

INTERNATIONAL ESG CORPORATE SURVEY

10 KEY CHALLENGES FOR INVESTOR RELATIONS

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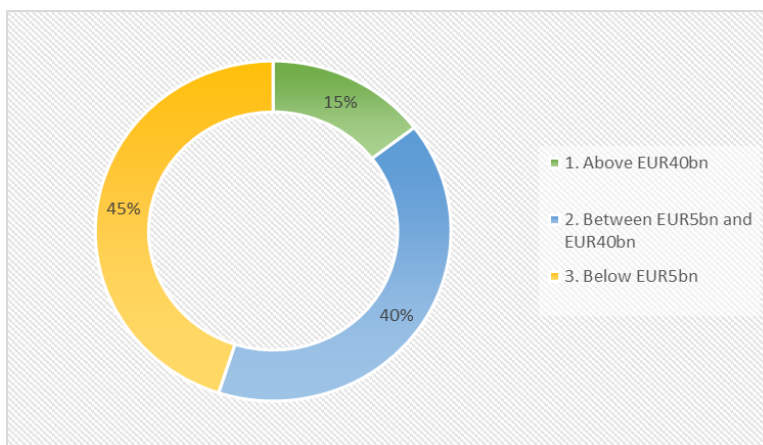
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Introduction

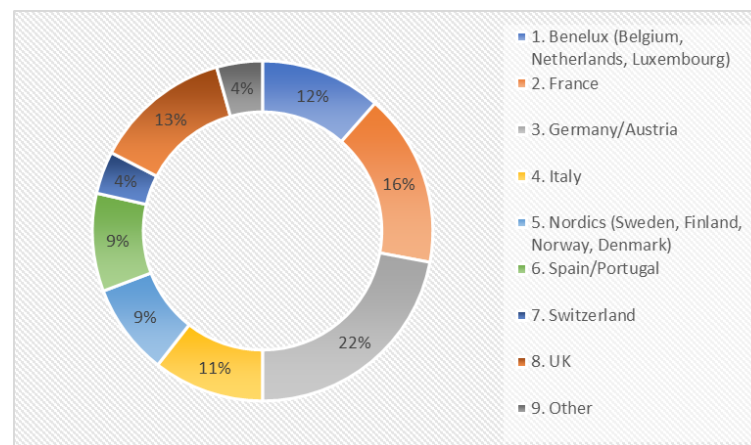
- Over the past few months, many heads of IR have told us about the difficulties they are having in addressing ESG issues globally and about the lack of visibility on the practices and set-ups of their peers. This is why we launched an international survey in July 2022, in order to provide corporates with useful benchmark data.
- **375 managers representing 322 listed companies in Europe** responded to our questionnaire, set up in liaison with the BNP Paribas Exane ESG research team. They represent over EUR6tn in market cap.
- Nearly 80% of respondents were from Investor Relations teams: Head of IR (38%), IR (26%), ESG IR (13%).
- **The sample of companies is diversified in terms of:**
 - **Market capitalization:** 15% of companies have a capitalization above EUR40bn, 40% between EUR5bn and EUR40bn and 45% below EUR5bn.
 - **Geographical area:** Germany (22%), France (16%), UK (13%), Benelux (12%), Italy (11%), Nordics (9%), Iberia (9%), Switzerland (4%).
 - **Sector:** Industrials (21%), Financials (15%), Consumer discretionary (14%), Healthcare (8%), Energy (8%), Real Estate (7%), Materials (7%), Information Technology (7%), Communication Services (5%), Consumer Staples (4%), Utilities (4%).
- **We have structured the survey answers into 10 key challenges for investor relations.**



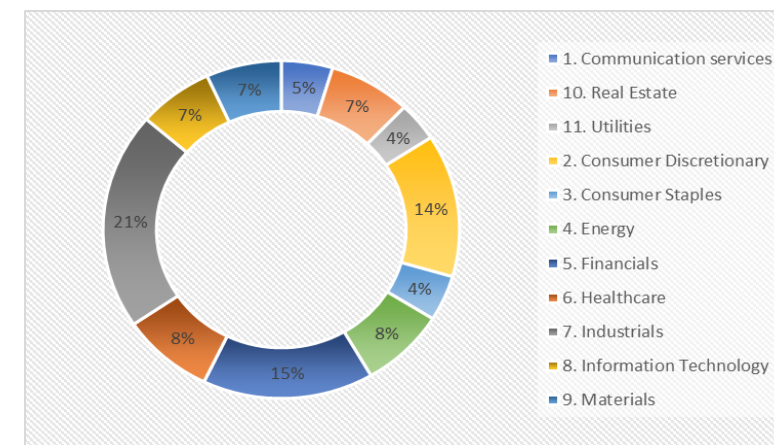
SAMPLE BY MARKET CAP



SAMPLE BY COUNTRY



SAMPLE BY SECTOR



Source: BNP Paribas Exane



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ESG | 10 key challenges for investor relations

01

Position ESG at a C-Suite level

In nearly 1 out of 2 cases, the Sustainability department reports to the CEO and nearly 2 out of 3 three companies have appointed a board member to monitor ESG issues.

02

Integrate ESG into the Equity Story

3 companies out of 4 consider that less than 50% of the ESG issues addressed by investors have a financial impact.

03

Explain again and again to convince

Management roadshows are the primary means of interaction between companies and ESG investors ahead of ESG conferences.

04

Translate ESG into financial strategy

Nearly 2 out of 3 companies have integrated ESG into their financial strategy, but less than 50% have defined ESG KPIs.

05

Understand both specialist and generalist ESG investor expectations

For companies, the main challenge in terms of ESG investor engagement is the heterogeneity of the ESG analysis methodologies of their stakeholders.

06

Engage diverse stakeholders

Almost all companies want to retain ESG investors in their shareholder base, but only 6% have set quantitative targets.

07

Anticipate new ESG-related shareholder activism risks

Nearly 1 company out of 3 has been challenged recently on ESG by activist investors; however, managing the risk of ESG adverse voting at AGMs is not yet perceived as a priority objective.

08

Master ESG regulations

Only 1 company out of 3 has a clear view of the impacts of ESG regulations on their company, and more than half admit to having difficulties following these regulations.

09

Align your reporting with ESG standards

Only 1 company out of 3 has aligned its ESG reporting with the EU taxonomy and only one out of 4 companies consider that these external ESG databases are of good quality.

10

Allocate the right level of resources to ESG

Less than 1 out of 2 companies (43%) has a dedicated person in the finance department to monitor ESG issues and nearly 2 out of 3 companies do not have a full-time IR person dedicated to ESG.



Summary from our ESG research team

■ Climate and governance dominate investor questions:

- The vast majority of investor questions are on climate change and governance.
- This matches our experience that climate change crowds out other ESG topics. However, we also find climate change is the most financially material ESG topic, and so there is a logic in its dominance.

■ Very varied views on financial materiality:

- Some companies receive very few ESG questions from mainstream investors and most ESG questions come from specialists (ESG PMs and ESG analysts)
- As expected, this is very varied by sector. Utilities, materials, real-estate and industrials receive a high number of questions, while it is lower for TMT, healthcare and consumer.
- Surprisingly, high ESG fund ownership does not always mean more ESG questions.
- Companies think most ESG questions are not financially material. This is in line with our finding that the alignment between ESG goals and investment returns is lower than most acknowledge.
- This result may also show a disagreement between companies and investors over what is financially material. It also may show a disconnect between mainstream investors and ESG specialists.

■ Engagement: Companies mostly meet investors through mainstream roadshows and ESG conferences. However, our survey answers highlighted that mainstream investors ask a low number of questions vs the ESG specialists. This suggests it is important to be clear if a meeting is on financially material ESG topics with mainstream investors, or less material topics with ESG specialists.

■ ESG reporting lines: ESG is viewed as very important by companies. c.46% of sustainability departments report to the CEO and 59% of boards have a member dedicated to sustainability.

■ Ratings and frameworks: MSCI and Sustainalytics dominate ESG scores, and CDP and SBTi lead in climate frameworks.

■ ESG regulations: Many companies are equally frustrated with ESG regulations. Awareness of the EU Taxonomy is high at 89%.

