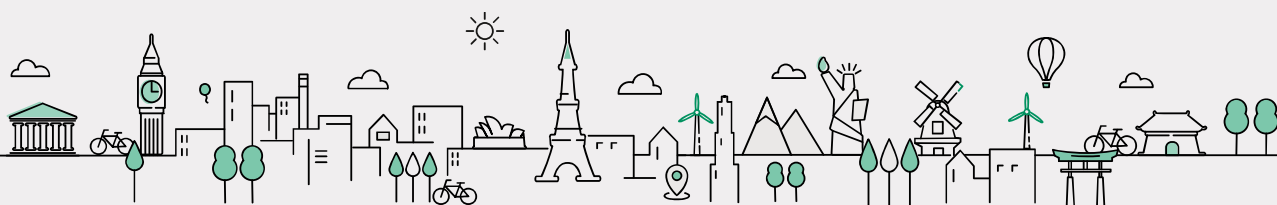


STEWARDSHIP POLICY

JULY 2019



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

INTRODUCTION

At BNP Paribas Asset Management, we view stewardship as both a responsibility and a privilege. Our clients have entrusted us with their assets, and we are dedicated to putting their interests first. This means careful consideration of all relevant financial, environmental, social and governance (ESG) implications throughout the investment process, with the aim of achieving long-term sustainable returns. It also means careful monitoring of our investments and constructive engagement to advance our clients' long-term best interests.

We believe that ESG issues impact the value and reputation of the entities in which we invest, in addition to driving systemic risks and opportunities. We are therefore committed to incorporate ESG standards into all of our investment processes.

The way we invest, and engage with companies and policy makers, is helping to shape future outcomes. It is our commitment and duty to use our influence to promote more stable and resilient capital markets and to positively affect the world around us.

In 2006, we became a founding signatory of the UN-backed Principles for Responsible Investment (PRI). The PRI's six principles include a commitment to "be active owners and incorporate ESG issues into our ownership policies and practices." (Principle 2)¹ Since that time, we have seen an increasing demand for meaningful stewardship programmes from both clients and policymakers, with the financial crisis and climate crisis driving the need for effective responses to increasingly complex sets of systemic risks.

As a global asset management firm, we endorse the [ICGN Global Stewardship Principles](#), as well as the [EFAMA Stewardship Code](#). We are also signatories to regional stewardship codes in the [United Kingdom](#)², [Hong Kong](#), [Japan](#) and [Malaysia](#) and will consider supporting codes introduced in additional markets. We are also subject to the European Shareholder Rights Directive II.

OUR SUSTAINABLE INVESTMENT BELIEFS

Stewardship is an opportunity and an obligation. As long-term investors, we believe that we should use stewardship (which encompasses proxy voting, company engagement and policy advocacy), to influence companies and the world for the better. We believe that engagement is generally more effective than exclusion – although divestment can be a last resort.

Our Sustainable Investment Beliefs, which can be read in full in our Global Sustainability Strategy, also encompass the following principles:

- ESG integration helps us achieve better risk-adjusted returns.
- We are long-term, forward looking investors.
- Our Fiduciary Duty is aligned with sustainable investment.
- A sustainable economic future relies on sustainable investment practices.
- Walking the talk is critical to achieving excellence

PART I. CORPORATE ENGAGEMENT

We believe that meaningful engagement with issuers can enhance our investment processes and better enable us to successfully manage long-term risk for our clients by promoting strong ESG practices in the companies in which we invest on their behalf. Notably, this commitment to engagement extends beyond our actively and passively managed equity investments, to our fixed income and private loans business, including engagements with sovereigns.

¹ Possible actions to demonstrate compliance with Principle 2 include the following:

- Develop and disclose an active ownership policy consistent with the Principles.
- Exercise voting rights or monitor compliance with voting policy (if outsourced).
- Develop an engagement capability (either directly or through outsourcing).
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions consistent with long-term ESG considerations.
- Engage with companies on ESG issues.
- Participate in collaborative engagement initiatives.
- Ask investment managers to undertake and report on ESG-related engagement.

See, <https://www.unpri.org/signatories/what-are-the-principles-for-responsible-investment>

² See [our statement of compliance](#) with the United Kingdom Stewardship Code.

Our long-term investment horizon places a company’s corporate governance arrangements and the quality of its senior management teams at the heart of our investment decisions. Sound governance is critical for the long-term operating and financial performance of a company, and is therefore a centrepiece in our engagements during and outside the voting season.

