

## Driving ESG through disruption

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Co-hosts:

- Henrik Lang, Global Head of Liquidity at Bank of America
- Vincent Manier, CFO of ENGIE Impact
- Leonardo Sabedot, General Manager of Hallstar in Latin America

- Jonathon: [00:00](#) You're listening to the treasury insights podcast. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision making, creates efficiencies, and helps manage risk. Put another way, we want to give you the power to see what's next. Today, some treasurers may be wondering if sustainable investing has taken a back seat to the emergencies of the day. Recent events have shown that sustainability may be more important today than ever before. I'm Jonathon Traer-Clark, Managing Director GTS and with me is Henrik Lang, Global Head of Liquidity, Vincent Manier, CFO of ENGIE Impact and Leonardo Sabedot, General Manager of Hallstar in Latin America. Our hosts will examine ESG market trends and changes impacting treasury. Hi everyone. Henrik, let's start by telling us in a broad sense, how is Bank of America focusing on ESG investing today?
- Henrik [01:06](#) Thank you Jonathon, I'm pleased to be part of the panel. I'm very excited about hearing views from our clients. Let me start by showing a few examples of what we've been doing at Bank of America. We drive responsible growth by focusing on our clients, managing risk well and making sure that our growth is sustainable. As you can imagine in the current environment, these values have actually amplified. Just to highlight one example, we are a key player in distributing government aids in the U.S., but in other countries as well. We're also helping communities across the globe.
- Henrik [01:39](#) We remain a leader in sustainable finance and one of our core focuses right now to mobilize capital across the globe and bring much needed scale and flexibility to the financial system to channel these capital flows to helping people in need Bank of America has been doing a lot in moving the vast majority of our workforce into working from home. We have now all the 182,000 people effectively working from home and those teammates, who remain in branches and helping serve customers.
- Henrik [02:11](#) We make sure they have all the care they need in a secure and safe environment. But beyond what the broader enterprise is doing, there are some very specific initiatives and ideas that we've been bringing to treasurers. Looking at treasury and transaction services more specifically. We are preserving liquidity and as the Global Head of Liquidity, that's definitely close to my heart. We've seen a very large increase in deposits

that we are holding on our balance sheets and we are the first port of call for our clients when they're looking for safety, given the market uncertainty. We are also seeing a surge in our digital solutions. If you think about CashPro, our market leading online banking platform our clients are increasingly reliant on remote access and making sure payments can be approved while treasury and treasury departments are working from home. We also run a very large commercial card program within that we are helping to distribute financial aid to people in need.

- Jonathon: [03:08](#) Henrik, thank you for that. It's also important to emphasize for Bank of America, ESG is something we've been part of for many years.
- Henrik: [05:04](#) That's right. ESG is embedded across the organization vertically and horizontally. We have eight different business lines from consumer to capital markets. We covered the entire spectrum of clients, but also if you go deep down into the organization, ESG's been quantitative. When we developed new products, we have product managers who have an ESG mindset and we launched last November, our sustainable supply chain product, which was launched by our trade colleagues as a ground breaking new solution because we are offering treasury as the option to differentiate between the suppliers based on their ESG ratings. We do have ESG embedded in our entire company.
- Jonathon: [03:57](#) Thank you Henrik for that. Let's turn a little bit more to a client perspective and obviously we're very fortunate to have both Vincent and Leonardo on the phone with us. Vincent, how are you thinking about focusing your organizations ESG strategy and in particular in light of recent events would just be great to hear your perspectives.
- Vincent: [04:16](#) ESG strategy or sustainability as a whole is the day to day of our 2,000 employees and ENGIE Impact is a global company present in Europe in the U.S., in Asia and 50% of these employees everyday focus, manly on the data collection, data management in relationship with sustainability. And the other 50% is advising major businesses or public authorities on their sustainability strategy. Thank you very much for inviting me for the podcast because we have very interesting insights in the current context that I'm very happy to share with all of you. Focus on ESG is increasing. It's surprising in the current context.
- Vincent: [04:59](#) I would say more than ever, there's a sense of continuity that we have to recognize. You reminded us what Bank of America has been doing over many years and the focus on sustainability among major businesses really started picking up a lot over the past one or two years. We started 2020 very strong with a great momentum of major corporates taking root or commitments to reduce that carbon footprint.
- Vincent: [05:24](#) How do you think about the carbon footprint of a workforce mainly

working from home? You stop measuring, tracking, improving that carbon footprint, so it's kind of a new themes we see emerge. The risk management approach is very challenged today. We are discussing how to anticipate this global systemic landscape type of risk that's impacting the way our clients are looking at ESG strategy. The last theme that I like is fragility. Our systems are very fragile, are very interconnected.

