For professional investors

GLOBAL SUSTAINABILITY STRATEGY

BNP PARIBAS ASSET MANAGEMENT

The asset manager for a changing world

About BNP Paribas Asset Management

BNP Paribas Asset Management is a leading provider of quality investment solutions for individual, corporate and institutional investors. We have around EUR 400 billion assets under management, over 3000 staff in 36 countries.* We are backed by BNP Paribas Group, whose scale and A rating** gives us and our clients the secure foundation to invest and make a positive difference in people's futures.

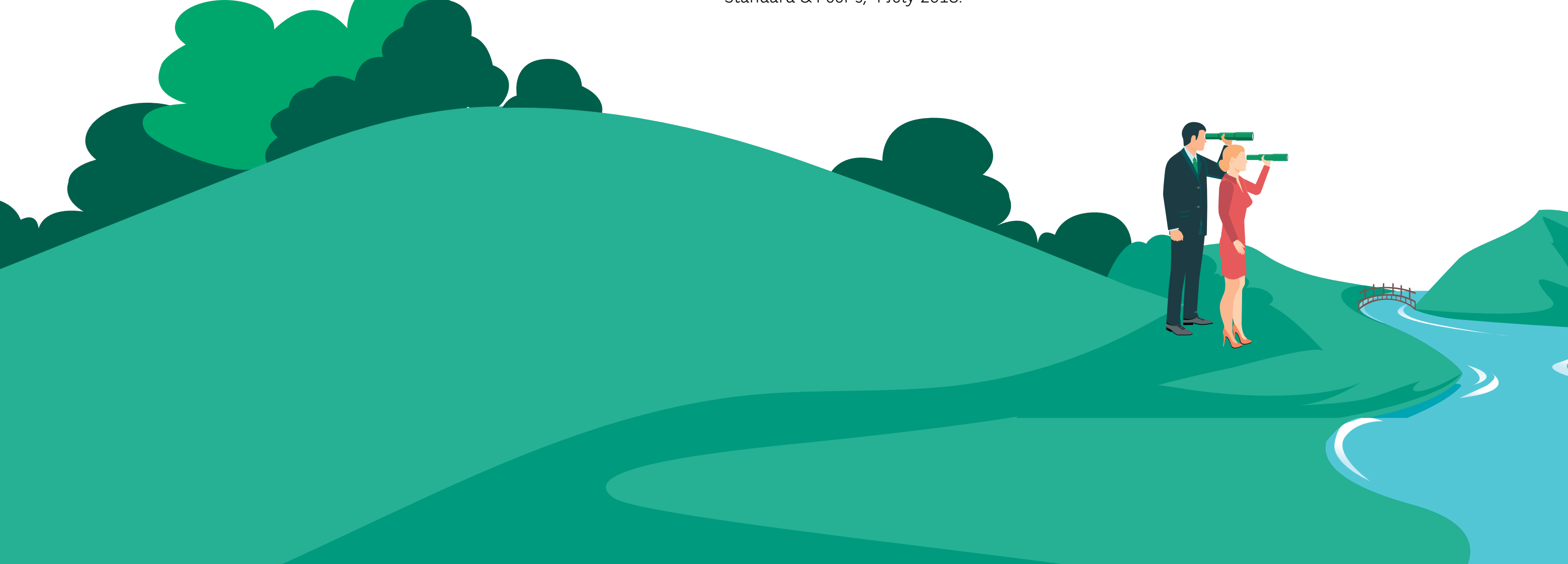
We are 'the asset manager for a changing world', because we have organised ourselves to be able to stay at the forefront of developments while maintaining an unwavering focus on what our clients want most – long-term sustainable investment returns, built on the firm foundation of quality assets.

The world is discovering that an exclusive focus on financial data and short-term performance does not produce long-term growth or investment returns. Eyes are turning to companies like ours, who for many years have taken a broader perspective and have identified how the strategies and behaviours adopted by companies and governments can influence the sustainability of their growth.

This single-minded philosophy has shaped our company and directs all we do: our strategy, our structure, our products, our processes and our culture, the way we engage with our clients and the companies and markets we invest in. This is why we say that investing means the world to us.

BNP Paribas Asset Management has been a major player in sustainable investment since 2002.

* Source: BNP Paribas Asset Management, as of 31 December 2018. Joint Ventures included.
** Standard & Poor's, 4 July 2018.



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In a fast changing world, our focus is on achieving long-term sustainable investment returns for our clients. In line with this, BNP Paribas Asset Management ("BNPP AM") is committed to integrating sustainable investment practices across its strategies. We believe this is in the financial interest of our clients, and of the economy at large. This commitment incorporates two key components:

First, our full range of investment strategies will adopt a sustainable investment approach. **This means that they will integrate the key elements of sustainable investment: comprehensive research and integration of environmental, social and governance (ESG) factors; investor stewardship; responsible business conduct and product-based exclusions; and a focus on three thematic areas to promote a sustainable future. This document describes each element in detail, and how they will be implemented.**

Second, we will adopt firm-wide targets for measuring and progressively aligning our investment portfolios with a sustainable future, bolstered by strong stewardship activity. **We have a formal process in place to achieve this ambition.**

The first section of this document provides an overview of our investment approach, which reflects the Principles for Responsible Investment (PRI) and our belief that sustainable investment is simply good investment. As a major financial organisation, we are a firm believer in good governance, transparency and extensive reporting: both from the companies we invest in, and ourselves. We articulate our plans for further strengthening our investment approach, mapped against the PRI framework. We believe these efforts are integral to our ability to continue to deliver value to our clients.

SUSTAINABILITY IS AT

The second section of this document presents our Sustainable Investment Roadmap (2019-2022), the path towards a low-carbon, more sustainable and equitable economic growth model. It is our belief that the current economic, social and environmental system is failing, and must be transformed in order for financial institutions to deliver sustainable returns. We are deeply attuned to the major systemic sustainability issues facing the world – climate change, resource scarcity, inequality – and committed to understanding not just how the associated risks and opportunities can impact our portfolios, but also how we as investors can help to shape the future, and minimise these risks over the long term. We explain where we believe we can make a difference through our investments, our ownership approach and by using our leverage as a financial institution. We have reflected this ambition in a number of priorities and targets, which will form the basis of our reporting.

"It is in the interest of our clients to build a sustainable and inclusive economy and is therefore central to our fiduciary responsibility. Our willingness to take this on – through our investment processes and our engagement with companies, policymakers and wider society – gives us the opportunity to be a force for a better future. This is central to our firm's strategy and our ability to deliver the best long-term returns we can for our clients."

FREDERIC JANBON
CEO and Head of Investments

THE HEART OF OUR STRATEGY

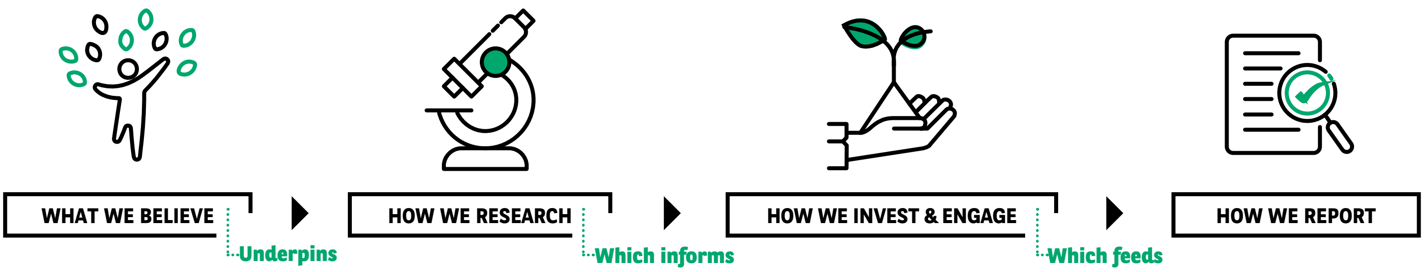
"If we are to successfully address the challenges of today – and secure a prosperous and sustainable economy for tomorrow – long-term investors must rise to the occasion as 'future makers', using the leverage that our investments and our voice bring to positively influence the world around us. We relish this opportunity and look forward to partnering with our clients and financial sector peers to achieve what should be a joint aim: a sustainable future."

