

# BNP PARIBAS

## SUSTAINABLE FINANCE APPROACH IN A CIRCULAR ECONOMY

CORPORATE & INSTITUTIONAL BANKING

Sustainable Advisory & Finance Germany

Umwelt-Campus Birkenfeld, 23. October 2019



**BNP PARIBAS**  
The bank for a changing world

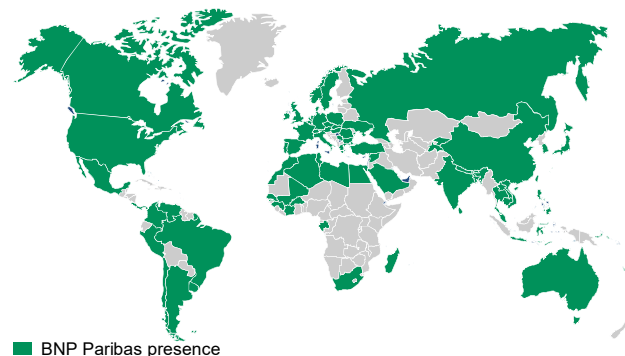
# BNP PARIBAS – GLOBAL OVERVIEW

A leading global bank active in more than 73 countries around the globe with a strong presence in Germany

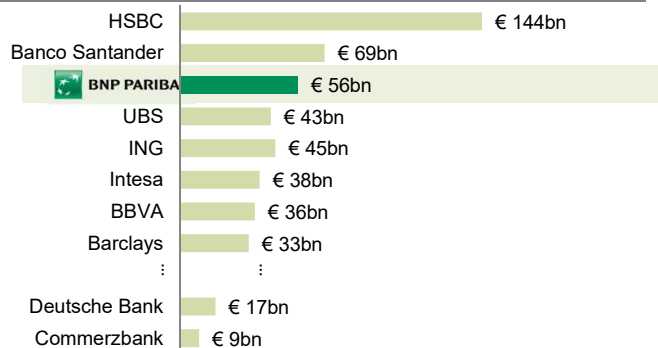
## General overview

- BNP Paribas is a leading global bank with a presence in 73 countries and having in total 198,000 employees, there of 149,000 in Europe
- For the Financial Stability Board BNP Paribas is one of the global systemically important banks (G-SIBs)
- Rapidly expanding internationally with 2/3rds of revenues being generated outside of France,
- Significant positions in fast-growing emerging markets (e.g. Mediterranean Basin & Gulf region, Eastern Europe)
- #3 in terms of market capitalisation of European banks: ca. €56bn<sup>(1)</sup>
- Excellent credit rating compared to peer banking group

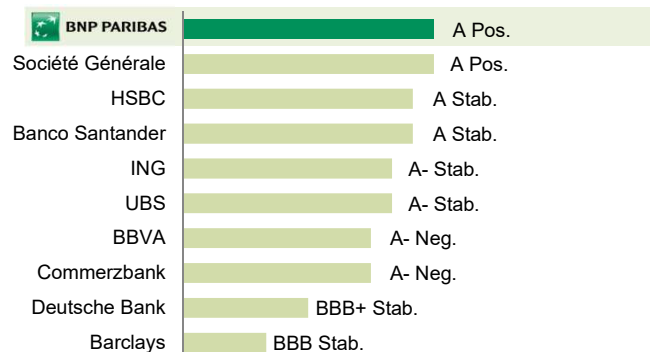
## BNP Paribas CIB's global network



## BNP Paribas ranked #3 in Europe<sup>(1)</sup>



## S&P ranks BNP Paribas among the top 4 in Europe<sup>(2)</sup>



Source: Bloomberg; Note: (1) Market capitalisation (€bn) as of March 4, 2019; (2) As of March 4, 2019



