

# ***THE IMPERATIVE OF SAFE AND SUSTAINABLE CHEMISTRY***



RACHEL CROSSLEY, HEAD OF STEWARDSHIP, EUROPE  
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**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable investor for a changing world

# BNPPAM stewardship focuses heavily on addressing ‘systemic risks’

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- **Key belief: Sustainable investment is critical to building sustainable economies**
  - **Long-standing and strong commitment to active stewardship, to being a ‘future maker’**
    - Corporate & sovereign issuer engagement
    - Voting
    - Public policy engagement
  - As a **global broadly diversified investor**, investing in companies and all sectors across many developed and emerging economies, **we focus our engagement on addressing systemic risks.**
  - Systemic risks are typically generated by one or more sectors and **impose long-term impacts and costs on many other sectors, and therefore the wider economy and society.** They need to be addressed using strategic, joined-up solutions.
- **Chemicals is one such sector. It generates several, interlinked, long-term, global impacts and related risks**

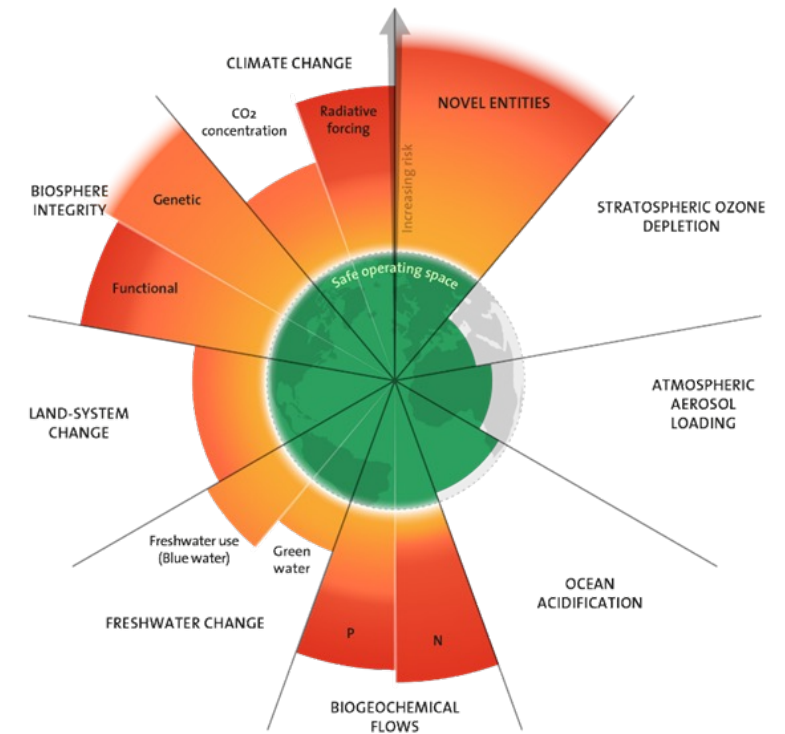
Source: BNP Paribas Asset Management, January 2024.

# Chemicals sector impacts and risks

- Synthetic chemicals are integral to modern life; **nearly 95%<sup>1</sup> of all manufactured products use these chemicals as inputs:**
    - We **cannot solve the climate crisis without them** – used in solar panels, electric vehicle batteries and many other key components of new technologies critical to our future
  - But, in the EU alone, **75%** of the c. 300 million tons of chemicals used annually are considered **hazardous to human health or the environment<sup>2</sup>**
  - **Impacts:**
    - **Climate:** Third largest source of industrial GHG emissions, c. 6-7% global total<sup>3</sup>
    - **Nature loss:** Extensive, well documented impacts on **insects, pollinators, fish and bird populations, among others through product use and pollution of water, soils.**
    - **Human health:** Workers' and wider population health is impacted, **particularly vulnerable and at-risk groups.** Many toxic substances have been linked to **birth defects, cancer, obesity, attention deficit disorders and other illnesses.**
  - These **impacts impose huge costs on governments and wider society** (clean up costs, healthcare costs, regulatory and environmental protection costs) and so generate **regulatory, litigation and market risks => financial risks**
- **Goal of our stewardship is to move the sector to a future based on 'safe and sustainable' chemistry**

Sources:1. SBTi. 2. Chemsec.org 3. International Energy Agency ETP 2020

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



Source: Stockholm Resilience Centre, 2023.

# Potential regulatory and litigation costs facing the sector are high and predicted to rise

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. Total market capitalisation of all companies that will be impacted by PFAS regulation alone is US\$30 trillion.
3. 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.
4. "Forever chemical lawsuits could ultimately eclipse the Big Tobacco settlement of more than US\$200 billion"

➤ **Multiple UN / other agencies are taking steps to adopt/ strengthen / extend treaties and regulations to address these multifaceted impacts and risks, as are regional and national regulators. Particular focus on PFAS at present.**

Sources:

1 Chemical exposure costs globally higher than thought | News | Harvard T.H. Chan School of Public Health

2 Forever Chemicals | UBS Global

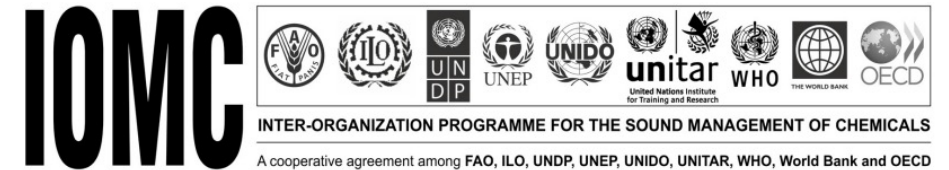
3 PFAS Lawsuits Could Eclipse the Big Tobacco Settlement | Time