JANE AMBACHTSHEER
Global Head of Sustainability

PART 1.
OUR APPROACH TO SUSTAINABLE INVESTMENT

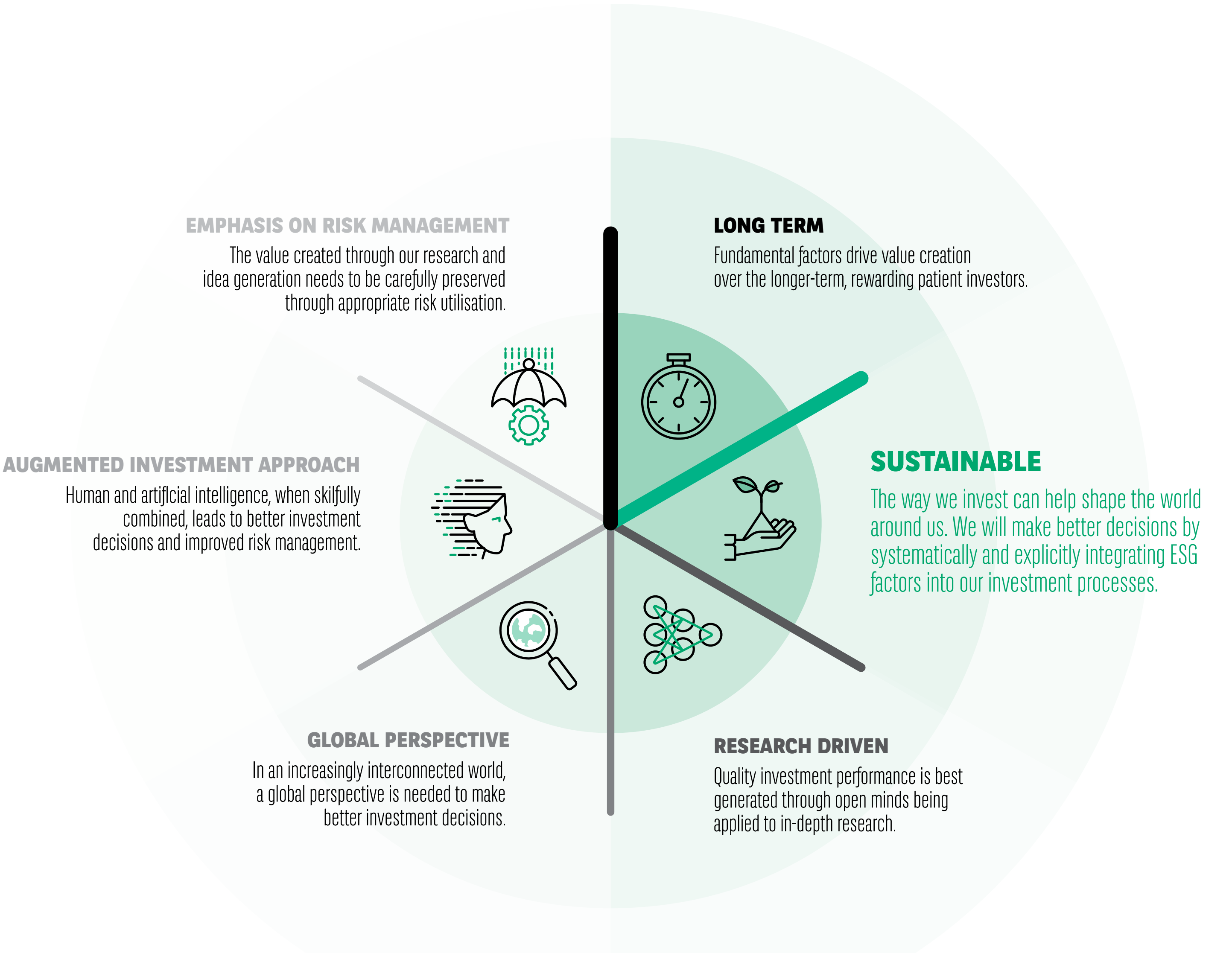
BNPP AM's commitment to sustainable Investment began in 2002 with the launch of our first socially responsible investment (SRI) fund. We joined the Institutional Investors Group on Climate Change (IIGCC) shortly afterwards, and in 2006 we were a founding signatory to the UN-supported Principles for Responsible Investment (PRI). Since then, we have continued to strengthen our commitment. For example, in 2012 we introduced and implemented the United Nations Global Compact Principles as a standard across our investment funds and in 2015 we committed to aligning our portfolios with the Paris Agreement.

The PRI has assigned us an A+ rating, the highest possible, for the last three consecutive years. In doing so, the PRI has highlighted our commitment to ESG integration and our high degree of involvement in bringing these issues to the attention of the companies and markets we invest in.



A. BNPP AM'S INVESTMENT BELIEFS

BNPP AM's investment philosophy contains a number of key pillars, including sustainability, as outlined here.



These investment beliefs are supported by our clear understanding of risk. Risk is multi-dimensional and should not be viewed solely in financial terms such as variability around a benchmark, or the risk of capital loss (particularly permanent capital loss), but also in terms of reputational damage or, more broadly, the risk of generating unexpected or unsatisfactory outcomes.

In 2018, we enhanced our investment philosophy with the development of a more detailed set of investment beliefs focused on sustainability. These six beliefs, with the associated detail underpinning each, are summarised in the panel on the next page.

OUR SUSTAINABLE INVESTMENT BELIEFS

- **ESG integration helps us achieve better risk-adjusted returns.**
  Sustainability is a long-term driver of investment risks and returns[1,2]. We believe sustainability is imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure. Against this background, we will make better investment decisions if we systematically and explicitly integrate ESG factors into our investment analysis and decision-making.

- **Our fiduciary duty is aligned with sustainable investment.**
  We have a duty to our clients to make well-informed investment decisions, taking reputational, operational and financial risks into careful consideration. ESG factors are a key element of this.

- **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.

- **We are long-term, forward-looking investors.**
  We analyse the past in order to better anticipate future developments while considering the economic model which will best serve us in the long term – one focused on low-carbon, sustainable and inclusive growth.

- **A sustainable economic future relies on sustainable investment practices.**
  The way we invest and engage with companies and regulators can help shape the world around us. We believe managing ESG risks will help promote greater market stability and more sustainable long-term growth while delivering the same, or better, financial returns.

- **Walking the talk is critical to achieving excellence.**
  As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest. That is why this is a priority for us. We are exploring how we can integrate sustainability considerations more fully across all aspects of our business, including how we manage our facilities and engage our employees.

B. THE COMPONENTS OF SUSTAINABLE INVESTMENT: AN OVERVIEW

Sustainable investment includes four elements, all of which are utilised by BNPP AM. Together, these approaches strengthen the way we invest, including how we generate investment ideas, construct optimal portfolios, control for risk and use our influence with companies and markets.
We introduce these approaches below, and explain our approach more fully in the subsequent pages.

SUSTAINABLE INVESTMENT

1. ESG INTEGRATION ACROSS ALL INVESTMENTS

Improve risk-adjusted returns

2. STEWARDSHIP (VOTING, ENGAGEMENT)

Protect company value; influence sound regulatory framework; promote better social and environmental outcomes

3. RESPONSIBLE BUSINESS CONDUCT EXPECTATIONS & PRODUCT-BASED EXCLUSIONS

Avoid reputational, regulatory and stranded asset risk

4. FORWARD-LOOKING PERSPECTIVE: THE '3Es'

Enhance investment decision-making; preserve long-term market performance

+

IMPACT, THEMATIC AND SOCIALLY RESPONSIBLE INVESTMENT

Allocate to sustainable investment opportunities

THE IMPORTANCE OF GOVERNANCE

- **Governance is crucial to our investment approach.** As long-term investors, we view a company's corporate governance arrangements and the quality of its senior management as important factors in all our investment decisions. Transparency with regard to accountability and disclosure, and trust in the competence and judgement of management are prerequisites for building the long-term relationships we seek with the companies we invest in. At the same time, we regard these criteria as critical for the long-term operating and financial performance of a company. This is reflected in the weighting we give to corporate governance in the ESG weighting matrix we use as an overlay for all our investments.
- **Engagement is pivotal to our active approach to asset management.** When we make a decision to invest in a company, we are looking not only at the attractive features we see in it today but also at how we can engage with management over time to help drive continual improvements in its operating, financial and sustainability performance. As we view governance to be crucial to a company's performance across all three of these areas, regular and frequent engagement with management on governance issues – transparency, disclosure, accountability, remuneration and diversity – is a high priority.

COMPONENTS OF SUSTAINABLE INVESTMENT

1. ESG INTEGRATION

At the core of all our investment processes, analysts and portfolio managers integrate a consideration of relevant ESG factors into their company, asset and sovereign evaluation and investment decision-making processes. As reflected in our investment beliefs, this process allows them to identify and assess areas of risk or opportunity which may not be understood by all market participants, and which provide them 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 goal is that by 2020, every investment process – and by definition, every investment strategy – will have been reviewed and approved by this Committee. Further information is available in our ESG Integration Guidelines and Policy.

2. STEWARDSHIP

BNPP AM is an active owner. We are thoughtful and diligent investors in companies, and have detailed proxy-voting guidelines on a range of ESG issues. 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.

Our portfolio managers and experts in our Sustainability Centre are in regular contact with investee companies, emphasising long-term value creation. In addition, we aim to meet country representatives more often to discuss national climate change commitments and policies, as well as a wider range of ESG considerations.