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# BNP PARIBAS – COMMITTED TO LONG-TERM GROWTH IN GERMANY

## BNP Paribas Germany

- BNP Paribas is active in Germany **since 1947** – it is **one of the group's core markets**. **13 subsidiaries** and **5,300 employees** working at **19 locations**
- **Strong Corporate & Institutional banking** (broad financing services / capabilities and Mergers & Acquisitions advisory)
- **BNP Paribas Factor** is a leading factoring company with **10% market share** in Germany
- **BNP Paribas Arval** Germany is a leading specialist in full service multi-brand **vehicle leasing** with a fleet of **approx. 70,000 vehicles**
- With **over 300 employees** **BNP Paribas Leasing** ranks amongst the **leading vendor finance**, leasing and asset finance specialists
- **BNP Paribas Real Estate** is the **market leader** in Germany with **700 employees**
- **BNP Paribas Securities Services** is market leader in Germany with over **€ 1,195bn assets** under custody for global and local custody
- **BNP Paribas Consorsbank** in compound with DAB create the **4th largest digital online bank with 1.4 million retail clients** in Germany
- With more than 15,000 wholesale partners, **Consors Finanz** is a leading consumer finance provider in Germany

## Corporate & Institutional Banking



## Retail Banking



## International Financial Services



## Personal Finance



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# BNP PARIBAS' AMBITION FOR SUSTAINABILITY

Supporting Positive Impact Businesses is part of BNP Paribas' DNA

BNP Paribas is a recognized leader in sustainability rankings or indices

## Strong Support From Our Management



**Jean-Laurent Bonnafé**  
CEO BNP Paribas

*We're determined to live up to our role as a responsible bank by supporting companies and countries that are committed to sustainability.*



**Antoine Sire**  
Director of BNP Paribas Company Engagement department

*We are now transforming our business processes so as to ensure that CSR criteria, including environmental care, human rights, diversity and gender equality, are properly taken into account in all our lending decisions and our wider business policies.*

## BNP Paribas has a Series of Commitments to Sustainability, and in Particular To The Energy Transition

**INVEST**  
**€100M**  
in energy efficiency and cleantech start-ups by 2020

**CONTRIBUTE TO THE 2 C SCENARIO**  
International commitments and more than double our financing to the Renewable Energy sector from €6.9 billion in 2014 to €15 billion by 2020 **€12.3 billion as of end 2017**

Divested from certain sectors including the tobacco sector, stopping both financing and investing in 2017



**MAINTAIN A SHARE OF AT LEAST 15%** of our corporate loans to companies contributing strictly to the achievements of the UN SDGs  
CURRENTLY 16.5%

As part of its long-standing commitment to help combat climate change, **BNP Paribas became carbon neutral by the end of 2017** in terms of the CO2 emissions arising from its own operations.

## Strong Extra-financing Ratings

**vigeo eiris**  
No.1 European bank in "diversified banks" for 2018

**Corporate Responsibility Prime**  
rated by **ekom research**  
No. 2 / 250 banks in the "Commercial Banks & Capital Markets" sector (C Prime) in 2018

**CDP**  
Rated A- in the Carbon Disclosure Project 2017

**ROBECOSAM**  
No.1 French bank in the "diversified banks" sector in 2018

**SUSTAINALYTICS**  
No. 22 / 344 banking companies

**MSCI**  
"A" score in MSCI ESG Ratings 2017

## Host of Sustainable Awards and Rankings

**Corporate Knights**  
1st European and French bank and 3rd bank worldwide in the 'Global 100 Most Sustainable Corporations' ranking 2019

**Environmental Finance Green Bond Awards 2018 Winner**  
Lead manager of the year - corporate

**The Banker**  
Investment Banking Awards 2017  
MOST INNOVATIVE INVESTMENT BANK FOR CLIMATE CHANGE AND SUSTAINABILITY



**'World's Best Bank for Sustainable Finance 2018'**



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# SUSTAINABILITY AND THE FUTURE ECONOMY AT BNP PARIBAS

We have identified three critical pre-conditions for a more sustainable and inclusive economy: a precondition for us, as investors and as a bank, to generate long-term, sustainable returns and lower credit risk.