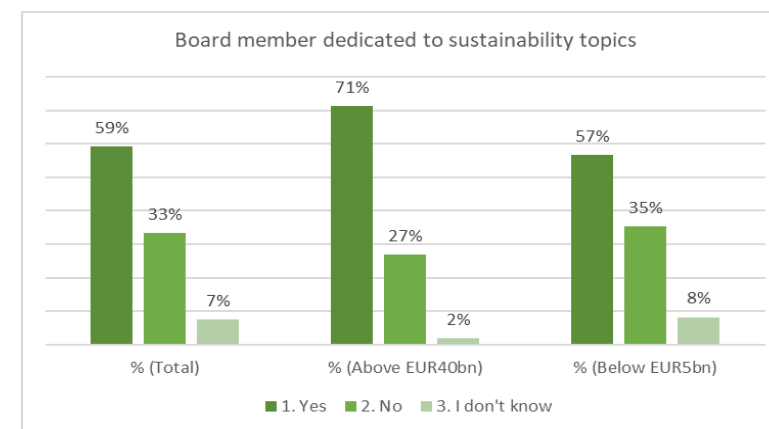
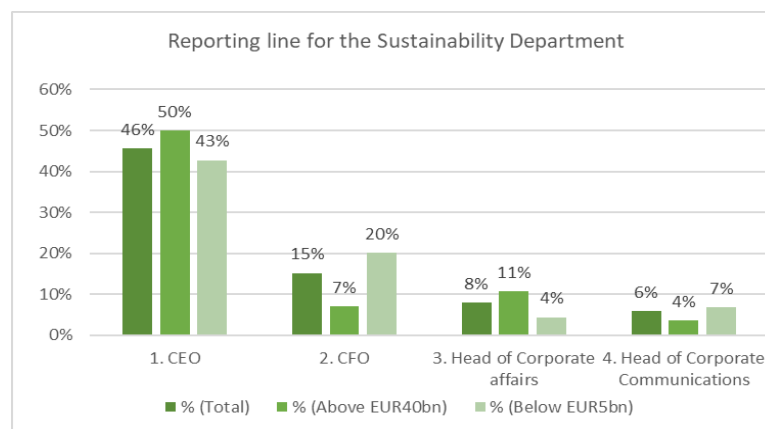
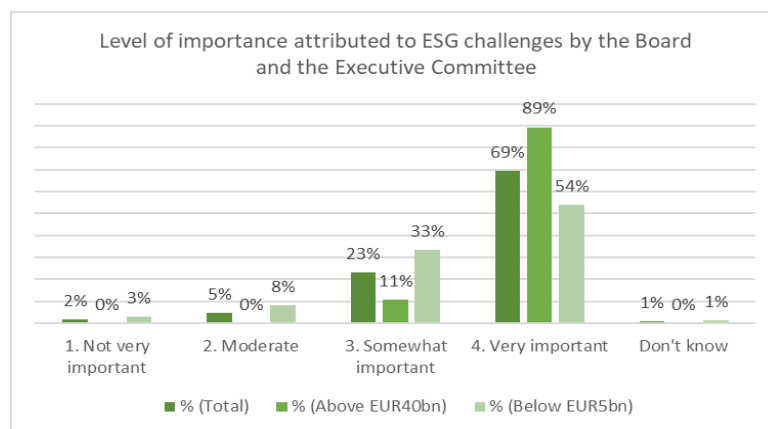
■ Corporate ESG challenges: The challenge for companies is the capacity to collect ESG data and the diversity in ESG frameworks and approaches. Investors always want more data, and companies say it is hard to collect and report.



Challenge #1 | Position ESG at a C-Suite level

- The first challenge for Heads of IR is to position the discussion on ESG in terms of extra-financial communication at a C-Suite level, in order to fully integrate it into the company's strategic messages and meet investors' expectations in this area. Over the past few months, some Heads of IR have told us how concerned they feel about their internal positioning because of the rise of passive asset management and low touch volumes.
- **The increasing importance of ESG matters among all stakeholders including sell-side and buy-side institutions is, in our opinion, an opportunity for Investor Relations to position their function at an even more strategic level, given the new issues and risks related to ESG.**
- *Where do we stand today?* Unsurprisingly, ESG challenges are mostly addressed at a C-Suite level, although there are **differences between Large Caps and Small & Mid Caps**.
 - **In 69% of cases, ESG is considered very important by Boards and Executive Committees.** The proportion is even higher among large caps (89%) compared to small & mid caps (54%).
 - In **nearly one out of two cases, the Sustainability department reports to the CEO** (46%). The other reporting lines quoted are mainly the CFO (15%), the Head of Corporate Affairs (8%) and the Head of Corporate Communications (6%).
 - **Nearly two out of three companies (59%) have appointed a board member to monitor ESG issues.** Within large caps, the proportion is higher: 71% vs 57% for small & mid caps.

“These responses show the importance that companies place on ESG, despite the sometimes low number of ESG questions from mainstream investors and low view of financial materiality.”
Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Source: BNP Paribas Exane



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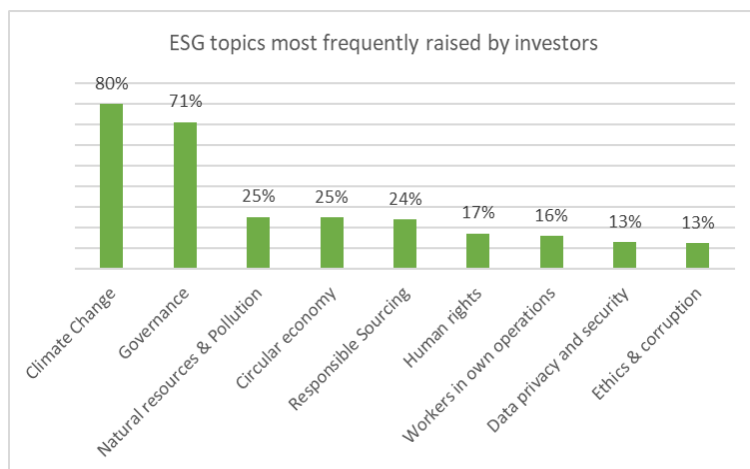
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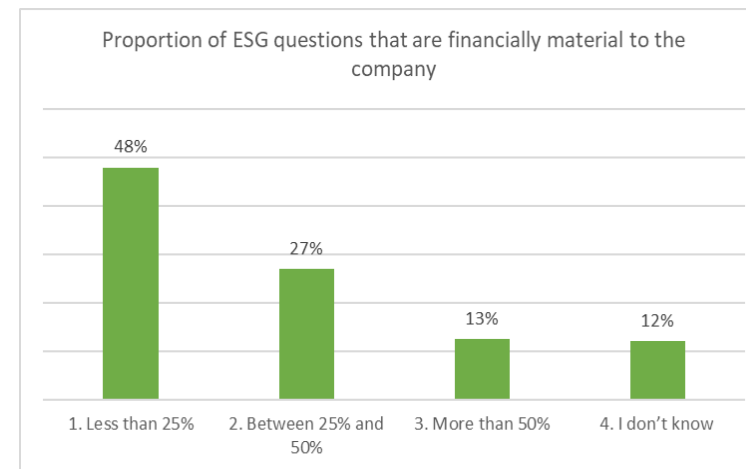
Challenge #2 | Integrate ESG into the Equity Story

- *What are the priority ESG issues for investors?* According to the companies, this is quite clear from the questions they receive most from investors:
 - **Climate change and governance are by far the 2 main areas of focus for investors**, quoted by 80% and 71% respectively of the companies in the sample. Governance was an important topic for investors long before the ESG wave. This is one of the reasons why brokers have extensively developed, in addition to their research expertise, corporate access services, so that investors can meet with management and form an opinion on the company's governance. The rise of climate change issues is more recent and notably due to regulatory developments. Its importance also greatly varies from one sector to another, as illustrated by the sectoral materiality tables of the BNP Paribas Exane ESG research team. The other ESG issues most frequently addressed by investors are natural resources and pollution (25%), the circular economy (25%), and responsible sourcing (24%).
 - On the other hand, **few questions are asked about "Social" issues, particularly diversity**. This finding is quite surprising in view of 1) the increasing regulatory pressure on diversity, 2) its importance to other stakeholders in the company, notably students/future employees, but also ESG rating agencies, press, etc.
- For most companies, **ESG questions addressed by investors have a limited material financial impact**: 3 companies out of 4 consider that less than 50% of the ESG issues addressed to them have a financial impact. This is an additional difficulty in integrating ESG into the Equity Story without being accused of green washing.

 **"ESG is a key factor for long-term value of the company and therefore also for shareholder value"**
survey respondent



Source: BNP Paribas Exane



Challenge #2 | Insights from our ESG research team

- **Climate change and governance dominate**
 - 80% of companies have been asked a question on climate change by investors and 71% on governance.
 - The next highest is natural resources and pollution at 25%, and well above workers at 16%.
- There are some exceptions by sector
 - **Tech** has a high number on data security and privacy.
 - **Healthcare** has a high number on ethics and corruption.
 - **Consumer** has a high number on responsible sourcing.


“We also find climate change dominates our conversations with investors, though we also find it is the most financially material topic by some margin.”
 Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane

Percentage of companies being asked questions by ESG topic

	Climate Change	Natural resources	Circular economy	Responsible Sourcing	Human rights	Workers	Customer well-being	Data privacy and security	Ethics & corruption	Governance
Energy	78%	30%	22%	33%	11%	15%	0%	4%	22%	74%
Utilities	93%	43%	21%	14%	36%	14%	0%	0%	29%	71%
Materials	89%	37%	44%	33%	4%	11%	0%	0%	7%	44%
Industrials	94%	38%	36%	17%	17%	15%	1%	3%	12%	72%
Consumer Dis.	72%	22%	44%	48%	32%	18%	2%	8%	12%	64%
Consumer Staples	85%	15%	20%	60%	40%	10%	10%	0%	0%	45%
Comm. services	65%	12%	12%	6%	0%	12%	0%	65%	12%	71%
Info. Tech.	48%	7%	22%	11%	11%	37%	15%	48%	15%	85%
Healthcare	76%	28%	21%	31%	21%	17%	10%	10%	24%	76%
Financials	79%	16%	2%	9%	12%	14%	3%	22%	12%	81%
Real Estate	92%	16%	12%	8%	8%	8%	4%	0%	0%	84%