We collaborate closely with our peers and civil society organisations to formulate and communicate our vision to make a positive difference to people's futures, for example through our participation in the Climate Action 100+ initiative (see next page, where we outline the priority elements of our Stewardship Strategy).

3. RESPONSIBLE BUSINESS CONDUCT EXPECTATIONS AND PRODUCT-BASED EXCLUSIONS

We expect companies to meet their fundamental obligations in the areas of human and labour rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles. We engage with companies where they fall short, and exclude the worst offenders.

We also have a series of sector policies that set out the conditions for investing in particular sectors, and guide our screening requirements and engagement.

We do this because if not conducted properly the activities in question could cause serious social or environmental damage (such as palm oil).

We have another set of policies that commit us to exclude particular sectors or activities (tobacco, synthetic crude oil from tar sands, coal, controversial weapons or asbestos), as we deem them to be in violation of international norms, or to present unacceptable harm to society or the environment, without counterbalancing benefits. These are generally sectors where engagement makes little sense.

Our full approach is documented in our Responsible Business Conduct Policy.

4. FORWARD-LOOKING PERSPECTIVE – THE '3Es'

The most successful investors draw on the lessons of the past, while focusing on the future: particularly in a rapidly changing world. We believe the following three issues will be critical pre-conditions for a more sustainable and inclusive economic system: the energy transition, environmental sustainability and equality. We have established a set of targets and developed key performance indicators (KPIs) relating to these '3Es', addressing how we will align our investment research, portfolios, and company and regulatory engagement in support of each. These are further discussed in Part II, where we present our 2019-22 Sustainable Investment Roadmap.

STEWARDSHIP IS CENTRAL TO HOW WE INVEST

Our Stewardship Strategy includes the following categories of engagement:

1. **Public policy.** We actively engage with regulators, helping to shape the markets in which we invest and the rules that guide and govern company behaviour. Public policy can affect the ability of long-term investors to generate sustainable returns and create value. It can also affect the sustainability and stability of financial markets, as well as social, environmental and economic systems. We have constructively and effectively engaged with policymakers over many years, with a particular focus on corporate disclosure, climate policy and corporate governance.

2. **Engagement related to voting, governance and quality of management.** A major priority for us as part of our ongoing dialogue with the companies in which we invest is to promote good governance practices. These include a focus on long-term sustainable value creation; the protection of shareholder rights; independent, effective and accountable boards; incentive structures that are aligned with the long-term interests of stakeholders; respect for society and the environment; and the disclosure of accurate, adequate and timely information.

3. **The '3Es': Energy Transition, Environmental Sustainability, Equality and Inclusive Growth.** These three areas will serve as the focus for our global sustainability engagement efforts in the next three years (see Part II of this document). We will establish an in-depth dialogue with companies, for example, encouraging them to:
   - align their strategies with the goals of the Paris Agreement
   - improve their environmental footprint (such as water efficiency)
   - provide greater opportunities for women and minorities, at all levels of the organisation
   - adopt more equitable and transparent remuneration policies, including tax strategies that ensure that wealth is distributed more fairly across the value chain, where value is created.

4. **Responsible business conduct.** We are committed to engage or exclude companies that appear on our watch list for serious controversies, including those deemed to be in violation of the UN Global Compact Principles. In addition, the Sustainability Centre identifies and engages with other companies that, in our view, face serious controversies, violate other international norms or present significant ESG risks.

Our approach to stewardship, and associated policies, including proxy voting and public policy, are further elaborated upon in BNPP AM's Stewardship Policy.

BNP Paribas Asset Management – The scope of our approach to sustainable investment

We are committed to integrating sustainable investment practices across our investments. The following table details which elements apply to each aspect of our business.

- **Stewardship:** Shareholder engagement and public policy advocacy activities are undertaken on behalf of all of our assets under management.
- **ESG integration**: Our ESG Integration Guidelines and Policy apply to all of our investment processes (and therefore funds, mandates and thematic funds). However, they are not applicable to index funds and exchange-traded funds (ETFs)[3].
- **Responsible business conduct policies and product-based exclusions:** To date, we have applied these policies to all our open-ended funds, but related exclusions are not currently applied to all client mandates. By 2020, this will become the default approach for new mandates, and we will approach existing clients to seek their approval to apply the policy to existing mandates.
- **Forward-looking perspective – the '3Es':** As set out in Part II, we will measure our exposure to key issues across our full assets under management, and undertake related research in support of all investment teams.

	FUNDS	MANDATES	THEMATIC, SRI AND IMPACT FUNDS	INDEX FUNDS AND ETFs
STEWARDSHIP	✓	✓	✓	✓
ESG INTEGRATION	✓	✓	✓	✗
RESPONSIBLE BUSINESS CONDUCT	✓	Client opt-out possible	✓	✗
FORWARD-LOOKING PERSPECTIVE: THE '3Es'	✓	✓	✓	✓

Affiliated entities over which BNP Paribas Asset Management or the BNP Paribas Group do not have operational control are invited to adopt this strategy and implement the components of our sustainable investment approach. Where we use affiliates or external investment managers for our open-ended funds, we expect them to incorporate sustainable investment policies in line with our sustainable investment philosophy.

IMPACT, THEMATIC AND SOCIALLY RESPONSIBLE INVESTMENT

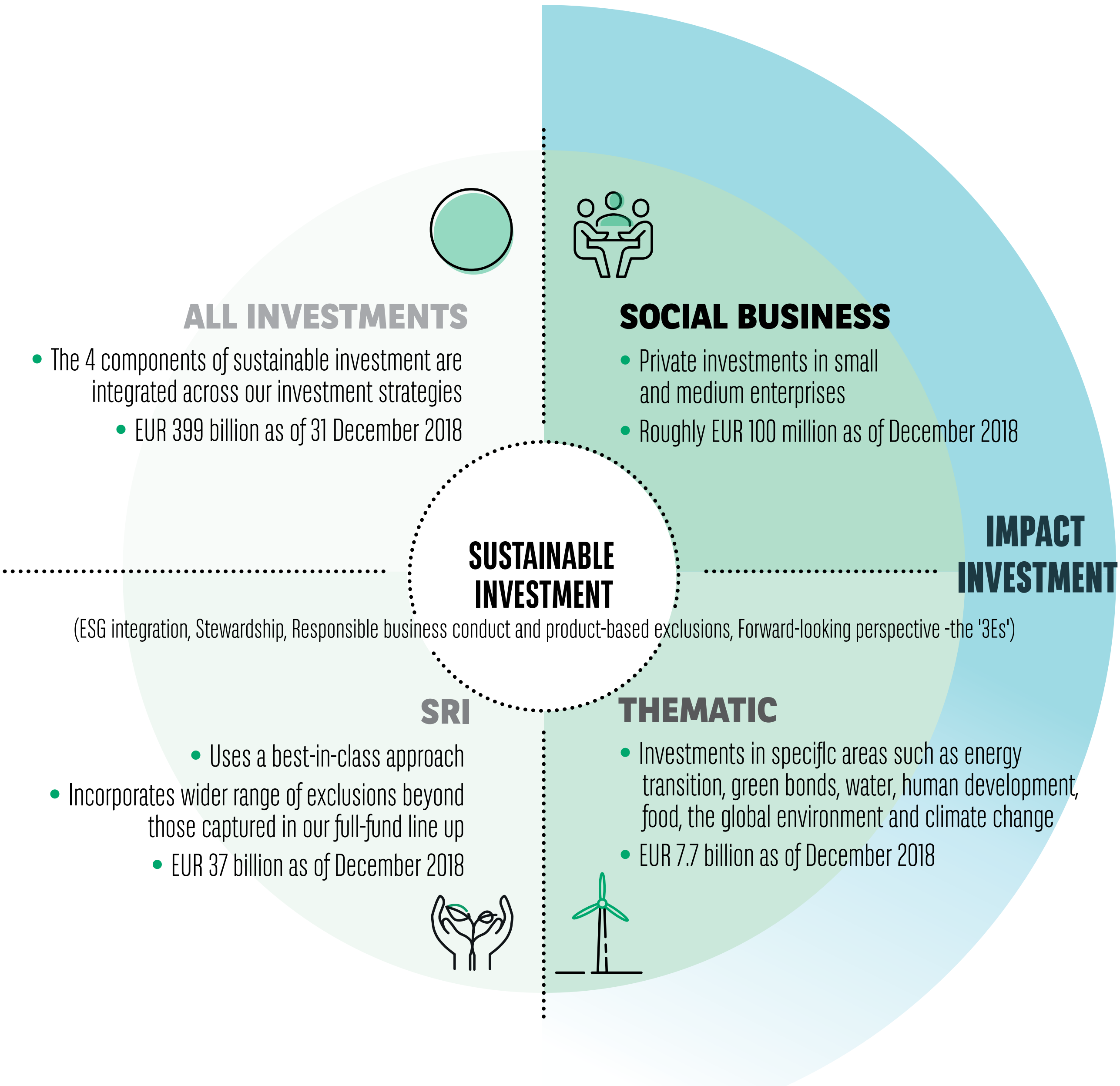
Through our direct impact investments, we have allocated approximately EUR 100 million to unlisted small and medium enterprises, which are creating economic value alongside direct social and environmental contributions. Our ambition is to continue to develop innovative thematic strategies which allow our clients to make investments that have measurable impacts.

