

# INVESTOR PERSPECTIVE ON CHEMICALS MANAGEMENT

*THE IMPERATIVE OF SAFE AND SUSTAINABLE CHEMISTRY*



RACHEL CROSSLEY, HEAD OF STEWARDSHIP, EUROPE  
BIZNGO ANNUAL MEETING  
DECEMBER 2023



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable investor for a changing world

# Sustainable investment is critical to building sustainable economies

- BNPPAM is the asset manager of BNP Paribas, with **USD575 billion in assets under management** as of 30/09/2023.
- As an **institutional investor**, we manage money for individuals, pension and insurance funds, sovereign wealth funds: we invest clients' money predominantly into companies listed on the stock market, and in government bonds (sovereign bonds).
- Sustainability embedded for >20 years.
  - Embedding consideration of companies' impacts on people and planet allows us to **deliver better long-term returns to our clients**. It is our fiduciary duty.
- Institutional investors can be a **powerful driver of change**:
  - Investment decisions / allocation of capital to some companies, away from others
  - Engagement with companies to outline expectations on environmental and social management
  - Voting at companies' Annual General Meetings
  - Engagement with policymakers to shape laws, regulations, standards etc

## Examples of investor-led initiatives on sustainability



Signatories manage over  
US\$100 trillion AUM  
(Source: [PRI website](#))



Over 700 signatories  
manage US\$68 trillion AUM  
(Source: [CA100+ website](#))



Signatories manage over  
US\$ 24 trillion AUM  
(Source: [NA100 website](#))

Source: BNP Paribas Asset Management, December 2023

# Our engagement focuses heavily on addressing ‘systemic risks’

- BNPPAM is a ‘**broadly diversified investor**’ – we invest in companies in all sectors across many developed and emerging economies.
- Many sectors generate impacts that give rise to **costs and challenges to companies in their sector and other sectors- i.e. systemic risks**
  - In our (clients’) interests to work to reduce such systemic risks and ‘externalities’.
- Chemicals sector is one such sector:
  - its operations and products impose **substantial negative impacts on the environment and people’s health**
  - impacts generate **high regulatory, litigation and market risks => financial risks**

➤ **Goal is to move to a future based on ‘safe and sustainable’ chemistry**

Source: BNP Paribas Asset Management, December 2023.

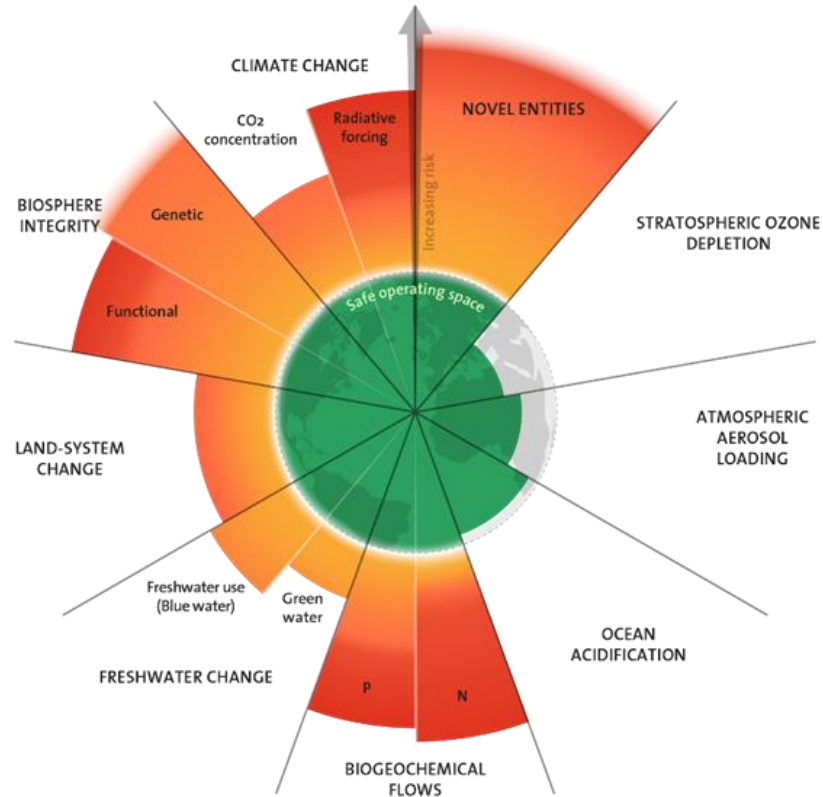
## Box 1: Potential regulatory and litigation costs facing the sector are high