4 Ibid

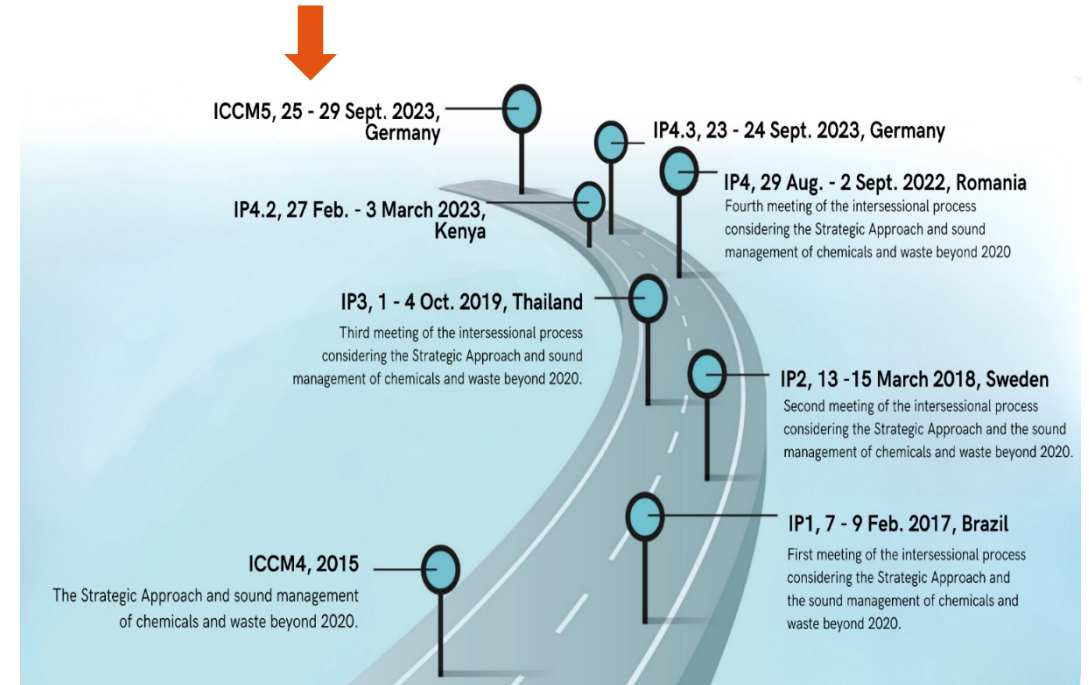
# Global Framework on Chemicals provides a foundation for investor action

- Global Framework on Chemicals was agreed in Bonn, Germany in September 2023 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), IOMC involves multiple UN agencies.
- Framework sets out a **unified approach** to tackling emissions, nature loss, labour and human rights, and health
- **Includes within its objectives action for financial sector, including institutional 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 and related – currently being negotiated.**

Source: BNP Paribas Asset Management, January 2024.



## Global Framework on Chemicals 2023



Source: IOMC

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

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	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 climate, nature, health and social expectations	<p>Seek opportunities to invest in companies that produce safe and sustainable alternatives</p> <p>CFP Blueprint (VC, private equity, impact investors)</p>	<p>Actively engage with producers and users of chemicals</p> <ul style="list-style-type: none"> <li>• CA100+</li> <li>• NA100</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	<p>Engage with policymakers and regulators to urge implementation of the Global Framework on Chemicals</p> <p>Regional /national laws, regulations, rules, reporting frameworks etc</p>

Source: BNP Paribas Asset Management, January 2024

# Several initiatives enable investors to address chemical sector impacts and risks

**Climate Action 100+:** 700 investors; US\$68 trillion; operating for 6 years. Focuses on 170 biggest global GHG emitters; 85% emissions. Includes major chemical producers. Engagement based on Net Zero Company Benchmark. (Source: [CA100+ website](#))

**Institutional Investor Group on Climate Change (IIGCC) Investor Expectations of Chemical Companies transition to Net Zero:** Launched in 2023 by lead investors for chemical companies within CA100+. (Source: [IIGCC website](#))

**Nature Action 100:** Launched late 2023. Chemicals sector one of 8 initial target sectors. Supported by 190 investors; US\$23.6 trillion AUM (Source: [NA100 website](#))

**ShareAction Investor Decarbonisation Initiative:** UK NGO that coordinates a collaborative investor engagement programme focusing on c. 14 major chemical producers. Goal is to ensure they all set targets and publish plans to achieve net zero by 2050. (Source: [ShareAction website](#))

**Investor Environmental Health Network (IEHN): Chemical Footprint Project:** A leadership framework that evaluates chemicals management systems of downstream companies against best practice to measure and reduce chemical footprints, as well as transition to safer chemistries. (Source: [IEHN website](#))

**Investor Initiative on Hazardous Chemicals (IIHC):** 50 investors; US\$ 11 trillion coordinated by ChemSec. Investors engage based on the results of ChemScore. Goal is to encourage the world's largest chemical producers to improve their disclosure on production and revenues associated with HCs, make commitments to move away from SVHC, and towards more sustainable alternatives and circular production systems. (Source: [ChemSec website](#))

**VBDO: Plastics initiative:** 185 investors; US\$10 trillion; launched in 2023. Issued a joint statement demanding companies adopt a more radical approach to reduce their reliance on plastics. (Source: [VBDO website](#))

**Toxic Free Future: Mind the Store Retailer Report Card:** Annual evaluation of the safer chemicals' programs of the largest retailers in the U.S. and Canada. (Source: [Retailer Rankings - Ranking retailers on toxic chemicals \(retailerreportcard.com\)](#))

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VIEWPOINT



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