

LEVELLING UP: OUR ROADMAP ADDRESSING INEQUALITY



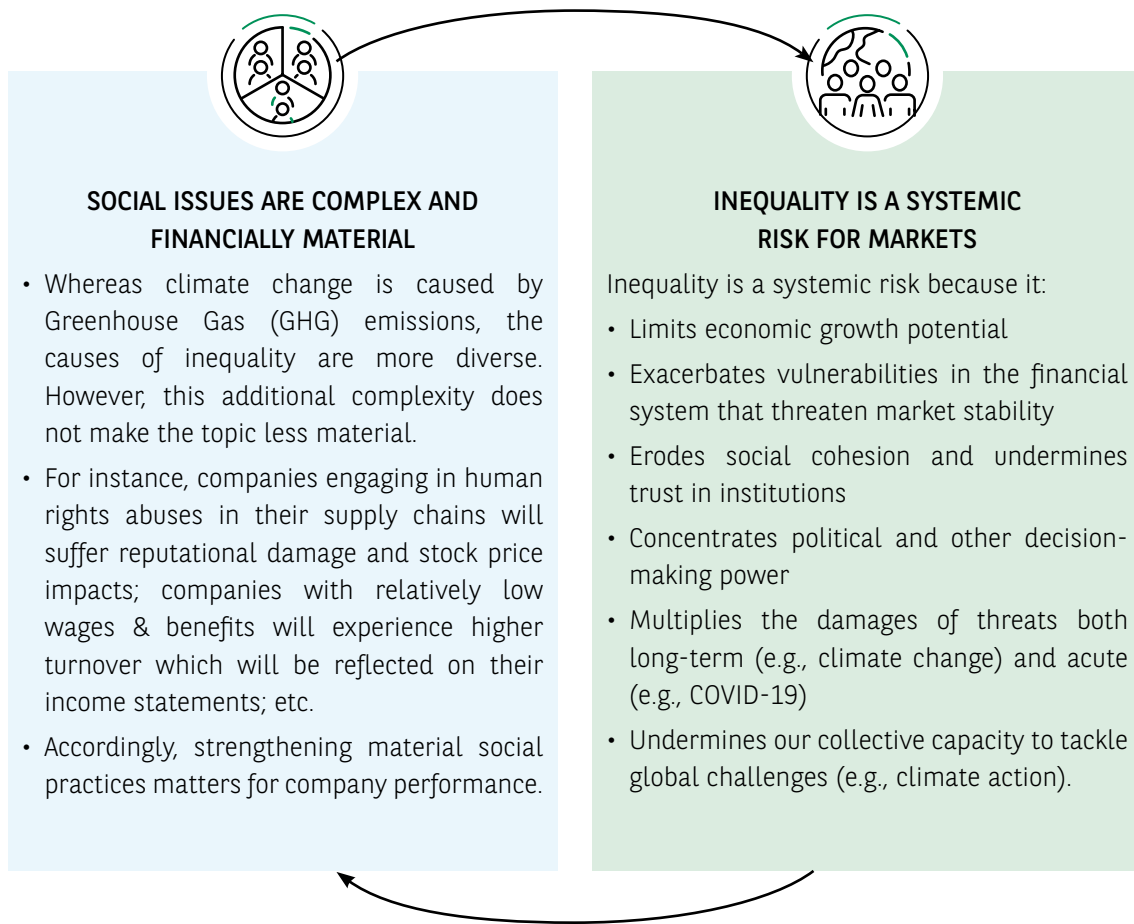
Inequality – or the inequitable distribution of income, wealth, and well-being – has reached a crisis point. The income gap between CEOs and workers, the wealth gap between billionaires and the rest of society, and the lack of health and education access for the least advantaged – even in wealthy countries – all point to the growing importance of inequality for society and the economic system we actively participate in. In our Equality Roadmap, we explain how inequality underpins and reinforces social risks and threatens stability, growth and sustainable returns. We offer a framework to help investors identify corporate activities that can exacerbate inequality and describe how BNP Paribas Asset Management takes action to address inequality.