We have a range of thematic funds which help clients pursue particular opportunities for more targeted sustainable investment. These funds (EUR 7.7 billion in assets of management as of 31 December 2018) are focused on areas such as the energy transition, green bonds, water, human development, food, the global environment and climate change. They enable investors to tap into specific trends or increase portfolio exposure to particular areas of the UN Sustainable Development Goals ("SDGs").

We also have a range of socially responsible investment (SRI) funds, which are systematically tilted towards more sustainable companies in each sector. These funds adopt all the elements of our sustainable investment approach, with two additional differences: i) they reflect a best-in-class methodology; ii) they incorporate a range of industry exclusions beyond those captured in our full fund line-up (such as alcohol). Our SRI fund range covers major asset classes, including global and European equity and credit, as well as sovereign debt.

Our various multifactor equity and fixed-income strategies adopt a best-in-class approach alongside broader ESG and carbon performance targets. In terms of passive investing, we have a range of innovative approaches – including having launched the first low-carbon ETF in 2008, and a zero carbon ETF for clients in 2019. We will continue to innovate in the development of ESG and climate aligned indices and ETFs.

For more information about our range of impact, thematic and SRI funds, see below.



C. THE SUSTAINABILITY CENTRE, GOVERNANCE AND REPORTING

THE SUSTAINABILITY CENTRE

BNPP AM's Sustainability Centre drives our approach to sustainable investment. It provides investment teams with research, analysis and data at company and sectoral levels, and it also supports teams in their efforts to fully integrate sustainability-related risks and opportunities into investment strategies. This is achieved by our ESG research analysts, whose insights are informed by a variety of external data and research sources, and who provide a range of educational opportunities to colleagues across the organisation.

The Sustainability Centre is responsible for developing and implementing the firm's Global Sustainability Strategy, ESG Integration Guidelines and Policy, Stewardship Policy, Responsible Business Conduct Policy and product-based exclusions, as well as the firm's ambitious targets on issues such as the energy transition, the environment and equality. It plays a crucial role in measuring, tracking and reporting on BNPP AM's impact and progress on sustainability.

Working with clients and the industry

We work closely with our clients to share best practices, provide updates on regulatory requirements, and support them in creating their own sustainability policies. This is an area we will put more focus on in the coming years.

We work together with client-relationship teams to encourage clients to adopt relevant components of our Sustainability Strategy for mandates, and to promote sustainable-investment practices across the industry.

The Sustainability Centre frequently acts as BNPP AM's external representative in the area of sustainability, liaising closely with our Public Affairs team, the BNP Paribas Group and other stakeholders.

Working with investment teams

The Sustainability Centre works hand-in-hand with investment and product development teams to develop and promote high-conviction sustainability strategies and products. Innovation is centred on building new strategies to invest in sustainable and inclusive growth for our open-ended funds; and on developing customised products together with our clients to meet their investment and sustainability preferences.

ESG Champions have been appointed to help promote sustainable investment within each team, and to liaise with the Sustainability Centre. Trainings are organised centrally, both for the ESG Champions as well as across investment and commercial teams, as we work to enhance the firm's overall capacity on ESG issues. Changing company culture takes time but we have an ambitious programme to truly embed sustainability into the heart of our investment practice. Our approach to investment research benefits from the insights of sustainability experts, our investment teams, and our 3rd party research providers.

The Sustainability Centre drives BNPP AM's ESG-related stewardship activities, which includes proxy voting and engagement with companies and policy makers. It works together with investment teams and equips them with relevant ESG research and analysis. The Sustainability Centre sets the strategic direction as well as playing an advisory and coordination role to the investment teams in their dialogues with companies on sustainability-related issues.

Governance, transparency and reporting

We take the governance of sustainability seriously in the companies in which we invest, and hold ourselves to the same standard. Sustainable investment is at the core of what we do, and our approach, policies, targets and reporting are overseen by our Sustainability Committee, which is a component of our Investment Committee, chaired by our CEO and Head of Investments. This Committee is responsible for approving our Global Sustainability Strategy and related policies. Ultimate responsibility lies with the BNPP AM France Board of Directors.

We work closely with other parts of the BNP Paribas Group to align our approach and efforts. In particular, we liaise closely with the Group Head of Engagement, who sits on the BNP Paribas Group Executive Committee and oversees the sustainability strategy across the BNP Paribas Group.

Transparency is an essential element of good stewardship practices and a necessary step towards a sustainable financial system. We recognise that our clients need and are entitled to information on our sustainability policies and practices.

We believe that we also have a responsibility to explain to other stakeholders – including governments and civil-society organisations – how we define and implement our commitments to sustainable investment. This transparency allows our stakeholders to understand our approach, to engage in well-informed discussions about our practices and processes, and to hold us to account on our commitments. This engagement with our stakeholders also benefits us: it allows us to reflect on our approach, and generates ideas and suggestions that we can use to improve.

We commit to continuing to publish a Sustainable Investment Progress Report on an annual basis, which will demonstrate the value our approach creates for our clients. It will include information that we provide to the PRI (part of our commitment as a signatory), and updates on our sustainability targets. It will include a comprehensive stewardship section, which will provide an overview of our voting and engagement activities for the year; and a section on climate change, providing reporting in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

D. OUR PRI ACHIEVEMENTS & AMBITION

Our ambition is to continually improve our sustainability footprint and investment practices for all of the assets we manage. We believe this will help achieve the best ultimate investment outcomes, supporting effective investment decision-making in the short and medium terms, while using our leverage to build sustainable economic, environmental, and social systems in the long term.

PRI PRINCIPLES AND OUR TARGETS

We are a founding signatory to the Principles for Responsible Investment (PRI), which are now backed by over 1 800 institutional investors. The six principles are listed below:

PRINCIPLE 1	**We will incorporate ESG issues into investment analysis and decision-making processes.**
PRINCIPLE 2	**We will be active owners and incorporate ESG issues into our ownership policies and practices.**
PRINCIPLE 3	**We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
PRINCIPLE 4	**We will promote acceptance and implementation of the Principles within the investment industry.**
PRINCIPLE 5	**We will work together to enhance our effectiveness in implementing the Principles.**
PRINCIPLE 6	**We will each report on our activities and progress towards implementing the Principles.**

Since we became a signatory in 2006, we have made significant progress on all six principles. Below are some of our achievements and the targets we have set out for ourselves in relation to each area.

PRINCIPLE 1

WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PAROCESSES.

ACHIEVEMENTS

We conduct in-house analyses, supported by third-party data, on the ESG performance of more than 2600 companies. This analysis is made available to investment teams via our internal research platform. More than 45 ESG Champions exist within investment teams, serving as first point of contact with the Sustainability Centre.

A number of portfolio managers have an element of 'non-financial analysis' tied to their variable remuneration packages.

We now screen 7000 companies against the UN Global Compact Principles, leading to a number of engagements and exclusions.

We have developed and implemented nine sector policies across all our open-ended funds, which commit us to set high standards for and/or limit our investments into sensitive areas.

We manage EUR 37 billion in Best-in-Class and sustainable thematic funds.

TARGETS (2020)

We will equip investment teams with a wider range of ESG analysis, tools and techniques so that they can achieve ESG integration across BNPP AM investment strategies.

By 2020, the majority of ESG Champions will have undertaken formal ESG training or acquired a relevant certification.

We will screen 11000 companies against the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises, leading to a higher number of associated engagements and exclusions.

We will develop and implement further sector policies addressing oceans, waste, soil and air pollution – between 2019 and 2022.

PRINCIPLE 2

WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES.

ACHIEVEMENTS

In 2012 we developed an Engagement Strategy that aims to engage, to the extent possible, companies that we have deemed to be at risk of breaching one or more of the UN Global Compact Principles. Our engagement strategy also details the focus areas for our individual and collective engagements.

Our voting covers more than 90% of our holdings by value each year, at over 1500 annual general meetings (AGMs).

We modified our policy to use our voting rights to help achieve our climate change commitments (e.g. by voting against selected boards that do not report Scope 1 and 2 emissions[4]).

TARGETS (2020)

We will adopt a new Stewardship Strategy and enhance our engagement with companies.

We will vote at roughly 2000 AGMs per year. We will continue to use our voting policy and approach to reinforce our sustainability targets.

We will support, co-file and/or file shareholder resolutions that are in line with our global sustainability targets and convictions.

PRINCIPLE 3

WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST.