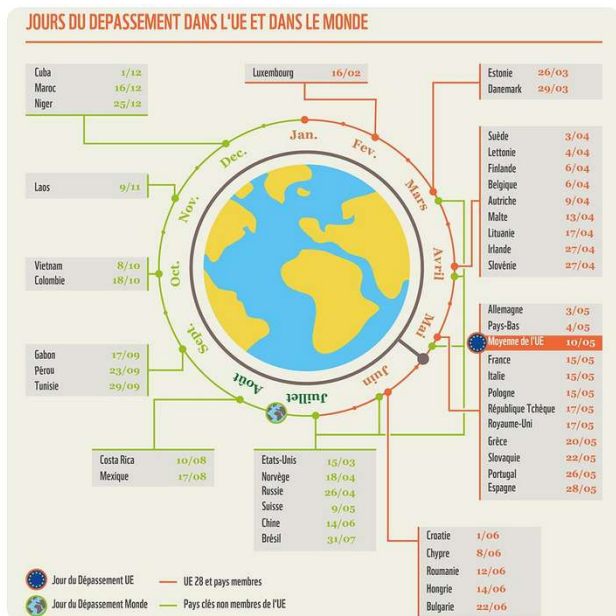


Together, these “3Es” represent the pathway to an economic sustainability that enable us, as partner and investor, to safeguard long-term results.



# THE CURRENT LINEAR ECONOMY BUSINESS MODEL IS NOT SUSTAINABLE DUE TO A DEPLETION OF RESOURCES AND AN INCREASING AMOUNT OF WASTE

## A PROBLEM OF RESOURCES...



The European Union is on ecological deficit since May 10, 2019 (Source : WWF)

## A PROBLEM OF WASTE...



⇒ Economic growth needs to be detached from usage of resources/ production of waste

It is necessary to exit the linear economy model of **take, make, waste**



# THE TRANSITION TO A CIRCULAR ECONOMY IS NECESSARY TO MITIGATE LINEAR RISKS

The exposure to the effects of linear business practices ...

- Utilize non-renewable resource
- Prioritize sales of new products
- Fail to collaborate
- Fail to innovate or adapt

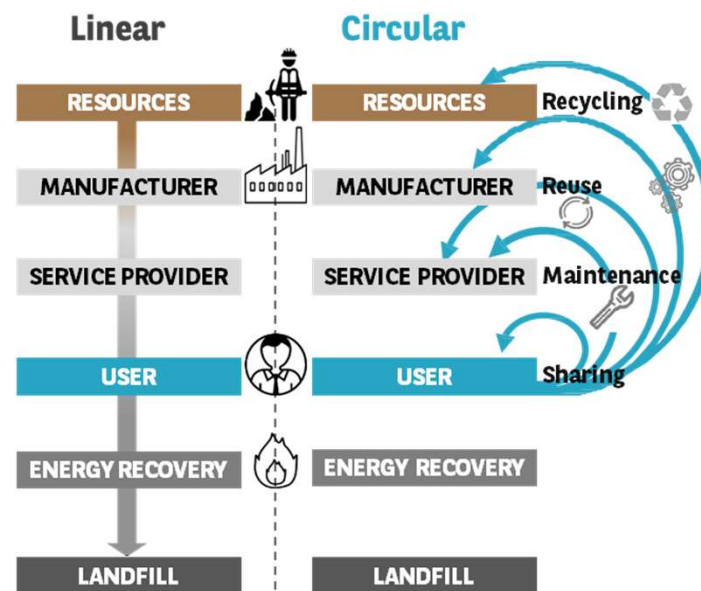
... will negatively impact an organization's ability to continue as a going concern.

Risks factors can be clustered into four categories ...

- Market
- Operational
- Business
- Legal

... as reflected in the Linear Risks Matrix. Linear risks are manifold and cannot be solved by maintaining the same business model. (Circle Economy, 2018)

## FROM A LINEAR ECONOMY TO A CIRCULAR ECONOMY



- It is not limited to waste management and recycling
- It is essential to act as upstream as possible to minimize resource consumption, the impact of manufacturing and the production of waste.