Source: BNP Paribas Exane



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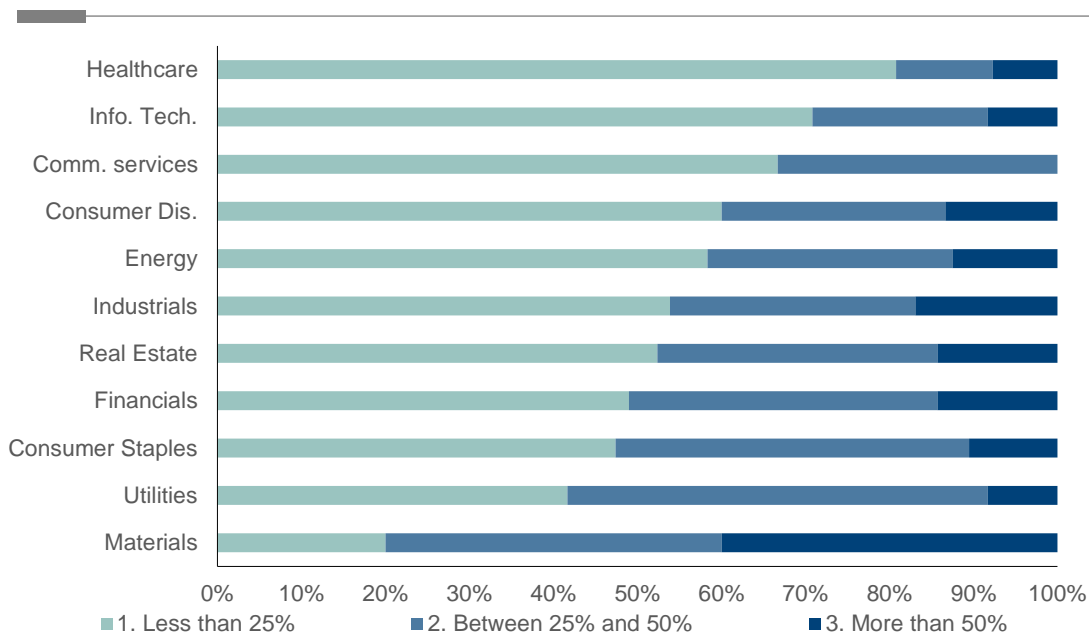
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Challenge #2 | Insights from our ESG research team (cont'd)

- **Most ESG questions are not viewed as financially material**
 - 75% of companies say less than 50% of ESG questions are financially material.
 - 55% of companies say less than 25% of ESG questions are financially material.
- **Some surprises by sector.**
 - **Energy** has quite a low view on financial materiality.
 - **Consumer staples and financials** have a relatively high view on financial materiality.
- **Financially materiality does correlate with ESG fund ownership**
 - Companies viewing <25% of questions as financially material had ESG fund ownership of 3.5% versus those viewing >50% as material had 4.6% ESG fund ownership.
- **But companies do value investor questions**
 - Asked why do you listen to ESG investors, 82% of companies said that 'investors offer useful insights and ideas.'
 - The next highest reason was 71% saying to retain as a shareholder and 36% to reduce the risk of an adverse AGM vote.

What proportion of ESG questions from investors do you believe are financially material to your company?



Source: BNP Paribas Exane



“The view of companies that many ESG questions are not financially material matches our own view that the alignment between ESG goals and investment returns is lower than most acknowledge.”

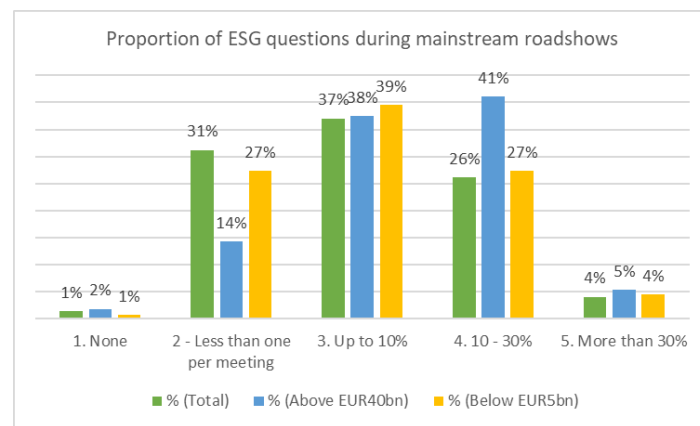
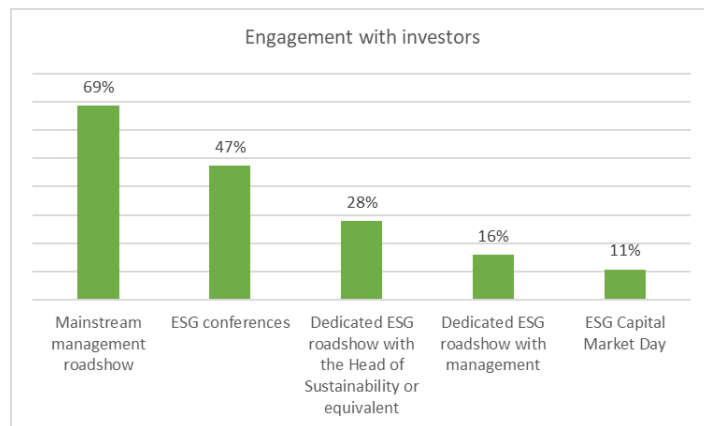
Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Challenge #3 | Explain again and again to convince

- One of the major challenges for investor relations teams regarding ESG, beyond integrating it into the equity story, is to relay it to investors, by targeting the right communication channels. The publication of a sustainability report is obviously necessary but not sufficient.
- Practices on this subject have evolved considerably over the last 10 years. Ten years ago, most companies organised ESG roadshows in conjunction with the head of sustainability. Today, less than one in three companies claim to do so, and **only 16% include ESG roadshows with management in their communication plan**.
- On the other hand, **the vast majority (69%) address ESG issues as part of their mainstream roadshows**. It should also be noted that approximately one company in two participates in ESG conferences. Also noteworthy: **about one company in ten organises an ESG Capital Markets Day**. In addition to these statistics, many companies indicated in the questionnaire that they plan 1x1 calls with investors to answer their questions on ESG.
- **If we focus on mainstream roadshows and the number of ESG questions addressed to companies**, we can see that there is a **great deal of heterogeneity in the responses**, in line with what we perceive at BNP Paribas Exane. However, practices remain highly variable: for 31% of them, this represents less than one question per meeting, for 37% down to 10% of questions. For only 4%, it represents more than 30%. It should be noted that small & mid caps seem to be less challenged on ESG issues than large caps: 26% say that the weight of ESG questions during mainstream roadshows is between 10 and 30% (vs. 41% for large caps).

 **“We view feedback from all of our stakeholders as critical and productive.”** survey respondent



Best practices flagged by the sample

- Roundtables with stakeholders (incl investors)
- Stakeholder dialogues with main owners (including some ESG investors) with Head of Sustainability
- ESG specific annual call
- ESG Newsletter sent out on an ad-hoc basis to an Investor distribution list
- ESG slides included in quarterly presentations
- Reach out to stewardship teams

Source: BNP Paribas Exane



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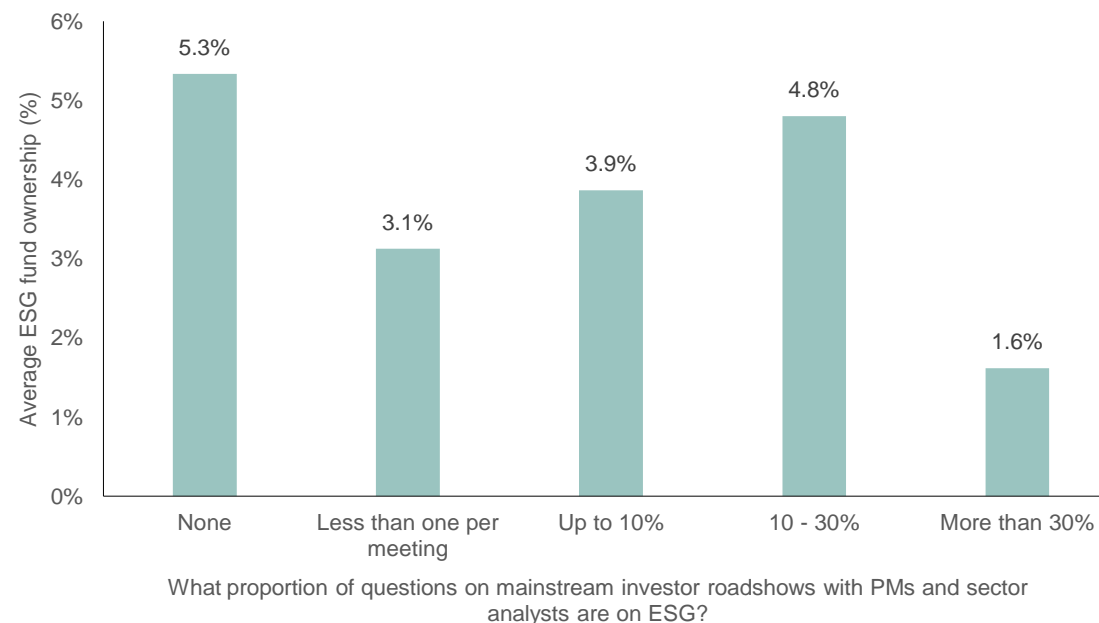
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Challenge #3 | Insights from our ESG research team

- **The link between ESG fund ownership and ESG questions from investors is not straightforward**
- Companies with 10-30% ESG questions do have higher ESG fund ownership versus those with less than one ESG question per meeting.
- However, companies with >30% ESG questions have low ESG fund ownership, though this is because this group has a high bias to Materials.
- The >30% result could be because some materials companies have very material ESG challenges which prevent ESG funds from owning them, but do lead to questions.

