan. 2023)



A methodology which incentivizes, in principle, banks to allocate capital to the less GHG emitting projects / legal entities

- NZBA approach is based on metrics **weighted** by BNP Paribas exposure
- Example:

<i>Entity</i>	<i>Exposure (€ k)</i>	<i>Share of Renewables (%)</i>	<i>Emission Intensity (gCO2/KWh)</i>	<i>Weighted Emission Intensity (gCO2/KWh)</i>
Parent Company	1 000	0%	410	164
SPV A	500	100%	0	0
SPV B	500	100%	0	0
SPV C	500	100%	0	0
TOTAL	2 500			164

A

B

C

$(A \times B) / \sum A$

1) Assuming a parent company which owns: 80% of gas capacities and 20% of renewables.

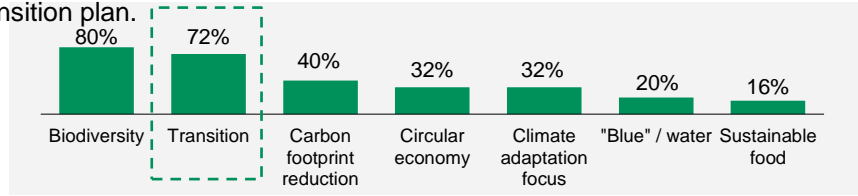


Transition Finance as a complementary tool to fund a climate neutral, climate resilient economy

Sustainable finance is about financing both what is already environment-friendly and what is transitioning to such performance levels over time

What are financial institutions and investors looking for?

- Banks and Investors have implemented carbon reduction targets. They have shown interest in financing activities which will support the climate transition to meet these reduction targets. They are also interested in a company's broader transition plan.



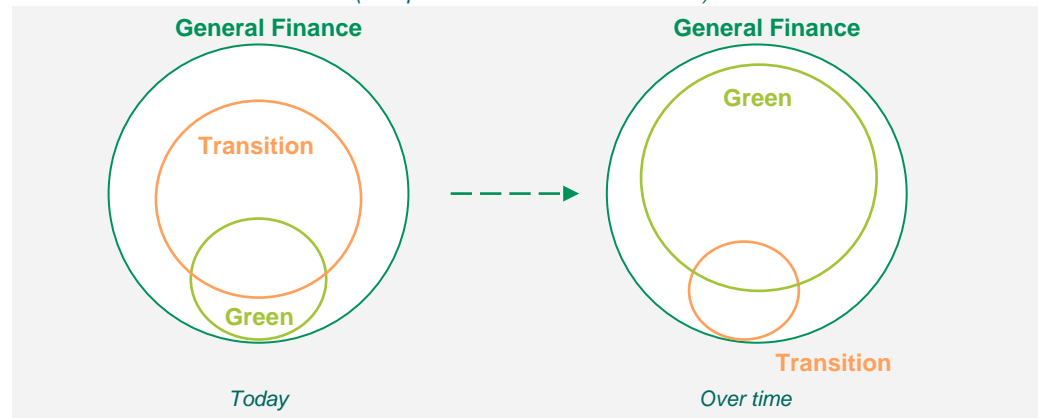
BNPP Winter ESG investor survey: focus for 2024 (Feb '24)

"[...] financing the shift of a "brown" activity to "grey" will have more impact than financing a "mid green" activity to "dark green"

Investors Roundtable

Relationship between Green and Transition finance, today and over time

(European Commission – June 2023)



NO CONSENSUS ON TRANSITION FINANCE DEFINITION BUT GROWING MOMENTUM TOWARDS ADOPTION



A SEPARATE LABEL

Segregating Green Financing from Transition Financing

A COMPLEMENTARY THEME

Reinforce already existing ESG labelled products

vs.



STANDARDS SETTERS INTEREST



BNP PARIBAS IS WORKING ON SETTING THE STANDARD

Set a precedent, create benchmark and define safety nets aiming at ensuring transition credibility & avoiding transition washing



In line with BNP Paribas carbon neutral trajectory



Science-based and industry-endorsed



Credible transition is backed by operating metrics, following ICMA CTFH



BNPP is committed to sustainable finance

The Group aims to mobilize €350bn by 2025 through sustainable loan and bond issuance activities related to environmental and social issues. However, when discussing a potential SF transaction, it all depends on the level of preparedness of the client.

2025 Sustainable finance targets

€150bn

Amount of Sustainable loans ⁽¹⁾
to Corporates, Institutional & Individuals
dedicated to sustainable projects

€200bn

Amount of Sustainable bonds ⁽²⁾
issued for BNP Paribas clients between 2022 & 2025

€300bn

Amount of sustainable investments ⁽³⁾
Assets under Management of SFDR funds under
articles 8 and 9 in 2025

SF Transaction & Products Validation Process

Client level
(Sustainable
financing &
general-purpose
financing)

- ✓ Advanced sustainability path / strategy of the client;
- ✓ Clearly communicated ESG strategy and targets;
- ✓ Up-and-running ESG reporting;
- ✓ Synchronization of ESG strategic plan with financing horizon.

**Transaction
level**
(Asset-level
financing)

- ✓ Full alignment with the latest Sustainable Finance standards (ICMA / LMA);
- ✓ Tailor-made ESG indicators aligned with Issuer's overarching Sustainability Strategy;
- ✓ Material, relevant, measurable and comparable KPIs and / or Use of Proceeds for the industry;
- ✓ Ambitious targets beyond Business as usual and to be based on internal and / or external benchmarks.

(1) Amount of sustainable loans related to environmental or social issues granted by BNP Paribas to its customers; (2) Cumulative amount of all types of sustainable bonds 2022-2025 (total amount divided by the number of bookrunners); (3) Amount of assets under management at the end of 2022 in open-ended funds distributed in Europe under articles 8 and 9 according to the SFDR;



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dhanyavad **ARIGATÔ** dziękiuję
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спасибо **MAHALO** teşekkür
OBRIGADO spas **JĚRĚJĚF**



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