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To Julia Hovenier (Banktrack), Cynthia Rocamora (Reclaim Finance), Caroline Ashley (SteelWatch), Filipa Lopes (FairSteel Coalition)

Paris, July 9<sup>th</sup>, 2024

Dear Ms. Hovenier, Rocamora, Lopes and Ashley,

Thank you for your letter dated June 10<sup>th</sup> and for drawing our attention on two reports about the situation of local communities (which you presented to us during our meeting with impacted communities on April 25<sup>th</sup>, 2024) and the climate issues linked to steelmaking (which we discussed in our meeting October 24<sup>th</sup>, 2023). As you know, BNP Paribas is committed to maintaining a high-quality dialogue with civil society and as always, the information you provide is important to feed our approach and decision-making to support the transition to a low carbon economy.

While for confidentiality reasons we do not communicate on our relationship with companies beyond what is already public, the information you shared is very valuable and be assured that we are raising your concerns as part of the engagement dialogue we have with our client.

In the meantime, we would like to reassure you on the fact that BNP Paribas is already actively working to transition to an economy that is less dependent on fossil fuels. The Group is fully committed to the transition to a carbon-neutral economy by 2050 that respects human rights and is accompanying and encouraging its clients in their decarbonization strategies.

On the steel sector specifically, note that as of 31 December 2023, it represented circa 0.3% of BNP Paribas' total financing. The Group is fully aware that it is amongst the most emitting sectors, as it has a very energy intensive production process and heavily relies on metallurgical coal. This is why in 2023, BNP Paribas has set a portfolio alignment target for this sector and committed to a 25% emission intensity reduction by 2030 (versus 2022) to reach 1.2 tCO<sub>2</sub>/t crude steel. This target is in line with Net Zero Emissions by 2050 scenarios, and 2030 is considered as the appropriate time horizon given the challenges of the decarbonization inflexion points of this sector.

As reported in [BNP Paribas' 2023 URD<sup>1</sup>](#), as well as in the [2023 Climate Report<sup>2</sup>](#), the carbon intensity of our steel portfolio has already decreased from 1.6 to 1.5 tCO<sub>2</sub>/tonne of steel between 2022 and end of 2023. This improvement is due to the decrease of the emission intensity of some clients, partly thanks to energy and material efficiency initiatives. And BNP Paribas' steel portfolio remains below the worldwide average emission intensity of 1.8 tCO<sub>2</sub>/t crude steel and in line with the IEA 2030 target.

As for mining, the Group has put in place a strong sector policy on mining that regulates BNP Paribas' financing and investment activities in this sector, both for companies and for projects.

- Since 2020, BNP Paribas has been committed to a total exit path of the entire thermal coal value chain (coal mines, coal-fired power plants and coal-related infrastructure) by 2030 in Europe and the OECD countries, and by 2040 in the rest of the world.
- And in November 2023, we updated our sector policy to also exclude any financing to projects dedicated to the extraction of metallurgical coal. This means that we already ended all dedicated

<sup>1</sup> <https://reports.invest.bnpparibas/esef/bnpp-2023-12-31-en.html>

<sup>2</sup> [https://cdn-group.bnpparibas.com/uploads/file/bnp\\_paribas\\_2023\\_climate\\_report.pdf](https://cdn-group.bnpparibas.com/uploads/file/bnp_paribas_2023_climate_report.pdf)



financial services, including advisory services to metallurgical coal projects, whether it is for new coal mines, for the expansion of existing ones or the related infrastructure.

To that end, we maintain a strengthened dialogue with all our corporate clients,

Lastly, and importantly, the whole Group is working to support and encourage its corporate clients in their decarbonization through enhanced dialogue, and we pay close attention to how they are implementing their commitments and transition pathways.

The analyses carried out by experts of the steel sector show that there is currently no single path to achieving decarbonization. In this respect, our clients remain sole decision-makers of all their strategic and technological choices, which they make on the basis of the specificities of their business model, their level of integration, and the characteristics of their geographical locations and the availability of energy, particularly green hydrogen.

For our part, we are monitoring the implementation of their commitments and questioning the consistency of their trajectories with the IEA NZE 2050 scenario, in particular by 2030, thus keeping with BNP Paribas's own commitment to align our credit portfolios with global carbon neutrality by 2050, while we continue to support them in their investments in decarbonizing steel production.

Additionally, we would like to recall that BNP Paribas is fully aware that the mining sector, while playing a focal role in supporting the global energy transition, is also associated with high environmental and social risks especially with regards to human rights, environmental pollution and biodiversity. It is precisely to address these complex issues that as early as in 2013, BNP Paribas adopted a [mining sector policy](#)<sup>3</sup>, which includes mandatory requirements linked to the protection of human rights and those of local and indigenous communities, and to the safeguard of biodiversity and of the environment. This policy is updated regularly.

Also, as part of our global ESG risk management system for all our financing and investment activities (described each year in the Group's [Universal Registration Document](#) – See page 652 of URD 2023<sup>4</sup>), the Group started deploying a reinforced ESG assessment in June 2021. Through a set of questions, it covers 5 dimensions, including business ethics and impact on communities, as well as climate and biodiversity, and it is supplemented by an analysis of controversies affecting the client. The ESG assessment makes it possible to identify, assess and monitor the ESG performance and risks of the corporate clients of the Bank. Please note that mining & metallurgy have been listed among the 19 priority sectors for which the Group has developed a set of sector-specific questionnaires that include additional ESG topics not covered by the CSR sector policy, enabling us to better integrate the challenges and issues specific to the sector.

In this context, we stay attentive to reports from civil society organization which are helpful in particular to raise potential issues. As such they are regularly used in the dialogue with clients. We trust that this response clarifies BNP Paribas' commitment and processes to implementing reinforced due diligence to mining activities while ensuring the transition to a low carbon economy.

Yours sincerely,

Laurence Pessez

<sup>3</sup> [https://cdn-group.bnpparibas.com/uploads/file/bnpparibas\\_csr\\_sector\\_policy\\_mining.p](https://cdn-group.bnpparibas.com/uploads/file/bnpparibas_csr_sector_policy_mining.p)

<sup>4</sup> <https://reports.invest.bnpparibas/esef/bnpp-2023-12-31-en.html>