ACHIEVEMENTS	TARGETS (2020)
We have been active players in investor-led collective engagement initiatives (e.g. those led by PRI and IIGCC). See our forthcoming 2018 Stewardship Report for more details. We lead or support Climate Action 100+ (CA100+) engagements with 7 companies and have led specific initiatives such as the call for greater transparency on clinical trials. In addition to our European team, we have a Head of Stewardship Americas in the US.	We will lead or support 10 or more CA100+ company engagements, and sponsor the provision of CA100+ data by CDP. We will appoint a Head of Stewardship, Asia, in the region. We will play a leadership role in the call for greater transparency in: climate change, water risks, pollution, lobbying, taxation, executive remuneration, gender pay ratio (per our Sustainable Investment Roadmap, see Part II).

PRINCIPLE 4

WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY.

ACHIEVEMENTS	TARGETS (2020)
We actively support the promotion and improvement of the public-policy framework for sustainable finance through membership in a wide range of industry initiatives and regulatory bodies (e.g. IIGCC, International Corporate Governance Network (ICGN), Ceres, PRI Policy Group, European Fund and Asset Management Association (EFAMA) Stewardship, Market Integrity and ESG Investment Standing Committees, Association française de la gestion financière (AFG) Responsible Investment and Corporate Governance Committees, TCFD and the European Union's Technical Expert Group on Sustainable Finance). We have worked with the CFA Institute to support industry training and education. We provide financial support to GRASFI, the Global Research Alliance for Sustainable Finance and Investment. For mandates, we encourage clients to adopt our sustainable investment policies.	We will develop a training and educational programme to inform our clients about our sustainability policies, and equip them to advance their own approaches. We will reach out to all our clients and seek approval of our policies for their mandates by the end of 2020. We will further strengthen our public policy engagement and will report on our approach and achievements. We will continue existing, and add new, industry memberships to strengthen our approach. We will continue to support GRASFI, strengthening the availability and quality of academic work on sustainable finance.

PRINCIPLE 5

WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES.

ACHIEVEMENTS	TARGETS (2020)
We work alongside other investors and financial stakeholders in a series of initiatives directed at promoting sustainable investment and building a more sustainable and resilient financial system, such as the Sustainable Stock Exchanges Initiative, the Business Benchmark for Farm Animal Welfare and the Access to Medicine Index.	We will continue to play an active role in initiatives directed at promoting a more sustainable and resilient financial system, including through evolving our own procurement processes for financial and non-financial service providers, and developing a Derivatives Policy.

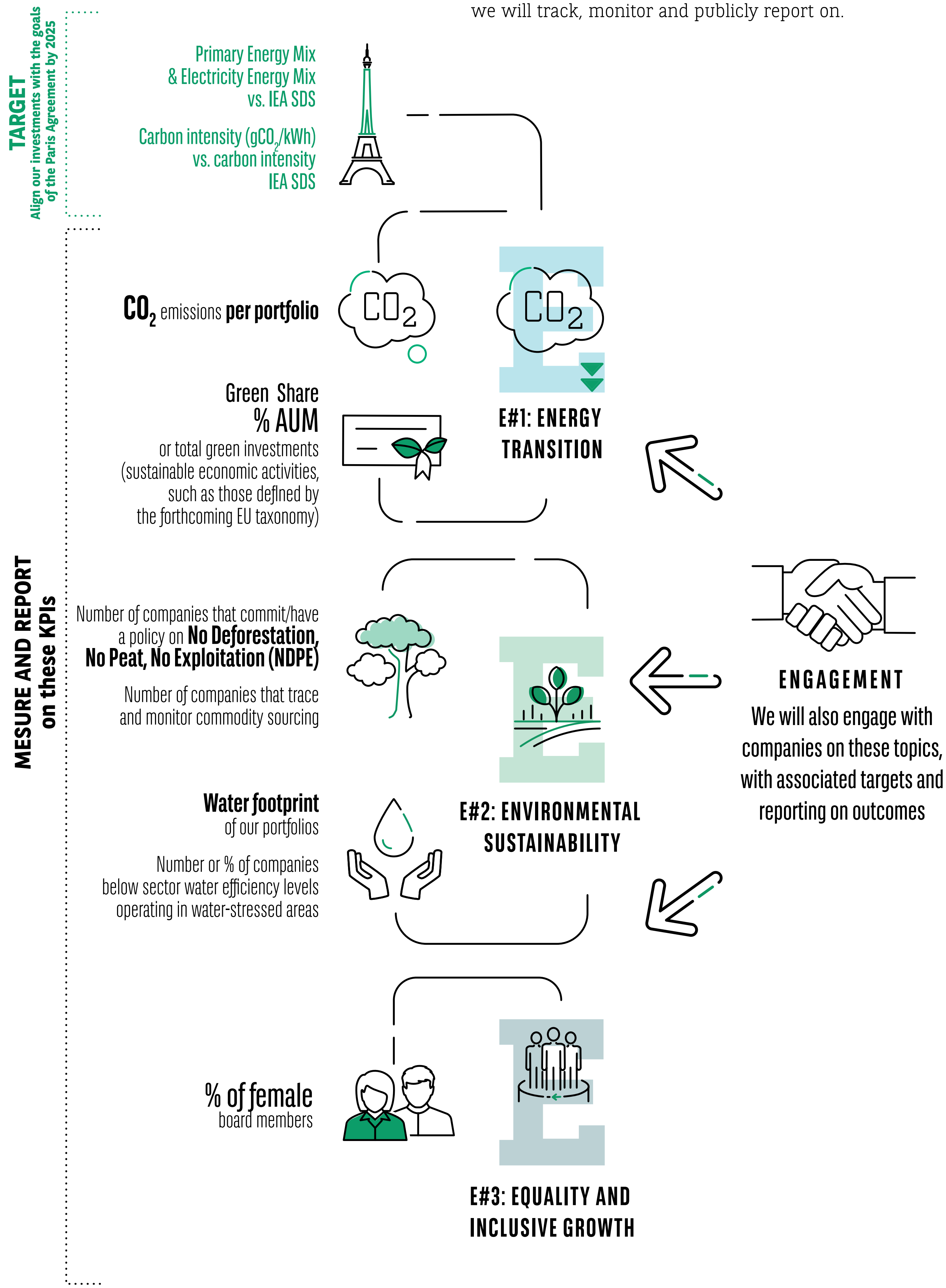
PRINCIPLE 6

WE WILL EACH REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES.

ACHIEVEMENTS	TARGETS (2020)
We have published an annual Responsible Investor Report since 2012. We publish an annual report that summarises our proxy voting activities.	We will publish an annual Sustainable Investment Report, including stewardship activities, TCFD compliance and progress on our Sustainable Investment Roadmap targets (outlined in Part II).

BNPP AM's Focus on Energy transition, Environmental sustainability and Equality ('3Es')

The graphic below summarises our key targets relating to the '3Es'. On the left, we show the indicators we will track, monitor and publicly report on.



PART 2.
SUSTAINABLE INVESTMENT ROADMAP (2019-2022)

OUR VISION

To make a positive difference to people's futures

OUR MISSION

To be a leading provider of quality investment solutions that help investors achieve their goals

PART 2.
SUSTAINABLE INVESTMENT ROADMAP (2019-2022)

The previous section outlined our sustainable-investment philosophy, beliefs and approach, as well as our aspirations for enhancing this activity in the years ahead. This section takes a different approach. With the world as our starting point, we ask ourselves some hard questions about the state of the economic, environmental and social systems currently in place, how those might evolve, and our role as a large, multi-asset, long-term investor in being part of the solution and driving value for our clients.

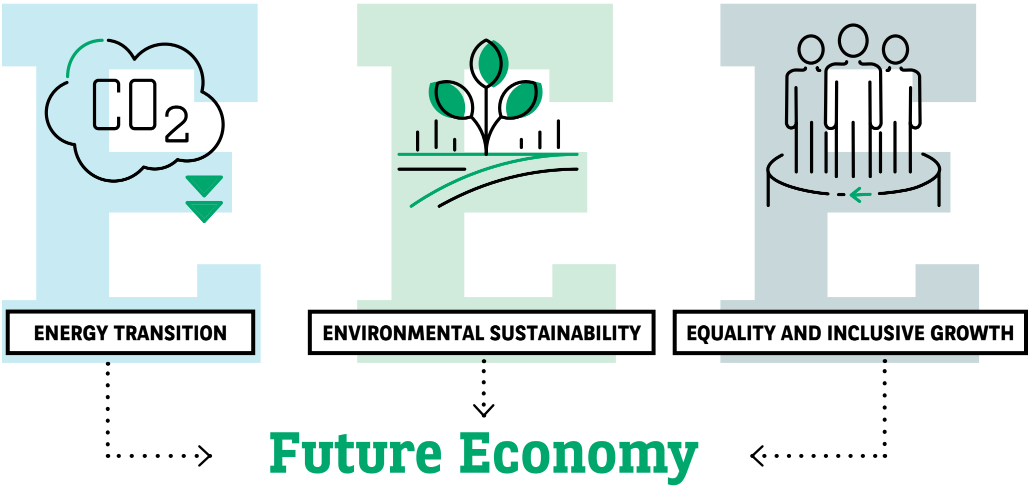
We believe a better world is one whose economic model is low carbon, more environmentally sustainable and more equitable and inclusive. We also believe that institutional investors – including both asset managers and asset owners – have the opportunity, indeed the obligation, to take action to help achieve the Sustainable Development Goals and Paris Agreement (see the mapping of our objectives with the SDGs p34-35). That is to say, we commit to being a future maker, using our investments, our voice and our leverage to shape a better future. The alternative is to sit on the side-lines as a future taker, foregoing our ability to influence, arguably in breach of our obligations to clients and to society as a whole. Trust in the financial sector has eroded, in part because of the unwillingness of financial institutions to understand and embrace their role as part of the real economy, and to use their leverage for the good of all – as opposed to the good of a few.