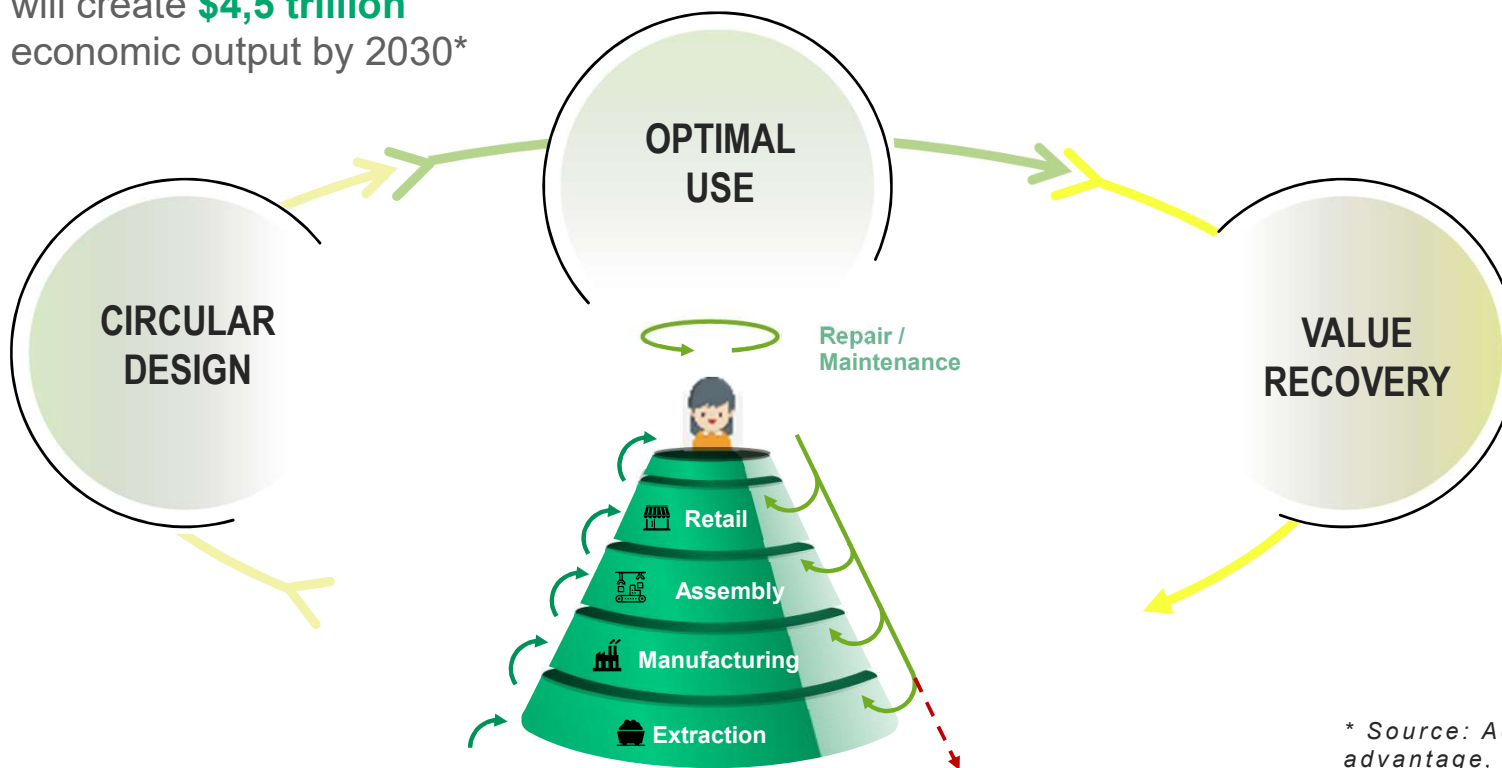


# PROMOTING THE CIRCULAR ECONOMY

This market relies on 3 models

## THE CIRCULAR ECONOMY

will create **\$4,5 trillion** economic output by 2030\*



## OUR CONVICTIONS

- We all have a role to play in sustainability.
- Growth and sustainability can go together.
- We support our partners and customers in their sustainable growth approach.
- Responsibility is a competitive differentiator.