ESG fund ownership by number of ESG questions

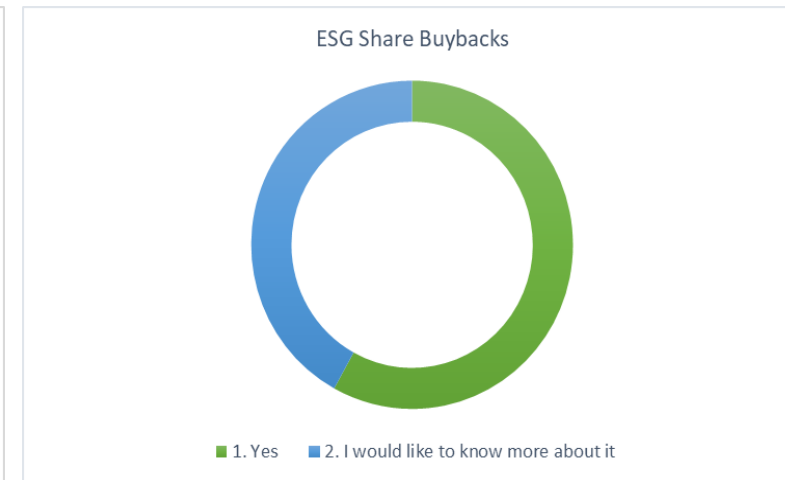
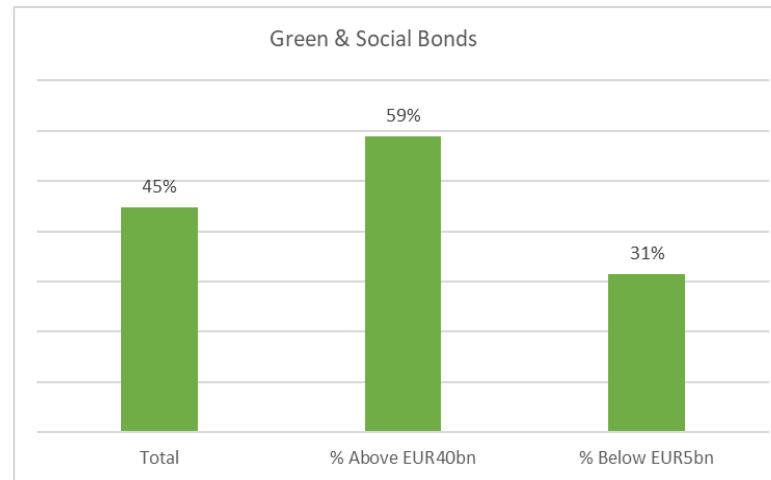
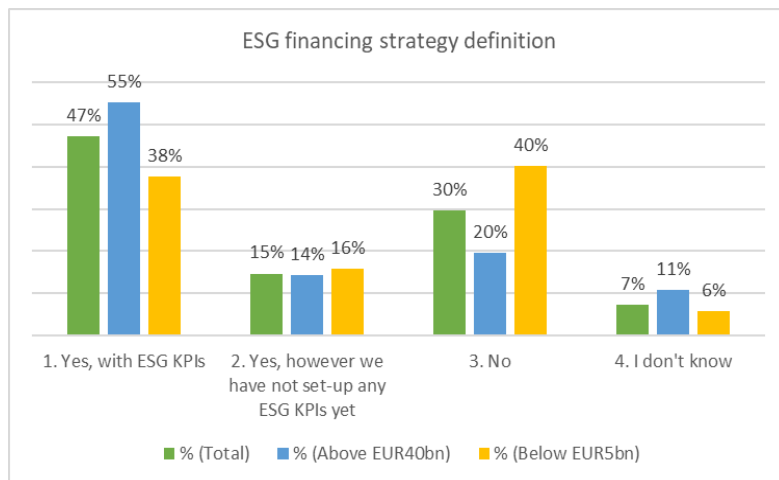


Source: BNP Paribas Exane

Challenge #4 | Translate ESG into financial strategy

- In our recent discussions with finance departments, many told us of their plans to integrate ESG into their financial strategy. The results of the survey confirm this: almost two out of three companies (62%) claim to be working on the subject.
- On the other hand, **less than one company in two (47%) defines quantitative ESG KPIs**. It should also be noted that there is a gap in practices between large caps and small & mid caps, probably linked to the internal resources that can be mobilized on the subject: 55% of large caps have defined a financial strategy with ESG indicators, compared to 38% for small & mid caps. There are also two insightful trends:
 - Nearly half of the companies (45%) have already issued or plan to issue a **Green/Social bond**. Here again, practices differ according to company size: 59% for large caps vs. 31% for small & mid caps (Q27).
 - Same trend for **ESG share buybacks**: 47% of companies have heard of this innovation or would like to know more about it, with slightly different trends according to company size: 54% for large caps vs. 42% for small & mid caps (Q28).

 **“Sustainability is on the move everywhere and 5-10 years from now the ESG themes will be mainstream.”** survey respondent



Source: BNP Paribas Exane



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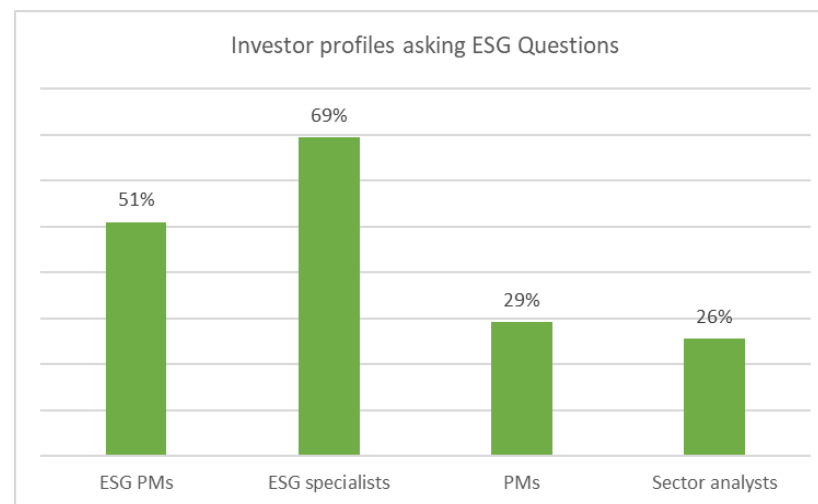
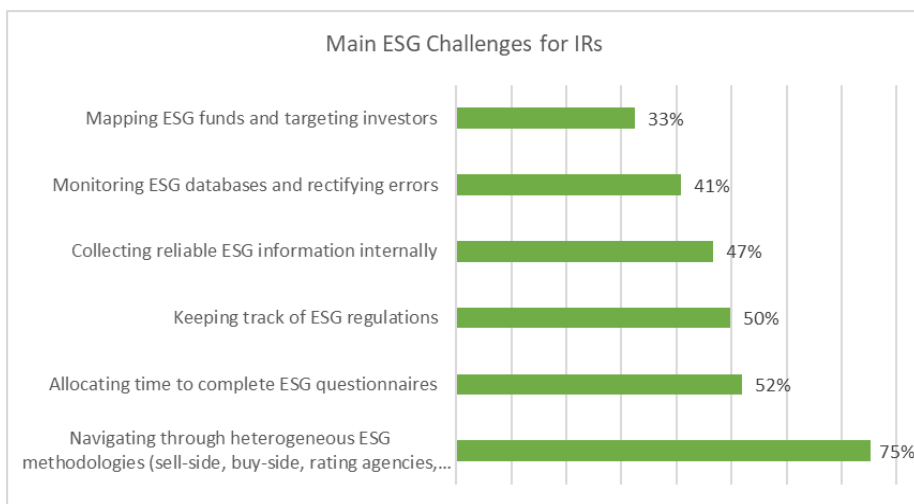
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Challenge #5 | Understand both specialist and generalist ESG investor expectations

- “Jungle” is probably the metaphor most often used by Investor Relations when describing the **heterogeneity of investors' and analysts' expectations and practices when it comes to ESG**.
- 75% of the companies in the sample actually mention that their **main difficulty is to understand and navigate among the different ESG analysis methodologies of their different stakeholders, in particular sell-side & buy-side analysts as well as ESG rating agencies**.
- Other challenges cited (as we will see in the rest of the survey) include (in descending order): 1) allocating time to ESG issues; 2) understand and master ESG regulatory developments; 3) collect quality ESG information; 4) rectify errors in external ESG databases and 5) map and target ESG investors.
- The other difficulty that deserves to be underlined is the fact that ESG, for the moment, remains mainly in specialists' hands within the investment community. Indeed, according to the companies in the sample, **most of the ESG questions addressed to them during roadshows come from ESG specialists (69%) and ESG portfolio managers**. Conversely, mainstream managers and sector analysts ask relatively few questions, relying 1) either on external ratings, 2) or on the internal analysis carried out by their specialists.