1. Costs associated with environmental chemical exposures worldwide may exceed 10% of 2016 global GDP (US\$7.5 trillion). The sector’s total revenues that year were US\$ 4.4 trillion.
2. In 2022 while the sector’s revenues were €26 billion, the total annual societal costs relating to healthcare, environmental remediation and water purification is €16 trillion.
3. Total market capitalisation of all companies that will be impacted by PFAS regulation alone is US\$30 trillion.
4. “Forever chemical lawsuits could ultimately eclipse the Big Tobacco settlement of more than US\$200 billion”.
5. Thousands of claims have been made in the US against major manufacturers: to date, four have paid nearly US\$11.5 billion in damages related to PFAS pollution.

Sources:1 Chemical exposure costs globally higher than thought | News | Harvard T.H. Chan School of Public Health  
2 <https://chemsec.org/reports/the-top-12-pfas-producers-in-the-world-and-the-staggering-societal-costs-of-pfas-pollution/>  
3 Forever Chemicals | UBS Global  
4 PFAS Lawsuits Could Eclipse the Big Tobacco Settlement | Time  
5 Ibid

# Chemical sector generates systemic risks, huge social and environmental impacts

The world has crossed **six of the nine planetary boundaries**



## BNPPAM Global Sustainability Strategy

Net Zero Roadmap

Biodiversity Roadmap

Equality Roadmap (2024)

UNFCCC  
IPCC  
Paris Agreement

UN Convention on  
Biodiversity  
IPBES, Dasgupta  
Review  
Global Biodiversity  
Framework

UDHR  
ILO Conventions  
FPIC  
Just Transition

**Chemicals sector**

**Global Chemicals Framework,  
Bonn 2023**

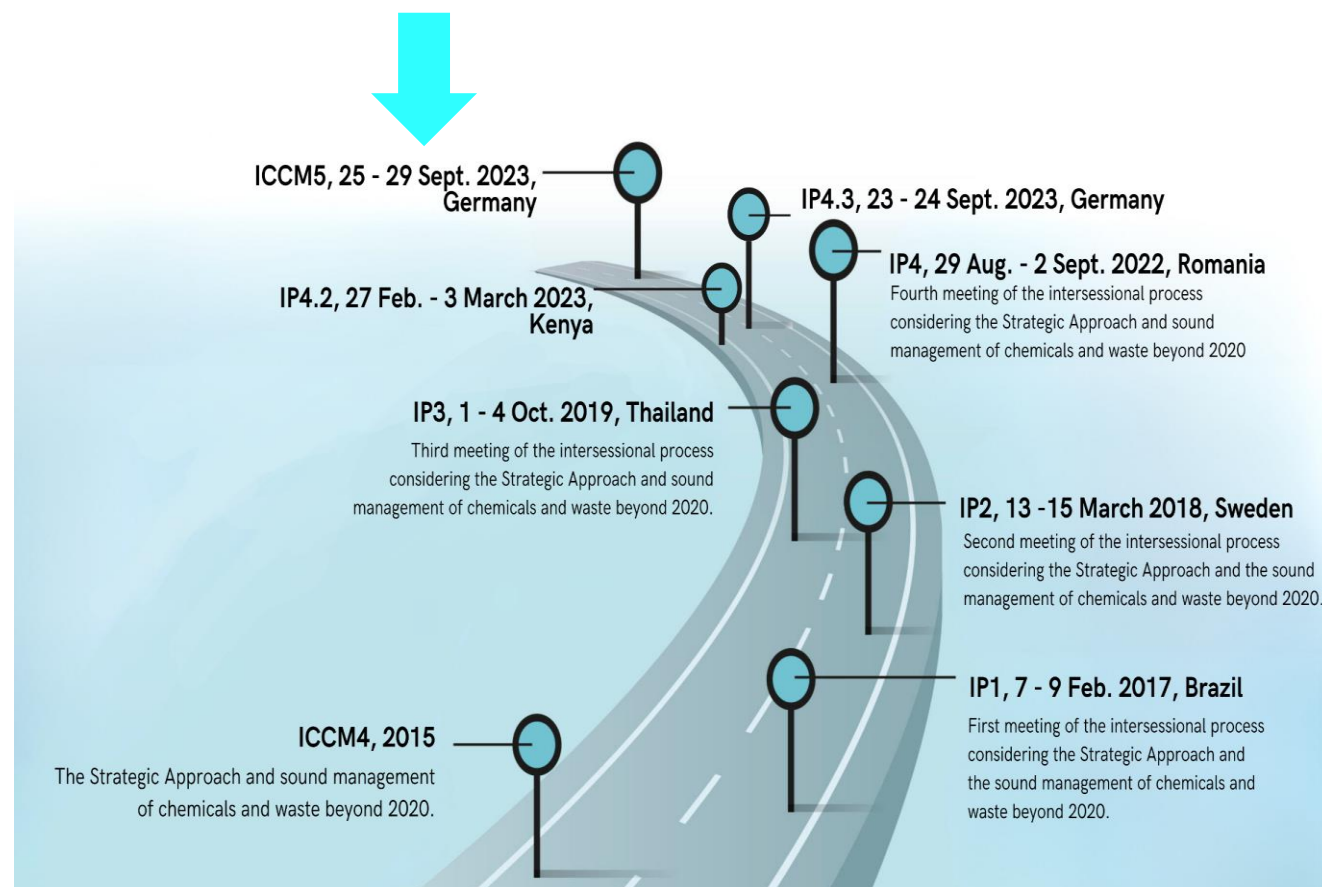
Source: Stockholm Resilience Institute, 2023