\* Source: Accenture, *The circular economy advantage, Waste to Wealth, 2017*



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subject to the agreement of the various regulatory authorities



## RECENT NEWS ON THE REGULATORY SIDE OF CIRCULAR ECONOMY – EU COMMISSION

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- 2015: the European Commission adopted an action plan to help accelerate Europe’s transition towards a circular economy
  - Major targets are to boost global competitiveness, promote sustainable economic growth and generate new jobs
  - The action plan sets out 54 new measures to “close the loop” of product lifecycles
- 4 March 2019: The Commission adopted its 4<sup>th</sup> Circular Economy Package, including an implementation report covering the full Circular Economy Action Plan.
  - The report presents the main achievements under the Action Plan
  - Paving the way towards a climate-neutral, circular economy where pressure on natural and freshwater resources as well as ecosystems is minimized
- 12 March 2019: The Commission published Guidance on best practices in extractive waste management
- 15 May 2019: The Commission published report on recovery of critical and other raw materials from mining waste and landfills



# IMPLICATIONS FOR BANKING IN A CIRCULAR ECONOMY

## Implications for Banking and Finance

1. Circular business models require multiple forms of capital
2. Cash flow optimisation increases the financeability of circular business models
3. The underlying legal contract becomes pivotal in financing circular business cases
4. Creditworthiness deserves more attention as pay per use models run the risk of attracting less creditworthy users
5. Value creation in second hand markets can increase financeability
6. Design for disassembly can increase the residual value of products
7. Supply chain finance unlocks untapped financial resources in the supply chain
8. Financial implications can be manifold ranging from increased working capital demand to balance sheet extension. There is no one size fits all solution and circular business models require an integral financial approach as a result.

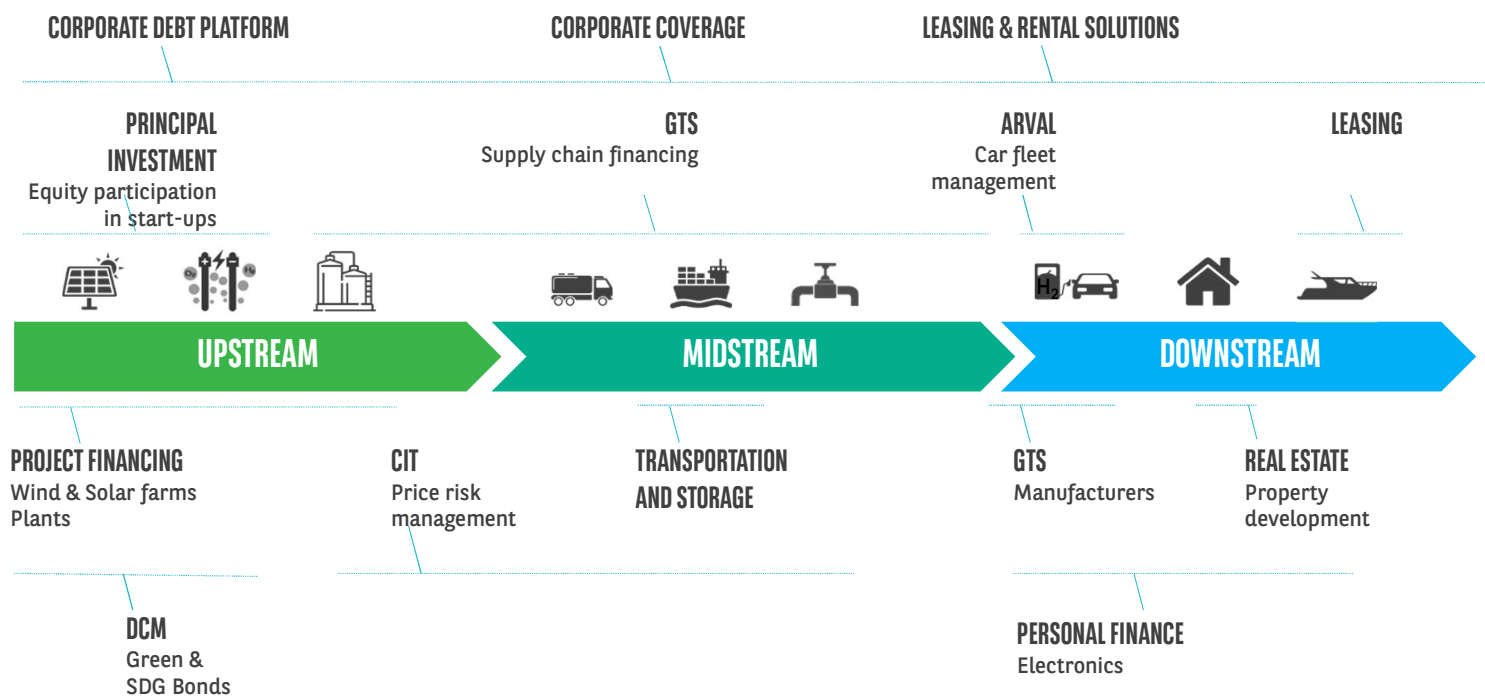
## Need to finance circular Business Models