Why should investors prioritise inequality? Our focus on addressing inequality is informed by a growing consensus among economists and other researchers – including the Intergovernmental Panel on Climate Change (IPCC) and the US Federal Reserve – on the economic and financial implications of inequality. Our conviction is that inequality risk can manifest systematically at both market and individual company levels. Therefore, **inequality is financially material, and it is our role as investors to address it.**



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Inequality matters for company performance:

- Companies that strengthen equality within their workforce through material benefits (e.g., living wages) and strong values (e.g., diversity) often enjoy high levels of employee satisfaction and should be more likely to thrive in a competitive market for talent. **Research¹ shows that high levels of employee satisfaction generate superior long-term returns. In turn, these companies should see increased employee loyalty and commitment – critical factors during economic downturns – and reduced staff turnover.**
- Companies that value diversity may limit discrimination in the hiring process and may reduce incidences of workplace discrimination and sexual harassment. Discrimination raises legal and reputational risks that can threaten a company’s ‘social licence to operate’.
- Research shows that better workplace practices, including improved wages and a commitment to diversity, benefit shareholders (e.g., the productivity gains from higher wages have been found to outweigh the costs of pay increases²).

Addressing inequality also represents an unprecedented opportunity to increase economic growth, reverse wage stagnation and increase consumer purchasing power, improve market and political stability, improve social cohesion and contain crises.

¹ [Employee Satisfaction and Stock Returns - \(alphaarchitect.com\)](https://www.alphaarchitect.com/employee-satisfaction-and-stock-returns)
² Emma Harrington and Natalia Emanuel. Working Paper. “The Payoffs of Higher Pay: Elasticities of Productivity and Labor Supply with Respect to Wages”.

Our framework for taking inequality action: Our roadmap introduces a new framework to assess how key corporate actions can impact inequality for a company’s workers (both its own workforce and those in the value chain), communities, consumers and others. Our assessment spans a company’s business operations, corporate governance and business ethics, and products & services, and helps us to identify and promote best practices, and address areas for improvement.

Business Function	Select Key Corporate Actions that can Impact Inequality Outcomes (European Sustainability Reporting Standards Stakeholder Group)	
BUSINESS OPERATIONS	OWN WORKFORCE (S1) + WORKERS IN THE VALUE CHAIN (S2) <ul style="list-style-type: none"> • Wages & Compensation • Healthcare and Benefits • Labour Standards & Working Conditions • Terms of Employment • Freedom of Association • Diversity, Equity & Inclusion (DEI) 	AFFECTED COMMUNITIES (S3) <ul style="list-style-type: none"> • Free prior informed consent • Ongoing community engagement
CORPORATE GOVERNANCE & BUSINESS ETHICS	ALL STAKEHOLDERS <ul style="list-style-type: none"> • Board Composition • Executive Pay • Disclosures and Transparency • Human Rights Due Diligence • Capital Allocation • Tax Practices • Political Lobbying • Anti-bribery & Corruption 	
PRODUCTS & SERVICES	CONSUMERS & END-USERS (S4) <ul style="list-style-type: none"> • Access and Affordability • Externalities 	

CLIMATE AND NATURE ACTION CAN IMPACT INEQUALITY OUTCOMES, AND VICE-VERSA

Building on our [Global Sustainability Strategy](#). We believe a more sustainable economic model is built on a successful Energy transition, healthy Ecosystems, and greater Equality in our societies. These ‘3Es’ are interrelated in complex ways – each driving and undermining our ability to achieve the others. We must tackle them together. Left unabated, climate change and nature loss will continue to expose the gaps in our social safety nets, punishing the least responsible and most vulnerable members of our societies first and most severely. Thus, we seek solutions at the intersection of our 3Es, such as the Just Transition, which sits at the nexus of our Energy transition and Equality strategies. **A successful energy transition and a healthy biosphere are essential to continued human prosperity, but they cannot be achieved unless they are approached equitably.**

This roadmap – the third in our ‘3Es’ series following our [Biodiversity](#) and [Net Zero](#) roadmaps – details our strategy for **how we use our equality framework to generate investment ideas, construct portfolios, control for risk, and engage with companies and markets** across the six ‘pillars’ of our Global Sustainability Strategy:

- 1. Forward-looking perspective:** We look at how companies are preparing for a just transition, and how they are promoting gender equality
- 2. Responsible business conduct:** We avoid investing in companies that do not respect human rights, labour standards and anti-corruption principles

3. **ESG integration:** We use environmental, social and governance data to assess companies' performance and risks, focusing on social indicators that measure inequality
4. **Stewardship:** We use voting, engagement and public policy advocacy to motivate companies to improve their equality practices and support shareholder proposals that address inequality
5. **Sustainability in our product range:** We offer investors products that align with our equality theme such as funds that invest in social bonds or inclusive growth
6. **Sustainability in our operations:** We 'walk the talk' on inequality and promote diversity and inclusion, fair wages, and employee well-being; we encourage staff to partner with organisations that, for example, seek to improve access to power and water, or take on youth unemployment

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VIEWPOINT



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