“With investors it is the portfolio manager who decides. It is not clear how ESG is translated into her/his decision.” survey respondent



Source: BNP Paribas Exane



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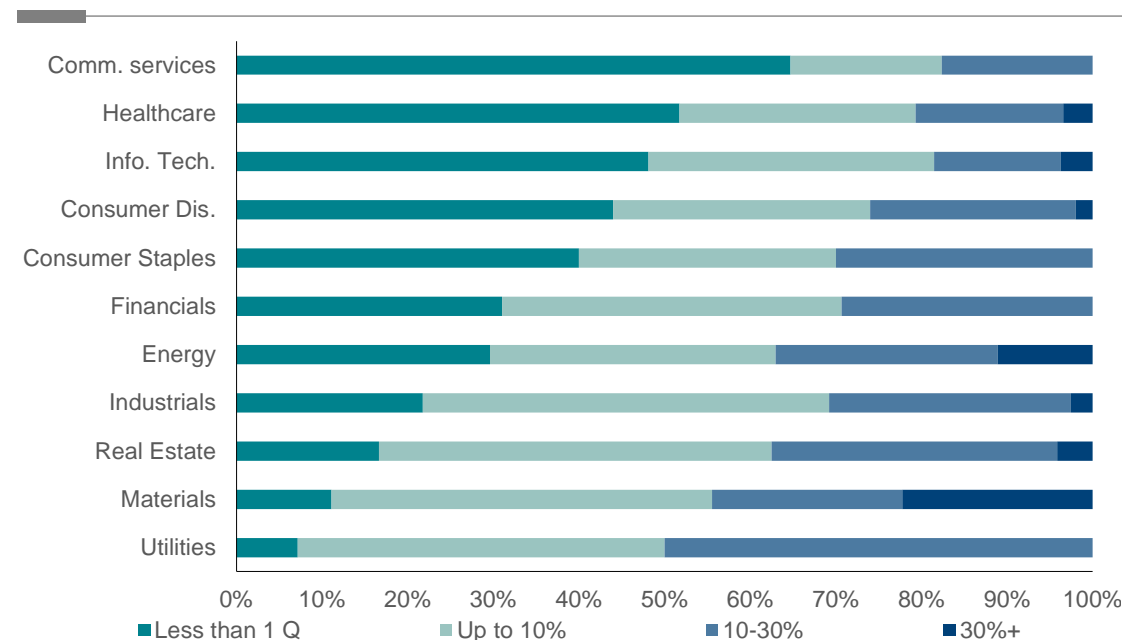
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Challenge #5 | Insights from our ESG research team

- **Mainstream investors ask a low number of ESG questions for some companies.**
 - 33% of companies have less than one ESG question per meeting.
 - 70% have less than 10% of questions on ESG.
 - But 30% of companies have above 10% of questions on ESG.
- **The result are very different by sector.**
 - No surprise there are a higher number of ESG questions for utilities, materials, industrials and energy.
 - Perhaps surprising is the high number of questions for real-estate.
- **No surprise that smaller companies have a lower number of ESG questions.**
- **Most questions come from ESG specialists and ESG PMs, not mainstream PMs and sector analysts.**

What proportion of questions on mainstream investor roadshows with PMs and sector analysts are on ESG?



Source: BNP Paribas Exane



“Investors have a long way to go towards full ESG integration. This may be because mainstream investors do not view ESG topics as material to investment decisions, and hence are only covered by ESG specialists.”

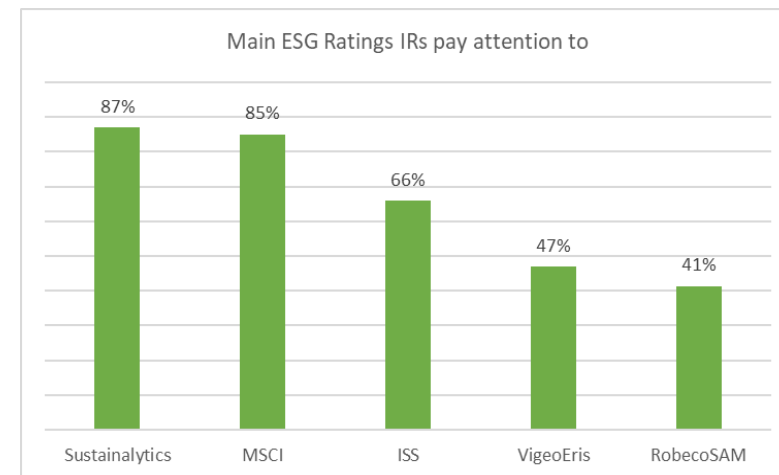
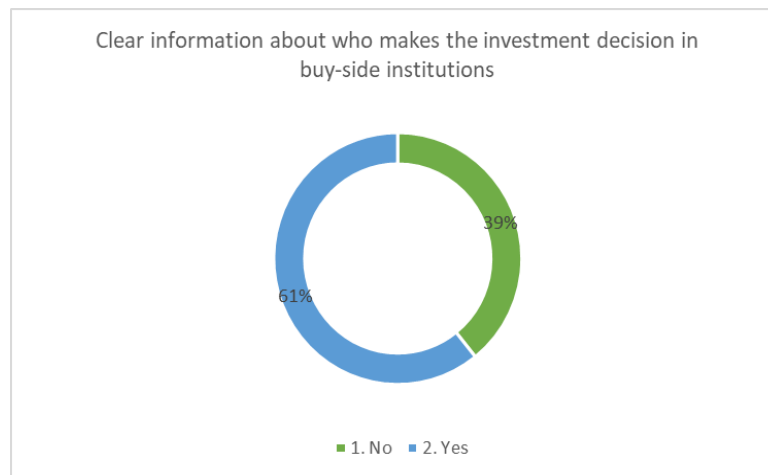
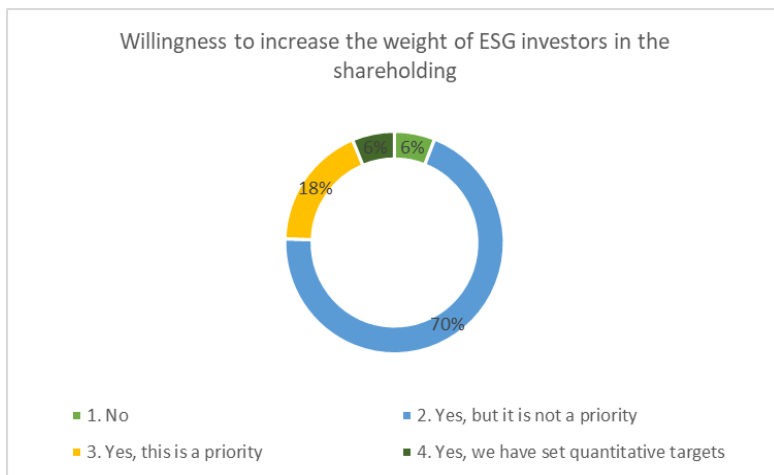
Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Challenge #6 | Engage diverse stakeholders

- Unsurprisingly, almost all companies want to increase the weight of ESG investors in their shareholder base. On the other hand, the survey highlighted four major issues for investor relations teams: 1) Target the right institutions; 2) Target the right contacts within each institution; 3) Set quantitative objectives in order to be able to monitor the weight of ESG investors in the shareholder base; 4) Develop a confident relationship with ESG rating agencies, which have become major stakeholders for investor relations teams.
- The rise of ESG in asset management has obviously made buy-side organizations more complex, especially within the larger ones. **The majority of companies (61%) generally have a fairly clear view of which portfolio managers make investment decisions and which stewardship teams vote at AGMs.** On the other hand, many underlined, in the qualitative comments of the survey, the difficulty of knowing how ESG criteria are integrated into investment decisions - which goes back to the point on the heterogeneity and opacity of the methodologies of ESG analysis of the various stakeholders.
- One of the surprising results of the survey is the targeting of ESG investors by investor relations teams: for less than one in five companies, it is a priority objective, and only 6% have established quantitative objectives. Also to note: with the rise of ESG, ESG rating agencies have become key stakeholders for investor relations teams. **Sustainalytics and MSCI are the ESG ratings companies pay the most attention to**, quoted by 87% and 85% of the sample respectively. To a lesser extent, ISS was quoted by two out of three companies (66%).

 **“The dominance of MSCI and Sustainalytics is in-line with other recent surveys and our own conversations.”** Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Source: BNP Paribas Exane



