

# impak Battles



**About the author** *impak, the independent impact rating agency, regularly publishes content providing transparent data on the social and environmental impact of companies. By doing so, it aims to accelerate the transformation towards a stakeholder economy generating an overall more positive contribution to society.*



Crédit Agricole

VS.



BNP Paribas

Highly affected by the market breakdown sparked by the sanitary crisis, banks have an important role to play in the economic recovery, providing a lifeline to the real economy and businesses that suffered. Considering the loss of capital experienced, however, the banking system as a whole will have to reinvent itself. Let's hope that it will be in a more sustainable way, given that any green or responsible recovery plan will have to include banks as well. With this in mind, *impak* has scrutinized the 2018 *impak Score*™ of two major banks: the French *Crédit Agricole* and *BNP Paribas*. Are there already some traces of impact practices that could give us a hint on their own recovery? As we

like to say: one dollar invested in a company with a comparatively higher score will have more chances of generating a positive impact than one dollar invested in a company with a comparatively lower score.



## COVID-19

*Crédit Agricole* has branches all over the world, of which many donated to solidarity funds to help their respective country during the health crisis, totaling €70M. The Group also set up a €20M Solidarity Fund for the Elderly to cover medical devices and equipment—*Crédit Agricole's* CEO and deputy donated half of their compensation to it. Other support measures include a six-month moratorium on loan repayments, a 0% state-guaranteed loan without fees for farmers, and a €210M cooperative support mechanism for multi-risk insurance policyholders that suffered business interruptions.

For its part, *BNP Paribas* donated €55M throughout 30 countries for direct support to local hospitals and vulnerable populations. Some examples of the support given include providing screening tests and supporting NGOs helping refugees, low-income families, and victims of domestic violence. These donations also supported the implementation of special programs for social businesses and microfinance institutions with a vulnerable clientele. Finally, the Group has helped develop a new financial tool—Covid-19 response bonds—and supported its clients to issue over US eq. \$59B of these bonds in 2020.

### Key figures

2018 Data



Crédit Agricole



BNP Paribas

**impak Score**™ 1000pts max

159

164

**Positive impact** 500pts max

18

0

**Negative impact** 300pts max

39

69

**Governance** 200pts max

102

95

**Total % of activities positively linked to SDGs**

1%

0.18%

**Number of Z-rated negative impacts**

3

1

**Overall ABC classification**  
See Methodology commentary

Z

Z

**Turnover** EUR bn

19.7 bn

42.5 bn

**Total return** from Jan 1st, 2018 to Sep 21th, 2020

-33,08%

-33,74%

Source: public data © *impak* Finance 2020



## Positive impacts

*Crédit Agricole* 18/500 **Winner**

*Crédit Agricole* (CA) has 4 material positive impacts for a total of 1% of its activities dedicated to solving SDGs. More than half (0.57%) relates to the financing of the energy transition (SDG 13: Climate action) through various financial tools: interest-free eco-loans, green bonds, partnerships (Engie), and investments (Unifergie). The second most important positive impact representing 0.02% of its activities, is the access to financial services for the poor and vulnerable provided by CA's basic bank account EKO.

*BNP Paribas* 0/500

*BNP Paribas* has zero points for material positive impacts, but this does not mean it has no positive impacts. The company has three, but given the low percentage of activities they represent, the lack of disclosure and the Z on negative impacts (which affects the total positive impact score, see notes), the positive impact score is zero. Through investments in social companies totaling 885.1M euros in 2018, *BNP Paribas* helped to increase responsible and impact finance (SDG 17: Partnerships for the goals). This positive impact is the biggest one identified and represents 0.06% of its activities. The two other non-material positive impacts can be linked respectively to access to financial services for the poor and vulnerable with 0.02% (SDG1: No poverty), and to SDG 8: Decent work and growth thanks to the Group's commitment to microfinance institutions totaling 0.01% of its activities.