Bank finance	Corporate debt
	Leasing
	Factoring & Supply Chain Finance
	Structured Finance
	Balance sheet reduction through off balance finance
Capital markets	Equity finance: Initial Public Offering
	Debt finance: Green and Sustainable Bonds
Foundations and Impact investors	Seed Capital
Venture Capital, Private Equity, Family Offices	Seed Capital
Near banks like Google, Apple, Amazon, etc	Working Capital
Crowd funding	Seed and Working Capital



# BENEFICIAL TO ACT EARLY ON IN THE VALUE CHAIN

AS A UNIVERSAL BANK, BNP PARIBAS WILL HELP ACCELERATE THE CIRCULAR ECONOMY DEVELOPMENT BY SERVICING OUR CLIENTS ALONG THE VALUE CHAIN.



# BNP PARIBAS ENGAGES IN THE CIRCULAR ECONOMY...

- By working on its proper functioning
- By financing the actors of circular economy
- By developing the economy of functionality (leasing)
- By working with actors of reference

## PRODUCT AS A SERVICE (PAAS)

BNP Paribas develops the economy of functionality through its offer of financial leasing (Arval et BNP Paribas Leasing Solutions), founded for the right utilisation instead of possession (optimization of the active utilisation)

## SHARING PLATFORM

Kintessia, a successful example of BNPP Leasing Solutions :  
First B2B platform for short term rental of material equipment

## FINANCING

Financing of social and profitable enterprises in the circular economy:



Restaurant that reduces food waste



Innovation in waste management

Exert influence on suppliers, incentivize to enforce ESG standards



## PARTNERS



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# AN ESG-DRIVEN SUPPLIER FINANCING PROGRAM FOR PUMA SE

Pricing of the program includes bonus/malus linked to Environmental, Social, Governance (ESG) rating of each eligible supplier

Retail Sector



**Supplier  
Financing  
Program**





## Context

- PUMA is a listed German multinational company and is specialized in selling athletic and casual footwear and sportswear worldwide.
- PUMA works with more than **300 external manufacturing partners**, located primarily in Asia, and distributes its products in more than 120 countries.
- In close cooperation with BNP Paribas, as **sole Commercial Bank partner**, and with IFC (International Finance Corporation – a member of the World Bank Group), PUMA wished to set up a supplier financing program to support its suppliers worldwide in the implementation of Puma's Environmental, Social, Governance (ESG) high standards.



**RATIONALE**

- Provide suppliers with funding conditions based not only on Puma's credit quality but also **on the ESG rating of each supplier as granted by PUMA.**
- Exert **influence** on its suppliers and incentivize them to enforce ESG standards.

**SOLUTION & MECHANISMS OF THE PROGRAM**

- **BNP Paribas supported PUMA with this project and structured a dedicated program**, whereby BNP Paribas purchases the receivables of the suppliers on PUMA, providing them with an additional source of financing based on PUMA's credit profile.
- There are **3 different pricings, in relation with PUMA's own ESG rating grid (from A to D)** corresponding to ESG performance of each supplier.
- This performance and the associated rating will be reviewed by PUMA on a regular basis. This will allow best-performing suppliers to be upgraded and get access to cheaper funding conditions through the program in connection with the improvement of their ESG standards.
- The program (invoicing, discounting) is managed with US-based GT Nexus platform.
- First go live in Q2 2016.
- **Market innovation: first program of this kind including a commercial bank**