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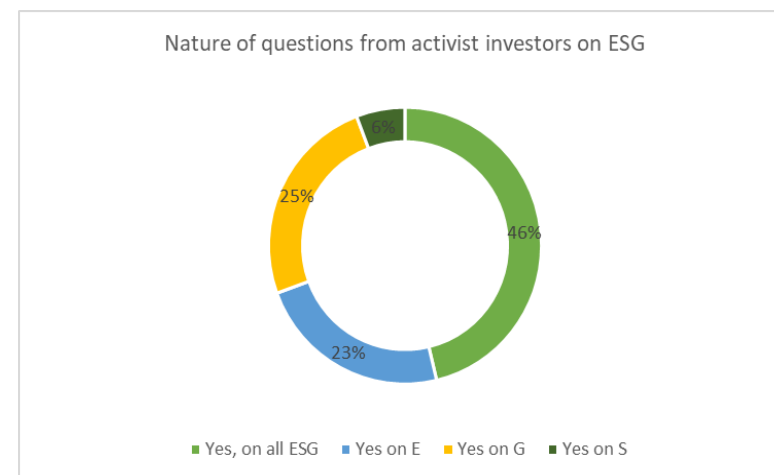
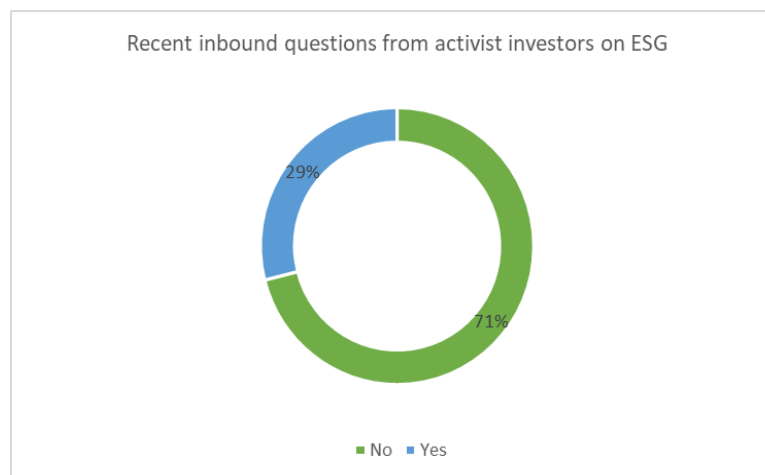
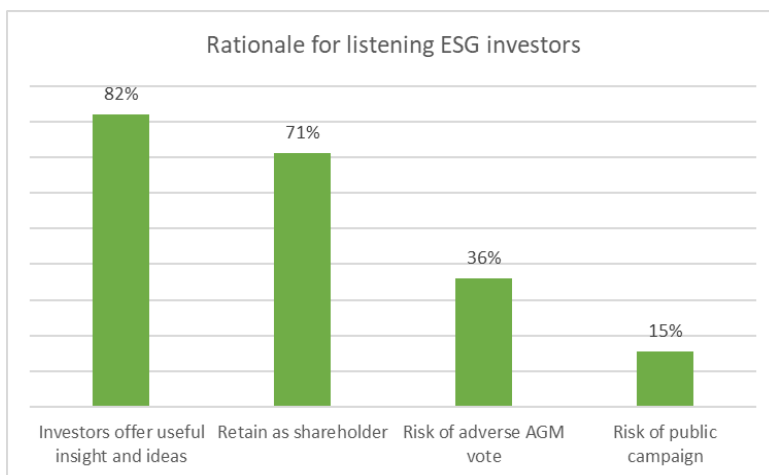
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Challenge #7 | Anticipate new ESG-related shareholder activism risks

- Unsurprisingly, almost all of the companies in the sample see the benefits of sustained dialogue with ESG investors, first and foremost the feedback and suggestions that can be made to them. 71% of the also want to retain ESG investors in their shareholding.
- The results of the survey on ESG activism are insightful, as the press regularly echoes vocal campaigns of ESG activist investors.
 - **Only 29% of the companies in the sample claim to have recently been challenged on ESG by activist investors.**
 - If we analyze in more detail the type of ESG questions addressed by activists, **companies are most challenged on environmental and governance issues** . It should be noted that only 6% of companies having recently interacted with activist investors were questioned on social issues only.
 - Only one in three companies claim to monitor carefully the feedback from ESG investors to identify possible risks of negative votes at AGMs.
 - More surprisingly, **only 15% think there is a risk of a public ESG campaign by an activist investor.**
 - Many investor relations mentioned, in the qualitative comments of the survey, the **growing importance of dialogue with NGOs.**

 **"NGO reports are increasingly used by analysts and investors. This is an additional challenge for investor relations, beyond sell-side research".** survey respondent



Source: BNP Paribas Exane



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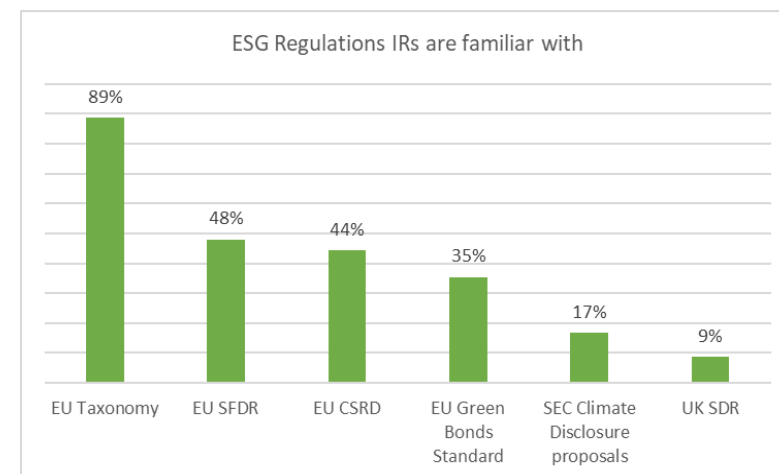
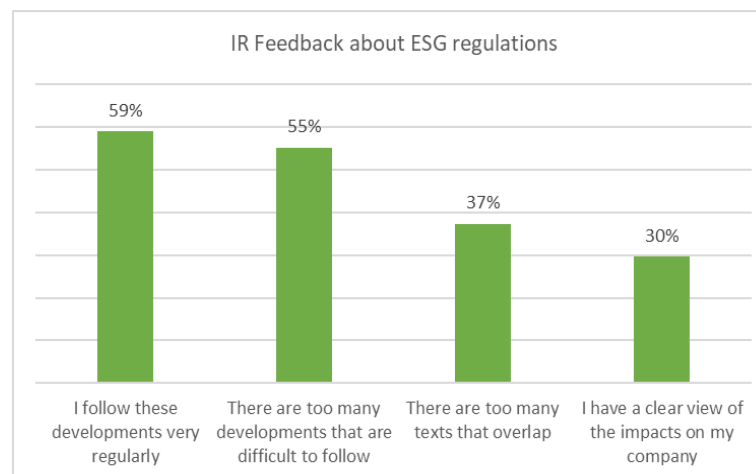
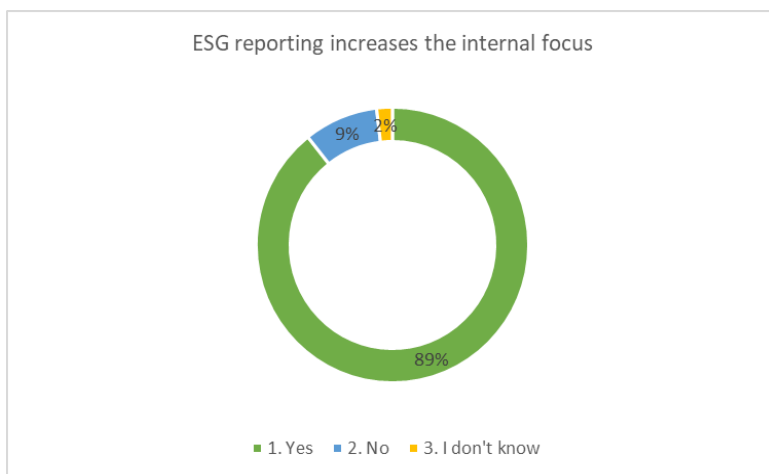
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Challenge #8 | Master ESG regulations

- Nearly 9 out of 10 companies say that the development of ESG disclosure requirements has positively contributed to increasing the internal focus on ESG, at all levels.
- On the other hand, **all are fairly critical of the weight of the regulatory environment**. More than half mention the multiplicity of developments that are difficult to follow. Nearly 40% also consider that the texts overlap.
- It should be noted that less than one respondent in three considers that they have a clear view of the impact of regulations on their company.
- The other major trend that emerges from the survey concerns the level of knowledge of investor relations regarding ESG regulations. **Nearly 90% say they are familiar with the EU taxonomy. On the other hand, less than 50% say they have mastered the SFDR and the CSRD.**
- Based on the qualitative comments collected, several companies mentioned that the monitoring of ESG regulations was carried out by the Sustainable Development department, in liaison with the legal department, and not by the investor relations department directly.

 **“It appears that companies face many of the same frustrations as investor on EU ESG regulations.”**
Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Source: BNP Paribas Exane



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Challenge #9 | Align your reporting with ESG standards

- *Where do corporates stand in terms of ESG reporting?*
 - **Only one company out of three (36%) has aligned its ESG reporting with the EU taxonomy.** 50% plan to do so in the next 12 months (38%) or in the medium term (10%).
 - The survey highlights an insightful trend regarding **ESG standards**: Indeed, the GRI was mentioned by two out of three companies (65%) and the TCFD by 57% of the sample. 35% of the sample mentioned SASB.
 - Regarding the **climate framework**, the CDP is mentioned by three out of four companies (73%), well ahead of the SBTi (53%), the Climate Action 100+ (18%), the Transition Pathways initiative (10%) and the RE100 (8%).
- *What stops you reporting more ESG data?*
 - **Internal constraints** related to ESG data collection quoted by two out of three companies (65%).
 - One company out of three also mentions that this data may be **commercially sensitive** (29%).
 - **Only one out of four companies (25%) consider that external ESG databases are of good quality.**



“Some data such as biodiversity data takes years to measure. Reporting costs money!”

survey respondent



“A high proportion of companies are familiar with the EU Taxonomy, which is no surprise given companies have to report their alignment. However, our work finds that most investors find the taxonomy too narrow to be useful at the moment.”
Laurie Fitzjohn-Sykes, co-head of ESG research, BNP Paribas Exane



Challenge #9 | Align your reporting with ESG standards (cont'd)