I.1 CORPORATE GOVERNANCE PRINCIPLES

BNP Paribas Asset Management’s voting approach is governed by a set of principles. These six principles – focus on long-term sustainable value creation; protect shareholder rights; ensure independent, effective and accountable board structure; align incentive structures with long-term interests of stakeholders; ensure respect for society and the environment; and disclose accurate, adequate, and timely information - underpin our expectations of the companies we invest in and act as guidance for us on how to carry out our ownership duties.³

I.2 PROXY VOTING

We vote proxies solely in our clients’ best interests, and the ultimate beneficiaries of the funds for which we are responsible. In executing our proxy voting responsibilities, we seek to develop a generally constructive and positive approach with the boards of companies we invest in, clearly setting out our expectations as a diligent steward of assets. But we will not hesitate to abstain or oppose management or support shareholder proposals when applying our voting guidelines, which are designed to advance the long-term interests of our clients.

To help us implement our policies, we use the services of proxy voting providers ISS, which provides voting research and a voting platform for all companies, and Proxinvest, which provides research on French companies. These proxy voting providers are used to help us implement our policies. We do not delegate decision-making authority to them. Arrangements with proxy voting providers are reviewed annually.

For a more detailed understanding of how we cast our proxy votes, review our Governance and Voting Policy and annual votes.⁴

I.3 DIRECT ENGAGEMENT

BNPP AM maintains an active program of direct corporate engagement on a wide range of governance, social and environmental issues. These engagements are designed to enhance the long-term value of our shareholdings and to foster corporate governance best practices, social responsibility and environmental stewardship.

Successful engagements are often based on the development of long-term relationships built on trust and mutual understanding. Every year, we hold a wide range of meetings with issuers to elicit information for investment decision-making and ESG rating. In addition to these due diligence-focused meetings, we also participate in a wide range of meetings with issuers to express a point of view and advocate for a change in policy or practice.

The decision to engage with a company is based on two categories of considerations – topical and practical:

TOPICAL	PRACTICAL
<ul style="list-style-type: none"> • The urgency and severity of the issue; • The need to clarify or assess a company’s performance in an area and/or in relation to our Responsible Business Conduct standards or sector-based policies; • Consistency with our Global Sustainability Strategy, Corporate Stewardship Strategy and Governance and Voting Principles; • The company’s overall ESG performance; • The role the issuer plays in creating or exacerbating the risk to be addressed (e.g., for a climate change engagement, whether the company is a heavy GHG emitter); • The importance of the issue for the company and the industry in which the company operates. 	<ul style="list-style-type: none"> • The size of our holdings; • Reasonable access to the company, directly or via our Affiliates or Delegated managers; • Our judgment as to the likelihood of success; • Needs identified by our partners in collaborative investor engagements, such as the Climate Action 100+, CERES or IIGCC; and • Our past experience of engagement with the company and the company’s degree of responsiveness to the issue.

³ BNPP AM’s Governance and Voting Principles can be found at <https://docfinder.bnpparibas-am.com/api/files/A27AB987-48DB-492D-B9D0-66357B652716>.

⁴ Idem.

Our corporate engagement priorities and strategies are guided by our Global Sustainability Strategy, which outlines our key firm-wide sustainability priorities. This document is reviewed and adopted every three years. More detailed strategies and principles are outlined in our Corporate Stewardship Strategy and Governance and Voting Principles, which are each reviewed and approved annually. All of these documents are approved at the highest levels of our firm.

I.4. CONDUCT OF DIALOGUES AND ESCALATION

Investor-issuer dialogue is the foundation of good stewardship – it allows for trusting relationships to be built over time, permitting candid solution-oriented discussions about issues that might not otherwise be addressed. Dialogue, however, is a two-way street and there are times when stronger measures are necessary to encourage a company to reform its practices, or even to come to the table to discuss our concerns.

Our approach to stewardship provides for a variety of escalation strategies. In addition to voting against a company's financial accounts, or members of the board, our engagement tactics include public questions at general meetings, the submission of shareholder proposals, making public statements, such as periodically announcing our voting intentions ahead of time and, in rare situations where appropriate, additional legal strategies. We also regularly exclude from our actively managed portfolios companies that fail to meet our Responsible Business Conduct standards and Sector Based Policies.

BNPP AM recognises that the ability to submit shareholder proposals for a vote at company annual meetings is an important shareholder right and a key part of the corporate governance process, particularly in the United States where shareholder proposals have played a leading role in improving corporate governance and mitigating environmental and social risks.