The purpose of this section is to outline our roadmap and commitments for the next three years.

"We believe that a sustainable economy must be carbon neutral, environmentally sustainable and inclusive, and have set ambitious targets for ourselves in each area. At the same time, we are conscious of how much we still have to learn about measuring all the facets of sustainability and how they interact with finance. We commit to ongoing review, and expect to further raise our level of ambition over time."

HELENA VIÑES FIESTAS
Deputy Global Head of Sustainability

THREE CHALLENGING AREAS OF ACTION: '3Es'



We have identified three critical pre-conditions for a more sustainable and inclusive economic system:
• An **energy** transition to a low carbon economy;
• **environmental** sustainability; and
• **equality** and inclusive growth.

Together, these '3Es' represent the pathway to the economic sustainability that enables us, as investors, to safeguard long-term returns.

In considering our approach to these challenging topics, note that we have a range of tools at hand. These include investment, divestment, stewardship and integration.

• We can **invest** in the companies and sectors that are part of the solution, encouraging their growth and benefiting from their success through our allocation of capital.

• We can **divest** from those companies that we believe are at risk from inevitable structural changes, and whose behaviour is too much at variance with our own beliefs and investor preferences.

• We can exercise **investor stewardship** – through our proxy voting and engagement activity with companies – and also via our discussions with policymakers, regulators and governments.

• We **integrate our knowledge and perspectives on the '3Es'** into investment processes across asset classes. This optimises our ability to make well-informed decisions – particularly in a world with imperfect information and varied levels of knowledge – thus helping to protect and enhance investment outcomes for clients.

Together, these steps will allow us to optimise our portfolio-level decisions, help shape the debate and align our total investments with the economy of the future. To guide our actions over the coming three years, we have identified a set of targets and key performance indicators for each of the '3Es'. Recognising the importance of getting these right, in many cases we are taking a staged approach to establishing them – measuring first our exposure before committing to targets.

The selection of sub-themes, targets and KPIs described below is the result of a combination of factors. The areas we have selected are those where we believe we can have the biggest impact and apply more leverage to create change, but also where there are enough data and tools to act, monitor and report.

The level of maturity of ESG issues in terms of the understanding and the tools and metrics available vary tremendously. Some of the issues, such as poverty, have been almost untouched by the investment community outside of social-impact investment. Others, like climate adaptation, are progressing, but still far from having developed the right tools and metrics to implement on a large scale. For these issues, therefore, we have developed a set of targets that aim to either conduct the research and analysis necessary to start properly integrating the issue in a systematic way, develop a sector/issue policy, or launch an innovative project that will aim to increase our understanding for later action. We will also undertake corporate and/or policy engagements where we believe we have enough information to act.

CLIMATE CHANGE AND THE ENERGY TRANSITION

The science is unequivocal and the evidence is growing ever stronger: climate-related risks are larger, and coming through more rapidly, than previously thought.

The Intergovernmental Panel on Climate Change's (IPCC) 2018 special report Global Warming of 1.5°C argues that global warming of 2°C above pre-industrial levels poses greater risks than previously believed, and that these risks can be substantially reduced by limiting warming to 1.5°C (the ultimate aim of the 2015 Paris Agreement). As the report outlines, we are already experiencing detrimental climate change in our daily lives. Many human and natural systems, including land and ocean ecosystems, and some of the services they provide, have already changed.

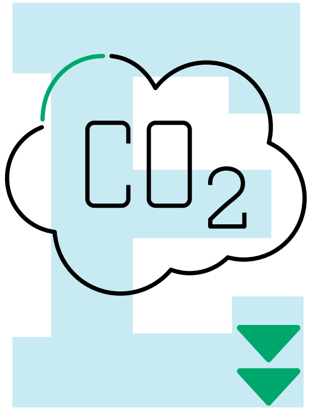
Recent evidence suggests that the Earth, now exceeding 400 parts per million by volume of CO_2 in the atmosphere, has already transgressed one of the nine planetary boundaries, and is approaching several other Earth-system thresholds.[5] We have reached a point at which the loss of summer polar sea-ice is almost certainly irreversible. By the end of 2017, global average temperatures were about 1.0°C warmer than in pre-industrial times. At the current rate of warming of about 0.2°C per decade, the IPCC report states that we will exceed 1.5°C of warming between 2030 and 2052.[6]

Today, action requires significant investment, but inaction will be significantly costlier – with estimates of 20% or more of global GDP being wiped out[7]– and could pose a systemic risk to financial stability[8]. And while we will all be affected, the poorest will suffer the most. Climate change may prove to be the greatest market failure the world has ever seen, with the most significant societal impacts. As the world gets warmer, the potential damage intensifies. A temperature rise of 4 or 5 degrees above pre-industrial levels would render life very difficult, increase the likelihood of serious conflict at international and regional levels, and will force hundreds of millions of people to migrate. The impacts on biodiversity and food systems would be catastrophic, much of it irreversible.

The 21st session of the Conference of the Parties (COP21) was pivotal in the fight to curb global warming, as 195 countries undertook to collectively build a low-carbon global economy. We no longer ask whether the transition from a fossil fuel-based economic model to a low-carbon economy will happen, but how long it will take, who will finance it, and how, because the alternative is both uninvestable and unacceptable. Reaching agreement was mainly down to governments; implementing it requires collective action, including, critically, by investors.

The Paris Agreement made history by establishing a clear, immovable goal and direction of travel: to keep global temperature rise well-below 2ºC above pre-industrial levels.

BNPP AM committed alongside world leaders to aligning its investments to the Paris goals.



E#1: ENERGY TRANSITION

"Energy transition" is the term now widely used to describe the structural shifts that are occurring in the global energy system. The energy system of the past was based on a model dominated by centralised, fossil-fuel-based production where most of the value was in the production of energy itself, and most of the power was with large producers who did not have to worry about externalities. By contrast, the energy system of the future will be based on a decarbonised and decentralised model, where most of the value will be in the technology that delivers the energy, and much more of the power will be with consumers. This shift is already happening. We are also beginning to see polluters having to pay for their externalities, and governments prioritising the widest possible access to energy for society as a whole.

There are four main drivers of this energy transition: (i) public policy; (ii) technology; (iii) changing consumer preferences; and (iv) changing investor preferences. These four factors operate in a feedback loop, such that the energy transition will likely intensify and accelerate over the next decade.

Of course, this global energy transition will move at different speeds in different jurisdictions, and the emphasis on these factors will be different in each depending on the starting point. However, there can be no doubt about the radical transformation that it is already causing, or the financial risks and opportunities that it brings for investors.[9]

The transition is an opportunity in the short, medium and long-term to boost growth, first from increased investment in the low-carbon transition, then to foster innovation and technological progress.[10] In the long run, it is the only plausible growth we can aspire to.

We choose not only to be on the 'right side of history' by anticipating these trends, but to actively use our investments and our leverage to ensure that the transition to a low-carbon energy system occurs at the speed and pace necessary to prevent catastrophic climate change.

ENERGY TRANSITION: OBJECTIVES AND TARGETS

Our objective is to make a substantive contribution to the low-carbon energy transition. We have three targets to structure our work towards this objective:

-1-

To align our investment portfolios with the goals of the Paris Agreement by 2025.

-2-

To encourage our investee companies and countries to align their strategies with the goals of the Paris Agreement.

-3-

To encourage policymakers to adopt measures that align with the goals of the Paris Agreement.

We aim to align our portfolios, firstly, by reducing our exposure to fossil fuels while managing exposures in line with the well-below 2ºC International Energy Agency (IEA) Sustainable Development Scenario (SDS). Of all the scenarios in line with the objectives of the Paris Agreeement, this is the most reliable and widely used.[11] As part of that commitment, we are introducing an enhanced coal policy (effective January 2020, see panel on next page), further strengthening our existing approach. We will also measure our 'sustainable economic' investments, in line with the forthcoming EU taxonomy, once available.