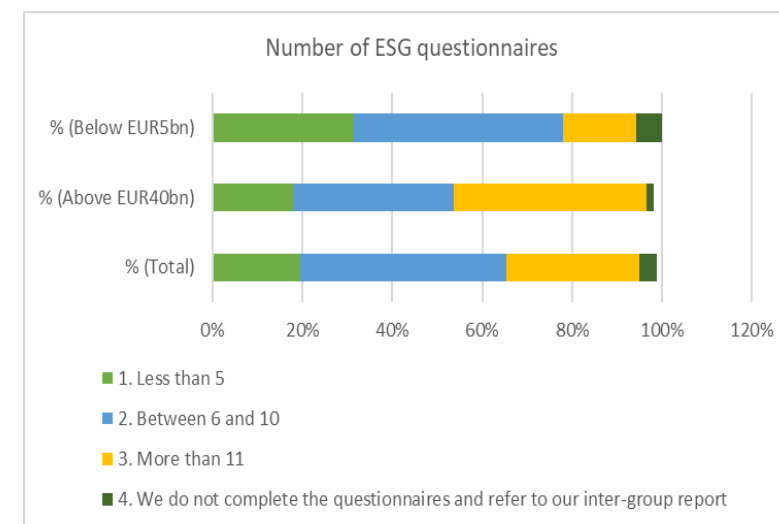
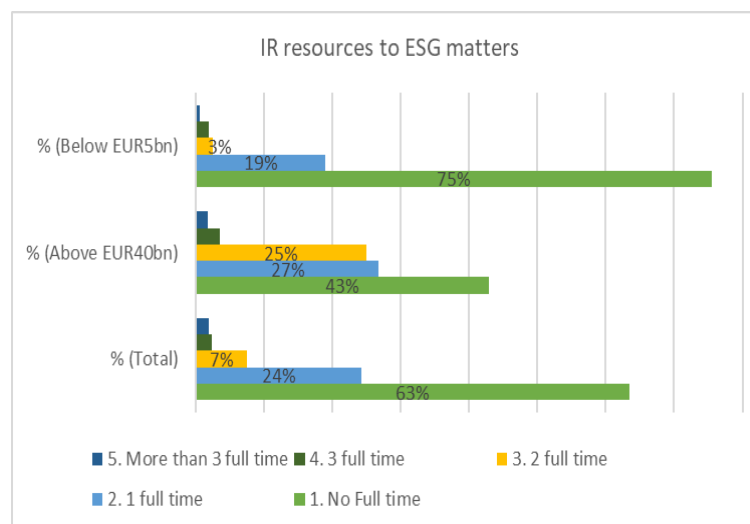
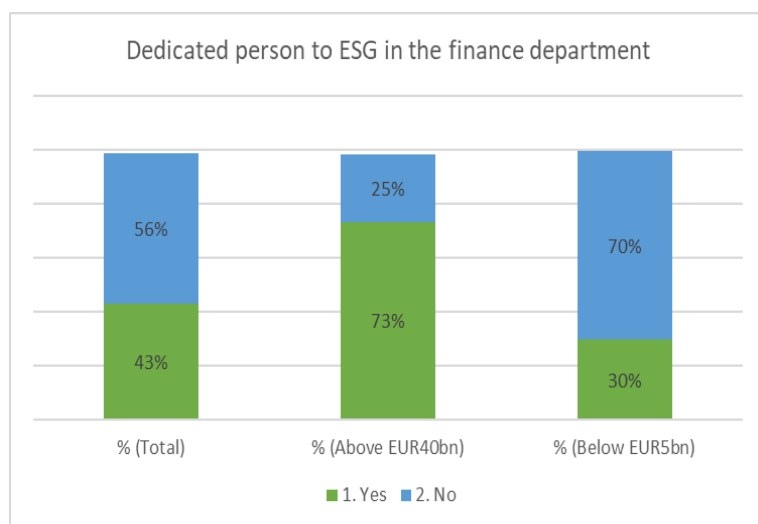


Source: BNP Paribas Exane

Challenge #10 | Allocate the right level of resources to ESG

- The last but not the least challenge for corporates is the allocation of the internal resources necessary for handling ESG issues from a financial and investor relations point of view.
- On this point, **set-ups are obviously very widely variable, according to the size of the companies.**
 - Less than one out of two companies (43%) has a dedicated person in the finance department to monitor ESG issues: 73% of large caps (market cap >EUR40bn) have a dedicated person vs. 30% for small & mid caps (market cap <EUR5bn).
 - Nearly two out of three companies (63%) do not have a full-time IR person dedicated to ESG: 24% have 1 FTE, 7% 2 FTE, 2% 3 FTE and 2% more than 3 FTE. Not surprisingly, market capitalization size has a significant impact on the set-up (Q15)
- **The number of ESG questionnaires completed by companies remains very heterogeneous** across companies: Nearly half of the companies (46%) complete between 6 and 10 ESG questionnaires, 30% more than 11 and 19% less than 5 (Q10).

“Some ESG questionnaires are very complex to complete and need further work of several departments to be completed.” survey respondent



Source: BNP Paribas Exane



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BNP Paribas ESG Expertise & Contacts




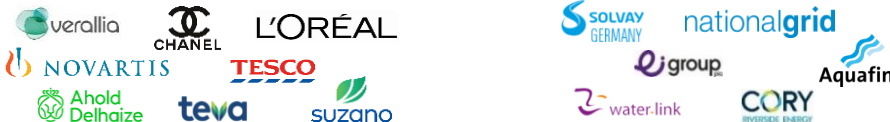
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Comprehensive Range of Sustainable Financing Solutions

An integral range of Sustainable Finance solutions, co-created with our clients at the forefront of Sustainability

	Sustainability (KPI)-linked Instruments		Use of Proceeds Instruments	
	Sustainability-linked Loans	Sustainability-linked Bonds	Green/Social/Sustainability Loans	Green/Social/Sustainability bonds
Description	Revolving Credit Facility (or Term Loan) / General Corporate Purpose Bond where pricing mechanism and/ or structural characteristics are linked to pre-determined sustainability performance targets		Term Loans / Bonds whose proceeds will be allocated, on a nominal equivalence basis, to the (re)financing of projects/assets with positive environmental and/or social outcomes	
Principles	LMA Sustainability-Linked Loan Principles		LMA Green Loan Principles LMA Social Loan Principles	ICMA Green Bond Principles Social Bond Principles Sustainability Bond Guidelines
Advantages	<ul style="list-style-type: none"> ✓ Gives the issuer a direct opportunity to engage with investors on the issuer's ESG short (loan) or medium to long term credentials (bond) at a corporate level ✓ Tap into ESG investor demand and ESG integration trend ✓ No limitation on size as does not require the identification of "green/transition" assets / capex 		<ul style="list-style-type: none"> ✓ Allows the issuer to align its funding strategy with its ESG activities ✓ Appeal to investors with dedicated SRI mandates ✓ Developed market with large number of sectors having come to the market 	
Points of attention	<ul style="list-style-type: none"> ○ Need to set up interim targets, usually on an annual basis ○ Asymmetric structure: no financial mechanism in favour of the issuer (e.g. step-up only) ○ Does not allow the issuer to target dedicated Green/Social bond funds 		<ul style="list-style-type: none"> ○ Requires the issuer to identify eligible assets or expenditures (a large pool of expenditures / assets is recommended for bonds). Assets, capex and investments (as opposed to opex) are preferred by the market. ○ Needs operational set up to identify, track and report eligible assets and their impact 	
Structure	KPIs must be tested on an annual basis		Establishment of a Green/Social/Sustainability Loan Framework with defined Use of Proceeds and eligibility criteria is considered best market practice, but not a requirement.	Establishment of a Green/Social/Sustainability Bond Framework with defined Use of Proceeds and eligibility criteria
Precedents				

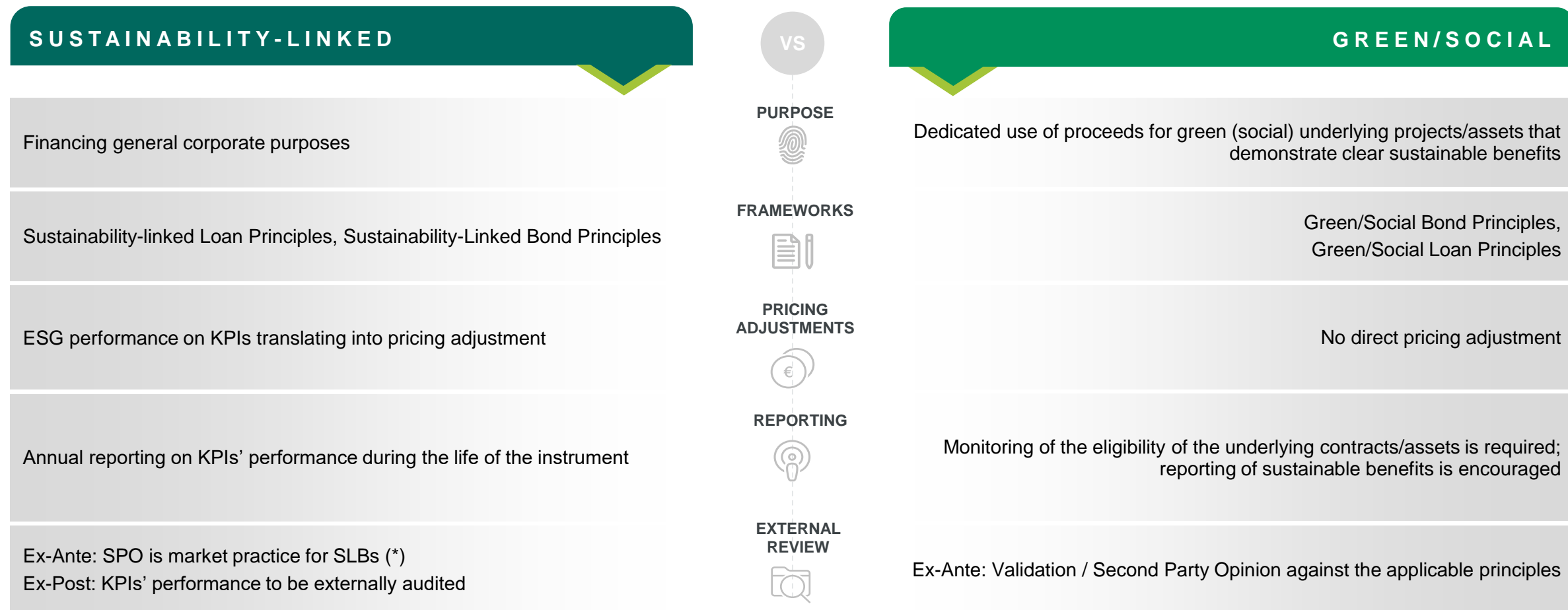


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Two main mechanisms | Sustainability-linked versus Use of Proceeds Instruments