The decision to escalate an engagement is taken on a case by case basis, to ensure that our concerns have been properly addressed. Factors that we will consider when determining whether to file a shareholder proposal or take more proactive steps include the practical and topical considerations specified above, which includes guidance from organisations that help coordinate shareholder proposal filings, such as IIGCC, Ceres and ICCR. While we will take into consideration our engagement experience with the company, we may consider submitting shareholder proposals where we have not had prior engagement, but we observe that the company has not been responsive to engagement by other institutional investors.

All shareholder proposals will be submitted with a request for dialogue in the anticipation of possible withdrawal prior to publication of the company's proxy statement, if agreement can be reached. We will always seek to obtain these withdrawal agreements in writing, and will base our decision whether to file the proposal the following year on compliance with our agreement. Where we are serving in a supporting role, as a 'co-filer' of a proposal, the lead filer will be responsible for negotiating withdrawal of the proposal with the company.

If we are unable to reach agreement to withdraw our proposal, the proposal is put to a vote at the company's annual meeting. A representative of the filers will be required to present the proposal at the company annual meeting. If we are the lead filer, but unable to attend the meeting ourselves, we will designate another investor representative to present the proposal and to read a brief speech we have prepared.

Our strategic objectives and voting intentions on environmental and social aspects are further described in our Corporate Stewardship Strategy and in our Governance and Voting Principles. These documents are approved by BNPP AM's Sustainability Committee.

BNPP AM's Stewardship team performs an annual assessment of the effectiveness of these efforts.

STEWARDSHIP BEYOND PUBLIC CORPORATE EQUITY

Our stewardship responsibilities extend beyond our public equities holdings. We also regularly engage with the issuers of green bonds, to help us understand the environmental and social risks and expected benefits of the issuance to ensure the investment is appropriate for our clients,⁵ and to promote better sustainability practices and public reporting.

We also plan to increase our engagement with sovereigns on material ESG issues, including climate change, which may impact the value of our investment or their ability to meet their obligations to investors.

Within our private debt business, we survey corporate borrowers on a range of ESG characteristics and apply strict environmental standards to our real estate portfolios.

⁵ For example, we are seeking to ensure that the projects to be funded are in line with our taxonomy of eligible activities and to ensure the issuance is not intended to finance excluded activities.

PART II. MONITORING AND RISK MANAGEMENT

II.1. MONITORING OF FINANCIAL PERFORMANCE AND RISK

Our investment teams monitor the financial performance and risks of the entities in which they invest, on an ongoing basis. A wide variety of data sources and research providers are used to build up a comprehensive view of the current and expected evolution of each entity's revenues, profitability, cash flows and balance sheet. This analysis is supported by visits, meetings and other interactions with the senior management of the entities in which we invest. In these efforts, our investment teams are supported by the Sustainability Centre, the Quantitative Research Group and our risk teams.

The Sustainability Centre provides ESG analysis and perspectives, highlighting those ESG factors that are most material for each sector, and each entity operating in that particular sector. Our Quantitative Research Group has developed a number of models and tools which help to identify attractive opportunities within large investment universes, based on a quantitative screening of financial and non-financial performance indicators. Our risk teams monitor investment risks from the individual security, sector and asset class level to the overall portfolio level, and monitor whether the risks we take in our investments are consistent with our investment processes, and in compliance with client guidelines, and the regulatory and legal framework.

II.2. MONITORING OF ESG PERFORMANCE AND RISK

From 2020, BNP Paribas AM targets that all investment strategies will adopt sustainable investment approach, thereby integrating formally ESG risks and opportunities.

Our ESG integration process is designed to identify and assess areas of risk or opportunity which may not be understood by all market participants, and may therefore provide our managers with a relative advantage. The process to integrate and embed ESG factors is guided by formal ESG Integration Guidelines and overseen by an ESG Validation Committee.

Our Sustainability Centre oversees the development and implementation of our sustainable investment strategies. Our team of ~25 ESG analysts and specialists carries out systematic ESG research on our investment universe. They follow and monitor companies throughout the year, culminating in an annual proprietary ESG performance score for each company, based on sector and sub-sector benchmarks. These scores and associated sector reviews are disseminated to all relevant portfolio management teams, in addition to lists of issuers that fail to meet our ESG standards and are therefore ineligible for our actively managed portfolios.