Source: BNP Paribas Asset Management, December 2023.

# Global Framework on Chemicals provides the springboard for investor action

- Global Framework on Chemicals was agreed in Bonn, Germany in September this year after multi-year, multi-stakeholder negotiating process
- An inclusive, **voluntary, global policy framework** on the sound management of chemicals across the lifecycle. Hosted by United Nations Environment Programme (UNEP).
- Includes within its objectives action for financiers (banks and insurers) and investors
- **We aim to galvanise and encourage institutional investors to play their part in implementing the Global Chemical Framework, as they have the Paris Agreement and Global Biodiversity Framework.**
- **Global Plastics Treaty also important** – currently being negotiated

## Global Framework on Chemicals 2023



Source: BNP Paribas Asset Management, December 2023.

Source: IOCM.

# How can institutional investors support the implementation of the Global Framework?

Inform internal investment policies and decisions, support engagement					Support external policy environment	
Portfolio exclusions	Investment research + decisions	Voting	Thematic investment in solutions providers	Engagement with companies along the value chain	Participate in multistakeholder initiatives	Engagement with policymakers
Factor into exclusionary policies/screens and due diligence processes consideration of environmental and social impacts of chemical producers (13,000 companies covered)	Integrate into investment research & decisions for equities and bonds performance of chemical companies on environmental and social issues (risks, impacts)	Use our voting rights to vote against agenda items at AGMs for chemical companies that do not meet our environmental and social expectations	Seek opportunities to invest in companies that produce safe and sustainable alternatives  CFP Blueprint (VC, private equity, impact investors)	Actively engage with producers and users of chemicals <ul style="list-style-type: none"> <li>• CA100+</li> <li>• NA100 (2024)</li> <li>• ShareAction Decarbonisation Programme</li> <li>• IEHN: Chemical Footprint Project</li> <li>• IIHC: ChemScore</li> <li>• VBDO: Plastics initiative</li> <li>• Toxic Free Future: Mind the Store Retailer Report Card</li> </ul>	Join/support investor or multistakeholder initiatives designed to realise the Global Framework on Chemicals	Engage with policymakers and regulators to urge implementation of the Global Framework on Chemicals  Regional /national laws, regulations, rules, reporting frameworks etc

Source: BNP Paribas Asset Management, December 2023.

# Disclaimer

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VIEWPOINT



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