Secondly, we are assessing how companies are managing climate-related risks and opportunities; but more concretely, we are examining how carbon intensities (current and expected) within the seven most carbon-intensive sectors[12] compared to the IEA SDS. Our assessments will allow us to benchmark companies' emissions trajectories against the international target defined by the Paris Agreement and will inform our active engagement with these issuers. We intend to align our investments in those seven sectors to the global target, starting with the electric utilities sector, by 2025. We will actively participate in the CA100+ initiative as the central feature of our company engagement platform.

Thirdly, while we have already engaged with policymakers calling for greater action and ambition in their climate strategies, our intention is to strengthen our direct engagement with governments. We will focus on three main areas:

-1-

Their commitments and their actions on mitigation (i.e. their efforts to reduce greenhouse gas (GHG) emissions across the economy).

-2-

Their commitments and their actions on adaptation (i.e. their efforts to minimise the negative consequences associated with the physical and transition impacts of climate change).

-3-

How much their efforts on mitigation and adaptation will cost, and how they intend to finance these investments.

These interactions will take place in three main ways. First, in our role as investors in sovereign debt. Second, in regular engagements with policymakers in the markets in which we are active investors. And finally, via our active participation in regulatory or pseudo-regulatory initiatives such as TCFD[13].

Our approach to the energy transition incorporates the notion of a 'just transition' to ensure that the shift will be inclusive and responsive to the needs of displaced workers, poorer communities and communities and regions in the world most affected by the impacts of a changing climate (this aligns with our thematic pillar, "Equality and Inclusion").

ENHANCED COAL POLICY

(effective from January 2020)

1. **We will exclude coal-mining companies that derive more than 10% of their revenue from mining thermal coal and/or account for 1% or more of total global production. The global production limit will capture those companies whose share of revenue from coal is below 10%, but which nonetheless account for a meaningful level of production on an absolute basis.**

2. **We will exclude coal-power generators whose carbon intensity is above the 2017 global average of 491gCO_2/kWh and will subsequently follow the Paris-compliant trajectory for the sector as determined by the IEA SDS. The IEA SDS requires power generators' carbon intensity to fall to 327gCO_2/kWh by 2025, and we will therefore demand that companies reduce their carbon intensity between 2020 and 2025 at a rate consistent with this, excluding those that fail to do so.**

3. **We acknowledge the importance of encouraging companies to reduce their dependence on coal mining and coal-fired power generation in order to align their activities with the Paris Agreement. We will therefore consider exceptions for those miners and power generators that make credible commitments to reducing their coal-based activities to levels consistent with the Paris Agreement within the required time frame. The credibility of commitments will be determined using quantitative and qualitative criteria, including disposal plans for coal assets or acquisition plans for lower-carbon generation capacity, and the extent to which management are prioritising a lower-carbon business model. Exemptions will be granted on a half-yearly basis, with those companies demonstrating their commitment to the policy expected to comply within two years.**

4. **We will reach out to all the companies we will be divesting from as part of this new policy, explaining the rationale for the policy and giving them the opportunity to engage in a dialogue with us. We will actively engage with both diversified mining companies and utilities that exhibit proof of readiness and willingness to decarbonise their portfolios. We will use the influence of our voting and other stewardship activities to ensure that the largest possible number of companies within our portfolios meet our targets by the target date.**

E#2: ENVIRONMENTAL SUSTAINABILITY

Human society and the global economy are inextricably linked to water, land, biodiversity, forests and minerals. Once considered inexhaustible, these critical resources and ecosystems are now under severe pressure from current rates of consumption, as a result of both population and unsustainable economic growth and operational models.

The rate of environmental degradation is outpacing the planet's ability to absorb the damage. Scientists estimate that humans are consuming 30% more resources than the planet can replenish each year.[14] Misuse, on top of over-use, coupled with pollution and contamination are only worsening the state of the air, water and soil. It is estimated that 60% of global ecosystem services are degraded or are being managed unsustainably.[15]

We now know that we should target 1.5°C degrees as an absolute cap on global average temperature increases. Limiting temperature rises to 1.5°C versus 2°C could reduce the number of species facing a potential loss of 50% of their species range determined by climate factors.[16] There are, however, different ways to get to the 1.5°C target, and the path we choose will have different implications for society and for biodiversity.[17] If we achieve 1.5°C at the expense of biodiversity, we will have redefined the term "Pyrrhic victory." Those populations that are the most dependent on environmental resources – which also tend to be the poorest – will be the first to suffer.

In 2009, the Stockholm Resilience Centre introduced the planetary boundaries concept, which focuses on the nine systems that regulate the stability of the earth[18]. They have found that four planetary boundaries have now been crossed: climate change, biosphere integrity, land-system change, and biogeochemical flows (phosphorus and nitrogen).[19] Renewable and non-renewable natural resources are also under severe threat. When we cross a planetary boundary, we enter an area of high uncertainty and increasing risk, as the interactions of land, ocean, atmosphere and life provide the conditions upon which human societies depend.

Unless we act immediately and radically to reverse the situation, not only will we destroy our natural capital, but we will be unable to sustain current economic growth rates and the prosperity levels that the populations in developed countries enjoy, let alone extend them to developing nations.

A VISION WORTH PURSUING

"In 2050, we live well, within the planet's ecological limits. Our prosperity and healthy environment stem from an innovative, circular economy where nothing is wasted and where natural resources are managed sustainably, and biodiversity is protected, valued and restored in ways that enhance our society's resilience. Our low-carbon growth has long been decoupled from resource use, setting the pace for a safe and sustainable global society."

EUROPEAN COMMISSION, Environment Action Programme to 2020[20]

The level of action needed requires measures to:

1. Stabilise total demand for natural resources first, then reduce it in a context of a rising population, by substantially increasing natural resource productivity or, where possible, finding substitutes;
2. Drastically reduce the ecological impact per unit of production, and aspire to close to net zero impact; and,
3. Develop a circular economy that allows natural resources to be recovered, and to regenerate themselves.

The Paris Agreement and the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) provide a unique opportunity to put an end to this deteriorating trend. In 2015, 195 countries unanimously decided to move away from a fossil fuel-based economy to a low carbon one. As we deploy immense efforts to transform the world's energy systems, we must also address the need to reverse the degradation of natural wealth and develop an economic model capable of using natural resources sustainably.

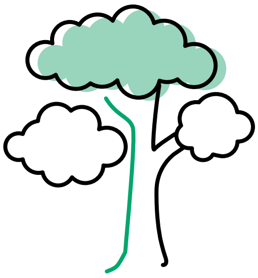
WATER SCARCITY AND POLLUTION

More than a billion people live in water-scarce regions today, and nearly half of the world's population is situated in potentially water-scarce regions at least one month per year.[21] Water scarcity refers to physical shortage, although lack of access to water might be caused by lack of regular supply or by inadequate infrastructure. Climate change is another contributor to water shortages. About half of the world's population is projected to face water shortages by 2030 when demand will exceed water supply by 40%.[22] The global water-supply crisis poses a serious challenge to society. Some argue that it is the greatest economic challenge[23]. A third of the world's largest groundwater systems are in distress.[24]

All companies, irrespective of their levels of water usage and where they are located, have a duty to improve water efficiency and minimise waste water. In 2016, 607 companies alone lost USD 14 billion as a result of water scarcity, drought, floods and other water-related risks.[25] Water scarcity poses a particularly severe financial risk to companies which are water-intensive and operate in water-stressed areas. Competition for access to water with local communities will intensify, and those unable to manage it risk losing their licence to operate.

Water risks go beyond shrinking water supplies. Increasing pollution is degrading both freshwater and coastal aquatic ecosystems. Despite improvements in some regions, particularly in accessing water – since 1990 more than 2.6 billion people have gained access to an "improved" drinking water source – water pollution is on the rise.[26] The most prevalent water-quality problem globally is eutrophication caused by high-nutrient loads, mainly phosphorus and nitrogen.
Essentially all goods-producing activities generate pollutants as unsought by-products.
Many industries – some of them known to be heavily polluting, such as leather and chemicals – have moved from high-income countries to emerging-market economies, often with inferior environmental and labour protections.
More than 80% of sewage in developing countries is discharged untreated, polluting rivers, lakes and coastal areas.[27]

Bad governance, lack of means, and widespread corruption distort policies and budgets for drinking water and sanitation, and delay good water-management and water-infrastructure projects.



ENVIRONMENTAL SUSTAINABILITY: OBJECTIVES AND TARGETS

Our overall objective is to improve the environmental impact of our investments. We have two targets to improve our water and forest footprints in the next three years:

-1-

To improve the water efficiency of our investment portfolios, in particular in water-stressed areas, as well as to measure and disclose the water footprint of our portfolios;

We will encourage water-intensive sector companies operating in water-stressed areas to significantly improve their water efficiency while ensuring water access to local communities.

-2-

To support global efforts to halve forest loss by 2020 and end forest loss by 2030. Our target is for relevant companies in our portfolios to comply with:

No Deforestation, No Peat and No Exploitation (NDPE) commitments by 2020 for agricultural commodities (palm oil, soy, paper, timber and beef products).