Portfolio Managers may choose to invest in low-rated ESG companies, but are obligated to explain their decision and, in many cases, to engage with these companies to improve their rating. For more information, see our ESG Integration Guidelines and Global Sustainability Strategy.⁶

Our sector-specific ESG research covers a broad range of potentially material risks, including systemic risks to the environment and society, from climate change to incidences of bribery and corruption, to consumer privacy breaches. Our ESG analysts are in charge of assessing each company's ESG performance and monitoring each invested company's compliance with our Responsible Business Conduct Policy.⁷ When an analyst believes that a company may be facing a controversy that could undermine its ESG credentials and track record, he/she sends an alert to BNPP AM's investment teams and determines whether the company's rating should be lowered. The analyst will always try to engage with the company before making a final decision. If the controversy is particularly serious, the company could be eventually excluded altogether from the investment universe for our actively managed portfolios.

Effective engagement can reduce risk, unlock value and positively impact the world around us by promoting improved sustainability practices and greater transparency.

In addition to due-diligence and research-focused engagements conducted by our investment teams or members of our Sustainability Centre, we conduct engagements with companies to address a wide range of issues, but with a particular emphasis on human rights, climate change and corporate governance. Although issuer-selection criteria will vary by engagement, in general we will seek to engage with those companies where we see the greatest likelihood for exercising our influence, with an emphasis on our larger holdings within each region (see section 1.3).

We take a holistic view in our engagements, focusing on issues that may be financially material as well as those that present the most salient risks to society or the environment, consistent with our obligations under the UN Guiding Principles on Business and Human Rights, the OECD's Guidelines

⁶ <https://docfinder.bnpparibas-am.com/api/files/1FC9FC6C-0DA8-468E-90B3-016DDB5CD270>.

⁷ To find out more about our Responsible Business Conduct Policy please see <https://docfinder.bnpparibas-am.com/api/files/D8E2B165-C94F-413E-BE2E-154B83BD4E9B>.

for Multinational Enterprises,⁸ and the set of international treaties and laws that underpin the UN Global Compact Principles. It is also consistent with our obligations, as fiduciaries, to do what we can to mitigate systemic risks that impact our clients and future investment opportunities, such as climate change, biodiversity loss and inequality. These systemic risks are often the focus of our long-term thematic engagements. *See our Global Sustainability Strategy for a discussion of « the Three E's (Energy Transition, Environmental Sustainability and Equality) » that, we believe, are necessary conditions for a sustainable economic system.*

When monitoring investees, we also evaluate company's capital structure. We aim to determine if a company's capital structure and capital allocation decisions are: a) appropriate for the company's industry and circumstances; b) transparent; c) respects all shareholders' rights and interests; and d) balances responsible optimisation of returns on capital with broader stakeholder impacts. We will engage with companies to encourage behaviour consistent with adopting an appropriate capital structure. For example, a company's capital allocation decisions, ranging from the structure and size of its executive compensation arrangements to its investments in research and development and workforce training, as opposed to allocations to share buybacks or dividends, has implications for the long-term value of the company as well as for income and wealth inequality, a key macroeconomic risk. One reflection of our concern for these issues is our commitment to advocate for a Responsible Dividend, a commitment that is built into our voting policies and corporate dialogues.

II.3. INSIDER STATUS

In some circumstances, companies or their advisers may seek our involvement in corporate transactions, which may lead us to receive sensitive information. We may also receive material non-public information (MNPI) in the course of an engagement. We do not pursue insider status or MNPI. If BNPP AM were nevertheless to become an insider, or to receive MNPI, we would follow our relevant internal processes including flagging the event to our internal compliance team and abstaining from any activity that could constitute a breach of the applicable law or regulation or our code of ethics.

PART III. PUBLIC POLICY

BNPP AM has a long-term commitment to public policy engagement to advance our sustainability goals, strengthen the resiliency of the financial system and mitigate systemic risk.

We actively engage with public policy makers, helping them to shape the markets in which we invest and the rules that guide and govern company behaviour. We have constructively and effectively engaged with policymakers over many years (often at their request), with a particular focus on corporate disclosure, climate policy and corporate governance.

We view public policy engagement as integral to the fulfilment of our fiduciary duties to our clients, and with our commitment to the Principles for Responsible Investment, which recommend participation “in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).”