- Jonathon: [05:53](#) Vincent, that's great. In particular, I was intrigued about your comment about working from home and the impact that has on the various parameters and everything else. People are using their homes as offices, but by the same token we have lots of empty buildings around the world for good reason. But I guess there's a tradeoff taking place there.
- Vincent: [06:09](#) We are in the middle of these conversations when we're looking at the tradeoffs. Employees at home have a different way of working and that's very challenging to our project too. How do you engage the workforce when everybody is decentralized and working from home? Today I'm not sure where's the right balance and if it's a good balance for the moment, but it is part of the very exciting debates we have right now with a lot of clients like banks in particular.
- Jonathon: [06:37](#) Yes, and I think if nothing else we've added more parameters to those tradeoffs. We started to think about medical sustainability in a very human context as a result of the current events. Vincent, thank you. Leonardo perhaps I'll come to you to hear your thoughts about your organization's approach to ESG and also of the benefits that you've found from having a focus on this area.
- Leonardo: [06:59](#) Thank you Jonathan for the opportunity to be here sharing some thoughts in this regard today. Hallstar is a much smaller company. We are a group of 200 employees worldwide. What we are focusing for ESG actions are pretty much protect the people first right now in say short, medium term. We have been also targeting liquidity issues. Of course we are now in the middle of a disruption and we need to be careful about how we manage our cash and liquidity. There are the third dimension of operations which are very important to be managed. There is all this new normal in supply chain turbulence.
- Leonardo: [7:38](#) We are now getting cash flow and that means could be also impacting people regarding their wages and salaries and how can we keep them within the organization is also a primary target. We don't know exactly how this extension to the crisis and its extension, but we are doing tough decisions to keep and protecting our social factor as much as we can. How can a company help in a very practical short term way?
- Leonardo: [8:02](#) We donate to the city and in our surrounding area as well as partnering with Bank of America in front of a donation to other hospitals and

healthcare institutions. Those are the five dimensions we are targeting to perpetuate the business and keep operations running and overall protecting people. When we look more long-term regarding all of the three dimensions of environmental, social, and also governance. We have different forms of action. When you talk about the environmental front, it's pretty much connected with our efficiency in our operations as well as how can we protect the supply chain?

- Leonardo: [8:36](#) We are very strict to regarding that the communities in the supply chain are perceiving the value of what they produce. That's very connected to the sustainable harvest team and it's sustainable over the supply chain. When you move to the social factor, that's pretty much connected in the first we keep our team protected and how can we reduce the pressure after crisis and they are concerned about salaries.
- Jonathon: [9:00](#) Can you give our audience one thing that they could measure or perhaps look to measure which would show the benefit of ESG over a period of time?
- Leonardo: [9:10](#) Well, I trust on the governance aspect, so say the better management or a well-managed taxation through rules or principles are something that are really tangible to collect to value for the company. In the early months in January, February this year, we were evaluating the tax over profit methodology because that's a continuous process. It must be aligned with where we're expecting to have the business in future. A margin wise segment volume and all of that influences in a better taxation methodology and generating value for shareholders.
- Jonathon: [9:43](#) You created essentially consistency of result and you could argue from a reputational perspective because of the strong governance you've got, people can have confidence in what you're saying and what you're doing and know their sustainability there as well. It actually plays into all of the elements of the ESG framework. Henrik, maybe before I go to Vincent, what about what you're seeing from other clients by way of ESG activities and again, particularly sort of measuring the benefits of being a good stalwart to the principals.
- Henrik: [10:12](#) In the past I've seen a lot more focused on the environmental aspects. That was a lot more tangible for people and a lot of the companies regardless the industry really focused on that. What we've seen in the last two months that social and governance is balancing the environmental piece out, causes a lot of positive impacts on the environmental piece, but we seeing a lot more focus on social and the governance aspects of ESG. We also expected at some point with the crisis ESG will move down on the priority list for corporate treasures, but interestingly it is staying right at the top of their priority list.