Different rationales, uses and frameworks to accelerate sustainability strategies



(*) SLB: Sustainability-Linked Bond

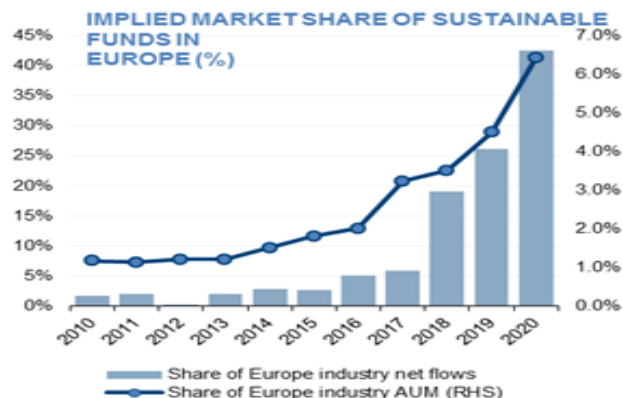


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Share buyback in practice | ESG share buyback

- The ESG SBB allows companies to adopt a more **inclusive approach, taking into account all of their stakeholders**.
- The ESG SBB involves a **guaranteed discount or average VWAP with outperformance structure**.
- The market risk is borne by the bank.
- The ESG SBB is a concrete project in which the company allocates part or all of the guaranteed discount to finance an ESG project.
- The ESG SBB is flexible in terms of:
 - **% discount allocated to the ESG project.**
 - **Selection of the ESG project (which should be consistent with the company's ESG priorities).**
- It is not more difficult to set up than a classic share buyback.



Contact: corporate.equity@exanbnpparibas.com

"The ESG share buyback is what a share buyback could and should look like in the future."

GROUP TREASURER

"The ESG share buyback is simple to implement and easy to explain internally and externally. It fits perfectly into an overall ESG policy."

GROUP TREASURER

"The ESG share buyback is an excellent initiative."

LONG ONLY, USA

"The initiative is original and undoubtedly something that companies should implement."

LONG ONLY, UK

"For a company, I understand the symbolic value of the proposal: optimising the share buyback and considering this optimisation as a gain that can be allocated to others than the shareholders, it is a good way to feel useful and share."

FAMILY OFFICE, FRANCE

"It is an excellent approach because it emphasises social engagement. The process must be more inclusive."

LONG ONLY, FRANCE

"I think this is a good and promising initiative."

PRIVATE BANK, FRANCE



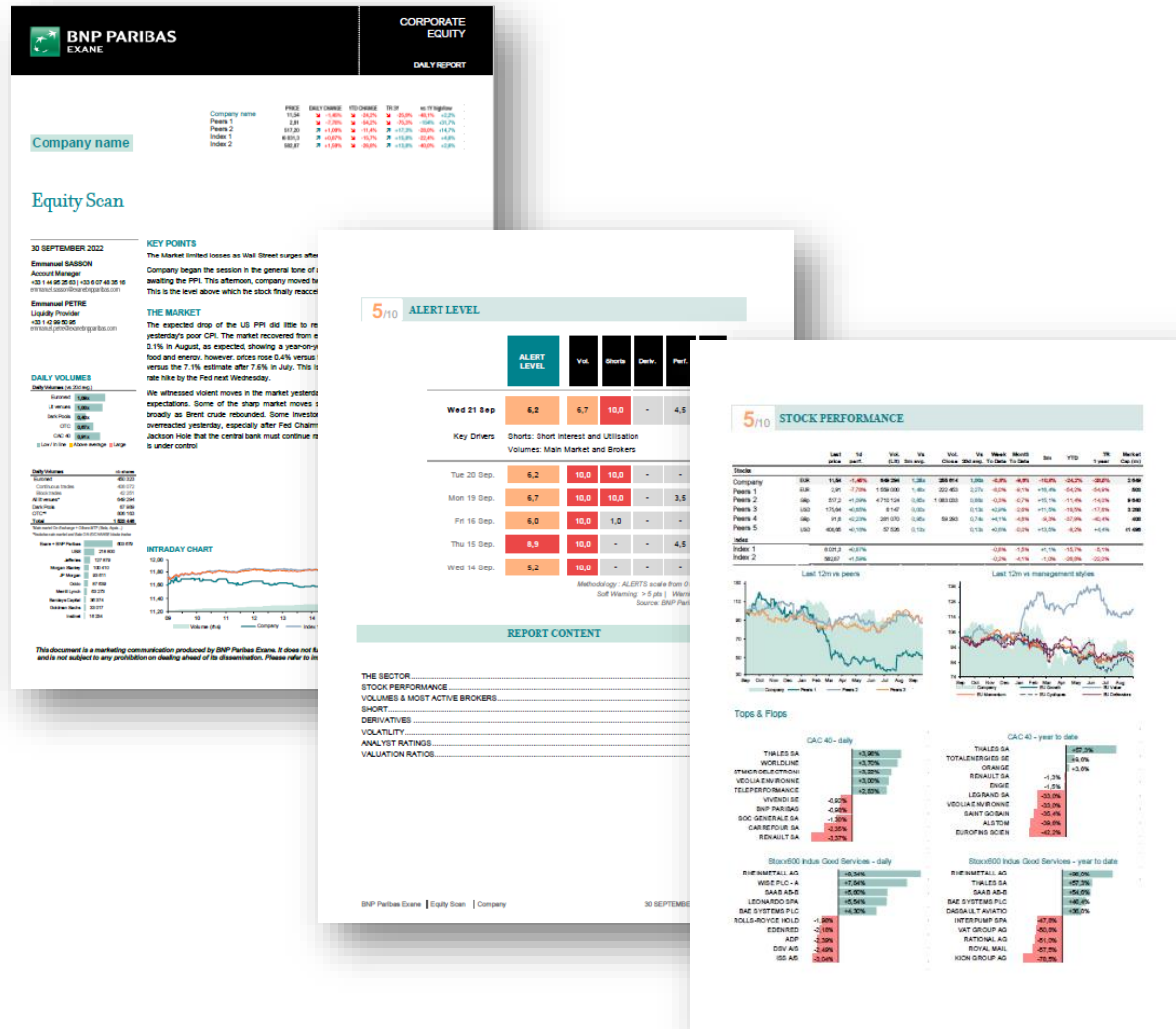
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BNP Paribas Exane Equity Scan | Your compass to navigate equity market risk



THE AMBITION OF EQUITY SCAN

- 
- A unique market tool for Corporates to manage their risks and monitor their stock
 - A 360° vision of the market drivers thanks to a qualitative and quantitative approach
 - A report designed to optimize your time and capture in a snapshot the highlights of the day on your stock
 - A personalized access to the Corporate Equity desk for day-to-day questions about the stock price/flows
 - A smartphone-friendly report that can be customized according to your needs
 - A daily email to allow Corporates to **capture at a glance** the highlights of the day and **main stock price drivers**
 - A detailed report with a top-down approach including “ALERT”, our proprietary algorithm to manage risk
 - A **market overview** to understand macroeconomic trends and market flows
 - Qualitative insights about the sector and the peers from our Research and Spec Sales**
 - Tables and charts on Stock Performance, Volumes & Most active Brokers, Shorts, Derivatives, Volatility...

WHAT DOES EQUITY SCAN INCLUDE

Global Markets expertise

BNP Paribas' Global Markets offers consistent client service and innovative solutions for risk management, financing, hedging and investments across asset classes and geographies to help our clients make strategic decisions.



GLOBAL MARKETS OFFERING

RATES

Offers a comprehensive suite of interest rate products to address the full spectrum of your needs from financing and market access to yield enhancement and hedging.

EQUITY

Offers product innovations through flow products and bespoke structured solutions.

FOREX & LOCAL MARKETS (FXLM)

FXLM offers a complete suite of products and services to address your investing and hedging needs. Offering sales, trading, research and strategy, local markets coverage, and electronic trading capabilities.

COMMODITY DERIVATIVES

Commodity Derivatives delivers financing, risk management, and investment solutions to corporates and financial institutions whose businesses are highly correlated to commodity prices.

CLEARING

A leading multi-asset execution, clearing, and financing powerhouse with global reach and local expertise.

PRIMARY & CREDIT MARKET

Primary Markets provides funding and capital solutions to corporates, Sovereigns, Supranationals and Agencies (SSAs), and financial institutions via the global bond markets.

Our Credit business provides an added value service on credit markets. Our global offer includes vanilla flow products, and complex derivatives solutions.



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