Our public policy advocacy is focused on advancing the following principles, in support of the global growth of sustainable finance:

- We will defend key shareholder rights that impact our ability to act as responsible long-term stewards of capital.
- We will promote strong corporate governance and disclosure, consistent with our commitments and policies. We will support mandatory meaningful sustainability disclosures, in all markets.
- We will actively advocate for sustainable finance to become mainstream practice.
- We will promote legal interpretations of fiduciary duty consistent with our investment beliefs.
- Consistent with the expectations we set for issuers, we will pursue our public policy objectives in a transparent manner, with a degree of specificity sufficient to inform our clients and relevant stakeholders of the positions we are taking.

In addition, we will work towards the objectives outlined in our Global Sustainability Strategy. The GSS includes three thematic pillars of a more sustainable economic system: the energy transition to a low-carbon economy, environmental sustainability and equality (the “three E's”). These three themes will provide a high level structure for our public policy efforts.

Our public policy efforts include a variety of approaches, such as:

- Public submissions to legislators, regulators and multilateral institutions, e.g., responding to public consultations

⁸ OECD (2017), Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, available at <https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf>.

- Participation in the development of policy proposals in public and private fora, such as technical advisory committees and investor associations
- Meetings with policymakers
- Publication of white papers and endorsement of public statements and commitments

We may conduct public policy engagements individually, but we favour engagements that are taken in partnership with other investors, in formal or informal networks, wherever possible.

BNP Paribas has published a charter for responsible representation with respect to public authorities.⁹ The charter applies to all employees and all countries, and all activities carried out in all countries in which BNP Paribas operates. The charter contains a number of commitments to integrity, transparency, and social responsibility. In addition, BNP Paribas employees and any external consultants who may be engaged must inform the institutions and organisations with which they are in contact who they are and who they represent. The BNP Paribas group has also undertaken to publish its main public positions on its website. BNP Paribas provides relevant employees with regular training in best practices in public representation activities. In France, for the avoidance of doubt, BNPP AM is not a “représentant d'intérêts” and complies with the corresponding restrictions.

PART IV. COMMITMENT TO COLLABORATION

Collaboration with other long term investors and key stakeholders can help us to achieve our common aims, particularly with respect to mitigating systemic risks. We have a long-term commitment to working with other like-minded investors and to participate in investor networks to learn from our peers and to raise standards.

When collective action is likely to enhance our ability to engage with a company, and it is permitted by law and regulation, we will work with other asset managers depending on the issue of concern and the alignment of views among the investor group.

We are an active member of formal and informal groups and initiatives internationally that facilitate communication between shareholders and companies on corporate governance and social, ethical and environmental matters. We also engage collectively on matters of public policy.

For the avoidance of doubt, as a rule BNPP AM will not, in principle, participate as a party to class action litigation.¹⁰

PART V. GOVERNANCE AND REPORTING

In order to ensure that our stewardship activities are effective, consistent, and supportive of our overall objectives as fiduciaries, we base all of these efforts on a Global Sustainability Strategy, supported by a Corporate Stewardship Strategy and a Public Policy Strategy, each of which is approved at the highest levels of the firm.

Our Global Sustainability Strategy is approved every three years, and our Stewardship Policy, Corporate Stewardship Strategy, Governance and Voting Policy and Public Policy Strategy, every year, by our Sustainability Committee, which is a component of our Investment Committees, chaired by our CEO. Versions of these documents are made available for the public, in French and English. These documents outline our overall approach to sustainability and our key engagement priorities.

We are also committed to report on an annual basis, and in an open and transparent manner, the results of, and underlying reasons behind, our engagements and voting decisions, including an annual record of all of our proxy votes. We publish a Sustainable Investment Report on an annual basis (beginning in 2019), which will demonstrate the value our approach creates for our clients, including an overview of our voting and engagement activities for the year.

PART VI. CONFLICTS OF INTEREST

BNPP AM has adopted investor protection rules regarding the prevention and management of any incurred or potential conflicts of interest by implementing a Conflicts of Interest Policy and an associated Conflicts of Interest Inventory. This policy and inventory is regularly updated in order to

⁹ Please see <https://group.bnpparibas/en/charter-responsible-representation-respect-public-authorities>

¹⁰ For more information on our Class Action Policy, please read <https://www.bnpparibas-am.com/en/footer/class-actions-policy/>.

ensure its accuracy and exhaustiveness. The Conflicts of Interest Policy can be found on our website at <https://www.bnpparibas-am.com/en/footer/mifid-directive/>.

DISCLAIMER

BNP Paribas Asset Management France, “the investment management company,” is a simplified joint stock company with its registered office at 1 boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832, registered with the “Autorité des marchés financiers” under number GP 96002.

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