## Negative impact mitigation

*Crédit Agricole* 39/300

Out of 9 material negative impacts identified, 3 are rated Z (which means that the impact does or may cause harm, see notes below), because of recent convictions. One was due to discrimination against a woman employee with respect to gender pay gap. Another Z was given for CA Guadeloupe's conviction for mental harassment. Regarding the mitigation activities following this conviction, initiatives were implemented, but they are too vague for us to understand their effectiveness or efficiency. CA being part of the list of systemically important banks, the last Z is due to a conviction by the European Central Bank (ECB) over irregularities in the way it declared its 2018 CET1. Noteworthy, the Group has €2.75B of total assets invested that are covered with ESG criteria.

*BNP Paribas* 69/300 **Winner**

In contrast with *Crédit Agricole*, *BNP Paribas* has 8 material negative impacts, but only one Z due to a conviction in 2017 for "unsafe and unsound practices on foreign exchange market" (SDG16: Peace, justice and strong institutions). In 2017, 96.1% of employees received training related to financial industries' laws and regulations. There is however not enough information on the offered training to assess its efficiency. It is also important to note that there's an on-going trial regarding the Group's participation in the Darfur conflict. Finally, in comparison with CA, *BNP Paribas* has €36.8B euros of total assets invested that are covered with ESG criteria

## Governance

*Crédit Agricole* 102/200 **Winner**

*BNP Paribas* 95/200

The governance sub-scores are tight, but what differentiates the two companies the most can be explained in one word: intentionality. *Crédit Agricole* has partly analyzed its value chain to increase positive impacts and reduce the negative ones, whereas *BNP Paribas* did not. This means CA slightly better assesses the risks related to the impacts it generates.



## BNP Paribas wins

Surprisingly, even though *BNP Paribas* had less than 1% of material positive impacts in 2018, it mitigated its negative impacts better than CA, and when taking into account the size of both companies, it had considerably less convictions at that time. However, with the pending Darfur trial on the one hand and the new climate strategy on the other, committing to fully phase out coal and encouraging companies to close and not sell coal assets, it seems likely that tables will turn in next year's analysis for these two massive financial players. But for now, the Scores show two things: that there is a long way to go for the financial sector to generate material positive impacts, and that even the smallest sustainably-oriented maneuver can generate a big difference. With an *impak Score* of only 5 points over its competitor, *BNP Paribas* is the tight winner of this *impak Battle*.



## Specificity of the sector

The current critical social and environmental events happening worldwide bring a new stance on the importance of banking. Climate change, which exacerbates social inequalities, is simultaneously the biggest negative impact factor, but also an opportunity to do good on a massive scale. The sanitary crisis has enhanced this opportunity as banks are key actors in the different countries' recovery plans, in which some countries have been bold enough to attach climate and social targets. The sector's biggest liability could become its strongest asset if rightfully managed and in a timely fashion. Banks brought the Western world as we know it to life, we shall hope this blatant wake-up call will turn them into agents of impact.

## Methodological notes

Data are based on both companies' 2018 public financial and extra-financial statements, compiled using *impak's* rating methodology available on [www.impactfinance.com](http://www.impactfinance.com), and aligned with the [Impact Management Project \(IMP\)](#) framework.

The methodology follows the IMP classification: A (Act to avoid Harm), B (Benefit stakeholders), C (Contribute to solutions), and Z (Does or may cause harm).

It should be said that both companies count a few other potential positive impacts that were not taken into account because of a lack of information or because they represent less than 0,01% of the companies' total activities.

Note that according to our methodology, the level of penalties in case of a Z is based on 3 different factors: the type of Z (does cause harm or may cause harm), the repetition of the Z throughout time and, only in the case of a Z "does cause harm", whether or not, corrective actions have been taken.

Two positive impacts can overlap—for example, if the same product is certified Fair Trade AND Organic. The percentages of activities linked to these impacts are therefore not cumulative.

Duration is the timeframe for which the stakeholder experiences the outcome, and Depth is what is defined as the degree of change for the people experiencing the outcome (the beneficiaries). Both relate to the How Much dimension, one of the 5 dimensions defined by the IMP.

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