**SUCCESS FACTORS**

- Strong **relationship** with PUMA
- **Flexibility and creativity** of BNP Paribas' set-up (in terms of documentation, platform etc.)
- **Close cooperation** between all parties (PUMA, GT Nexus, BNP Paribas)



# HELVETIA ENVIRONNEMENT GROUPE SA

CHF 75,000,000 at 3.625% Senior Unsecured Notes due July 2022



21 June 2017

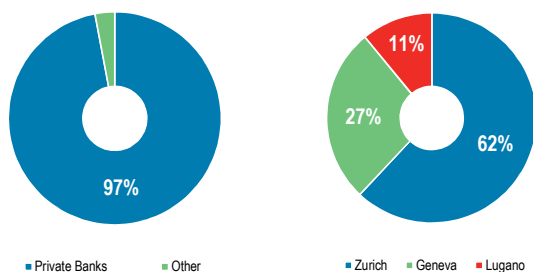
## Terms and Conditions

Issuer:	Helvetia Environnement Groupe SA (TK: HELENV)
Rating	Euler Hermes: BB-
Format:	Green Bond (Vigeo Eiris certified)
Type:	Domestic senior, unsecured debt
Format:	Senior, unsecured, Reg S Bearer
Size:	CHF 75mm
Tenor:	5 Years
Yield / Coupon:	3.625%
Issue Price:	100%
Payment Date:	26 July 2017
Maturity Date:	26 July 2022
Equivalent Spread:	MS +398bps
Listing:	SIX
Docs:	Standalone / Swiss Law
Covenants:	NP, PP, XD, CoC
Denom:	CHF 5,000
Sole Bookrunner:	BNP Paribas / Credit Suisse

## Key Aspects

- On Wednesday 21<sup>st</sup> June, Helvetia Environnement Groupe SA successfully priced their inaugural CHF 75mn 5-year single-tranche green bond transaction at a final yield of 3.625%
- Helvetia Environnement received a strong second party opinion by Vigeo Eiris of “robust” across all categories, the green certificate supported the marketing
- Following the roadshow on Monday and Tuesday in Geneva and Zurich with good and prompt investor feedback, Helvetia Environnement sound the transaction on Wednesday morning at 9am CET
- Books grew steadily until the first update, allowing syndicate managers to revise price and size guidance to 3.750% area (+/- 0.125%) “will price in range” for CHF 75mn “will not grow”
- On the back of the solid book, the issuer was able to achieve an upsized volume of CHF 75mn and set the final yield at 3.625%
- Not surprisingly, the transaction achieved strong demand from private banks, representing 91% of final allocation, mainly from Zurich

## BNP Paribas - Allocation by Investor Type & Region



Note: All timings CET

## Execution Timeline

Roadshow	
19 June	Geneva +
20 June	Zurich +
Execution	
9:00	IPTs announced 3.750% - 4.000% (sub-benchmark)
10:30	Bookbuilding 3.750% area (+/- 0.125%) - "Will price in range" (CHF 75 "will not grow")
11:00	Books closed
11:45	Priced CHF 75mn at 3.625%

## Company Overview

- Helvetia Environnement Group is a leading player in the Swiss waste management and waste-to-value sector, with its main focus on the French part of Switzerland
- The group reported 2016 pro-forma revenues of CHF 114.6m with an EBITDA of 18.1m (15.8% EBITDA margin), and has experienced improving top-line performance over the last years, driven by both organic growth initiatives and strategic acquisitions



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## CONCLUDING REMARKS

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### Summary

- Opportunities within the circular economy can provide a solution to mitigate 'Linear Risks': new business models and strategies that continuously reuse materials and resources to their fullest potential
- Challenging the 'take, make, waste' mentality, aiming to achieve social well-being while operating within the boundaries of our planet
- Political support is needed to speed up the transition towards a circular economy: Financial incentives need to be initiated
- The transition to a circular economy has to be made across all parties involving companies, consumers, regulators and financial institutions
- Financial institutions incl. BNP Paribas acting on a global basis are ready to support the transition towards a sustainable economy

Thank You for your Attention!  
Q&A