- Jonathon: [10:51](#) Great. Thanks Henrik. Vincent, coming back to you, obviously same question to you and perhaps if you could talk a little bit about what you see happening in the future.
- Vincent: [11:01](#) We have to talk first about the very short term future because there will be winners and losers after the pandemic. We've seen a lot of great companies taking the right steps to meet their social duties. I can clearly see the big push on asset classes, like think of renewable, think of mobility, what kind of sustainable investments that are going to be supported by the recovery plans of any government. It's quite big in Europe right now. There are a lot of discussion to link the recovery plans with a greener economy, in the U.S. the situation is a bit different.
- Jonathon: [11:37](#) That was very interesting, so you're saying in Europe they're making the link between the recoverability and ESG. How are they doing that?
- Vincent: [11:45](#) It's mainly on the environmental front. The idea is to boost the economy that's favor some types of investment and let's make sure that we take the opportunity to really finance a greener economy. That's all these discussions to really promote more sustainable economy versus the more like oil subsidized economy to make it very simple. It's not easy because again, there are tradeoffs to consider in this equation. We see more and more themes from social to environmental or different types of mechanisms, short term, long term.
- Jonathon: [12:20](#) You made a number of great points there, certainly connecting future investments with more of an ESG lens. I also thought you were talking a lot about people being much more aware of this and how they want to, I guess choose to spend their time, whether that be an investment or money, time, resources, whatever it might be. I would say greater transparency in global supply chains as well. Leonardo, in Latin America or as a whole, this has been a trend there for quite some time, but I'm wondering if you've seen it increase at all.
- Leonardo: [12:50](#) There is increasing ESG mindset yet a long way to go. I trust large corporations which are present here or multinational corporations or even domestic, yet experienced companies, they drive their initiatives on ESG, but there are the main GP engine, or the main GDP source of growth comes from the small and medium sized companies. We see people more concern regarding the sustainable consumption and sustainable environment surrounding people and companies as well.
- Leonardo: [13:20](#) When you look about socially, its maybe the most on the focus right now. We have seen movements of companies as I have never seen before, not only big companies, but small companies which are trying to help or organizing their selves to help in this current scenario and I trust that this concern and behavior would remain after the crisis. Another points to

highlight for South America is the governance factor. Companies and people are getting this perspective, looking to governmental decisions and could roll out that for companies.

- Jonathon: [13:51](#) That's a fantastic point. Henrik, how do we incentivize our people and our staff? How can they help, not just their organization obviously or their treasury function, but even just themselves and the companies and communities that they work in.
- Henrik: [14:05](#) There are definitely new ways required to try and assess productivity in a work from home environment. The more traditional ways of measuring performance are probably less effective. But I think technology comes quite handy. Where I'm seeing a change is how companies are leveraging digital technologies to try and measure performance. When it comes to performance management the more traditional having reviews during the year, maybe they need to be a little bit more frequent.
- Jonathon: [14:34](#) I would agree with you. I think you mentioned a lot about uses of technology, Henrik. Perhaps, if I go around and ask you about digital solutions, and how you're incorporating them into the execution of your strategy? Vincent give us a little bit of insight to what you're doing with regards to digital solutions.
- Vincent: [14:49](#) This morning actually I was in the meeting with the executive committee of ENGIE Impact to discuss the ESG strategies around the work from a situation and we talk about digital solutions. Also we have to be careful at not overreacting right now because initially we all reacted to a kind of a short term crisis and we saw that it was much longer term than what we thought.
- Jonathon: [15:13](#) Thank you for that. Henrik perhaps going to you, I mean obviously a lot of commentary thinking about the future using digital to get more insights into what people can do and a large degree of what I would call adaptability and agility being built into this thinking. How do you see the future rolling out for ESG and our approach to it?
- Henrik: [15:13](#) We started to think about the digital channels in a whole different way. When it comes to distributing government relief in the U.S., we realized that our online banking platform is actually a window into providing easy access for companies, small businesses to apply for these loans. We quickly jumped on the case and developed an online application form that clients can complete and submit online, so there's no need any more to go into the branches to make those applications. You can do a lot of these things online, but also I see additional surge in the use of e-signatures. Digital signatures will become the new norm because it's just practical and it really helps mitigate some of the health risks. There are so many of them, but I'm trying to pick the more interesting ones.

Henrik: [16:19](#) We have a solution called global digital disbursement, which is essentially a payment product, but it allows us and our clients to distribute money to people just by knowing their phone number or their email address. When some branches are closed or working on a reduced hour basis or people just preferring not to get out of their house in general. They don't even want to touch checks. If you can use a product or solution that allows companies to distribute money to their suppliers or to their employees just through electronic channels based on an email address or a phone number, that's very effective, and we're definitely seeing double digit growth in areas like global digital disbursement.

Jonathon: [17:04](#) Brilliant, we can say that there's plenty of opportunity there. As with all human endeavors, creativity and agility are the key attributes towards solving these problems and creating future opportunities. With that, I'd love to say thank you Henrik, Vincent and Leonardo for all of your insights and your time. It was extraordinarily valuable and great to hear your take on all of it. You've been listening to treasury insights. I'm Jonathon Traer-Clark, Managing Director of Global Transaction Services. My co-host today where Henrik Lange, Head of Global Liquidity, Vincent Manier, CFO of ENGIE Impact and Leonardo Sabedot, General Manager of Hallstar Latin America. As each day brings innovation and opportunity, we are dedicated to working with you to turn technology advances into intelligent treasury.

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