NDPE commitments by 2030 from non-agricultural sectors (mining, metals, infrastructure, etc.).

We have also set a series of internal sub-targets regarding air, soil, oceans, biodiversity and waste to support our overall objective and our two high-level targets. These are areas we are already working on, but the sub-targets will help us improve our understanding of what our contribution should be across our investments, e.g. biodiversity or adaptation; to improve our current assessment of companies' performance on plastics waste or sustainable fisheries; or to enhance information availability and quality from companies and policymakers in order to start assessing and comparing companies' performance in these areas.

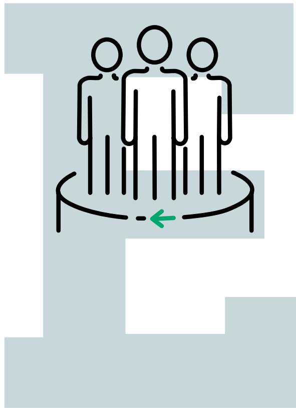
LAND AND FORESTS

Forests are critical for soil conservation, carbon sequestration, regulating weather systems and global biodiversity. More than 1 billion people depend on forests for their livelihoods, and they play a crucial role in sustainable agriculture, food security, water and in providing vital medicines.[28] According to World Resources Institute (WRI) research, 30% of global forest cover has been cleared, while another 20% has been degraded.[29] Most of the rest has been fragmented, leaving only about 15% intact.[30]

In spite of lower deforestation rates in some regions, the world's forests remain under immense pressure, mainly from agriculture. Over a third of the land estimated to be suitable for further expansion for agriculture is used for crop production. However, any land expansion from now onwards will compete with the need to protect forests and already damaged ecosystems.[31] In the tropics and subtropics, 40% of land-use change is caused by large-scale commercial agriculture, whereas local small-scale agriculture accounts for 33%.[32]

Besides better regulation and tackling illegal logging[33], private-led certification schemes and commitments to zero deforestation can make a difference. In 2014, the New York Declaration on Forests was endorsed by 36 national governments, 53 companies and 54 civil-society organisations. An increasing number of companies are working towards eliminating deforestation from their supply chains. The Consumer Goods Forum (CGF), which represents 400 companies in 70 countries, aims to achieve zero net deforestation by 2020 through the responsible sourcing of key commodities – soy, palm oil, paper and pulp and cattle.[34] Today, however, implementation lags commitments and deforestation in the Amazon is back on the rise.[35]

BNP Paribas Group endorsed the Zero Net Deforestation objective established by the Soft Commodities Compact, a joint initiative overseen by the CGF and the Banking Environment Initiative, whose signatories aim to eliminate deforestation from the downstream and upstream supply chain no later than 2020.[36] BNP Paribas Group has been a member of the Roundtable for Sustainable Palm Oil since 2011, and has implemented a palm oil and a wood and pulp policy across our investments.
In 2018, BNPP AM endorsed the Cerrado Manifesto[37], seeking to work with local and international players to halt deforestation mainly from soy plantations and native vegetation loss in the Cerrado region of Brazil.



E#3: EQUALITY AND INCLUSIVE GROWTH

"Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all."[38].

The world has made significant progress in reducing extreme poverty. There are 1.1 billion fewer people living on less than USD 1.90 a day today than in 1990.[39] Nevertheless, poverty rates have declined unevenly, with more than half of the world's poor living in sub-Saharan Africa.[40]

Inequality in the world has also declined consistently since 1990, but only when looking at global inequality of incomes. Inequality within many countries is increasing, especially in developed ones. More disturbingly, poverty increased significantly in Europe and the United States because of the social effects of the economic crisis until 2012, when poverty levels started to fall. However, the number of citizens living in poverty is still higher, although only slightly so in the case of Americans, than before the financial crisis struck.[41] In 2016, 40.6 million Americans were living in poverty[42], while 23.5% of the EU population were at risk of poverty or social exclusion.[43] Those Europeans in the lowest income decile have lost some share of total disposable income since then.[44]

While intrinsically related, inequality of opportunity is perhaps more insidious, and more entrenched. It occurs when people's place of birth, gender, ethnicity or parental background determine to a significant degree their access to education and the qualifications they obtain, their access to work and the type of job they get; and, ultimately, their level of income.[45] There is significant inequality of opportunity across world populations, but also in Europe and within European countries. When we look at health and education, we see large differentials in the ability of people to access basic services. Rising income and opportunities for the lower and lower-middle income households has become a serious challenge over the past decade. This has fuelled discontentment, accentuated in times of stress for welfare services, given ageing populations, migration and the fiscal consequences of the financial crisis. In addition to being ethically unjust, inequalities of opportunity based on discrimination are a form of market failure, leading to a systemic misallocation of resources. The IMF has warned about how damaging rising income inequality can be for economic growth.[46] Over the past 30 years the higher inequality levels experienced in OECD countries has damaged growth rates, limiting opportunities for the poor to invest in their education.[47]

Climate change is also a significant driver of inequality, hitting vulnerable populations the most and reversing hard-won development gains[48]. It is critical to scale-up investing in adaptation, resilience and ensuring that the shocks of climate change do not disproportionally affect particular segments of society. This entails a stronger focus on the needs of the populations most affected by climate change, granting them access to the tools they need to adapt and cope with climate-related disasters. Disaggregated data on the anticipated local impacts of climate change and on the potential socio-ecological effects of responses to climate change (e.g. maladaptation risk) is a pre-requisite for effective and just climate action.

The political consequences of rising inequality and social exclusion are beginning to be felt. The failure to equitably distribute the gains from globalisation and capitalism is perceived by many economists as a root cause of the so-called "populist" backlash we are seeing around the world. The changing political landscape – and the policies that could emerge alongside – could also negatively impact the foundations of democracy. As a consequence, inequality has risen to the top of the policy agenda.

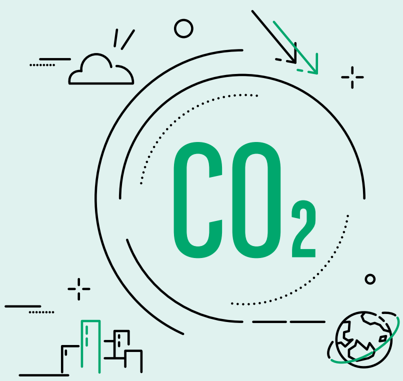
JUST TRANSITION

Sustainability and inclusivity go hand in hand. Limiting temperature rises to well below 2°C is a human imperative, and the best preventive measure to serious address social challenges, not least to reducing poverty, conflict and migration and to preserving the livelihoods of hundreds of millions of people. The loss of biodiversity will also affect people living in poverty more because they depend more directly on natural capital given their limited ability to purchase (e.g. food, medicines, insurance).[49]

The shift to a zero-carbon and environmentally sustainable economic model is necessary, considering what is at stake. There is little doubt about the important economic and social benefits that the transition can deliver. The latest report of the New Climate Economy, for example, concludes that low-carbon growth could deliver economic benefits of USD 26 trillion by 2030 and generate over 65 million new low-carbon jobs.[50] Investors will have a key role to play in enabling a just transition to low-emission, climate-resilient economies. Options for investor action include, *inter alia*, incorporating "just transition" principles in their investment beliefs, climate action plans, investment research and strategies. Of equal importance is the need for investors to work with policymakers and governments to ensure inclusion of just transition principles in national plans and long-term climate strategies.

However, and given the urgency to act, it will not come without a cost. There will be companies and sectors that will experience significant disruption. If not well managed, it could bring unemployment and economic depression to some regions.

We investors can play a critical role by ensuring that the social dimension is well-integrated in our investment analysis and decision-making, and in our engagements with companies and policymakers. We are committed to bringing the E and the S dimensions together, and to taking action to support the Just Transition by integrating workforce and social dimensions into our climate practices.[51]



EQUALITY AND INCLUSIVE GROWTH: OBJECTIVES AND TARGETS

Our objective is to promote a more equitable and sustainable distribution of value to ensure the long-term stability and resilience of societies and ecosystems. We have set three targets to advance this overall objective:

-1-

To ensure that senior corporate management teams are appropriately incentivised to prioritise the success and long-term sustainability of their businesses through reform of executive compensation and the mitigation of excessive CEO-to-median employee pay ratios.

-2-

To encourage companies to promote all forms of diversity, and provide greater opportunities for women, and minorities, at all levels of the organisation.

-3-

To encourage companies to adopt more transparent tax strategies.

Investors can play an important positive role by incorporating a 'social equity' bottom line into their investment analysis and practices, and by encouraging companies to take account of and manage their labour and employment practices and impacts well.[52]

Companies can create opportunities for more inclusive and sustainable societies in many ways. One such way that companies can support economic development is through the payment of fair and equitable taxes – particularly when taxes are paid where value is created. These payments enable government spending on social welfare, health, education, infrastructure and R&D, all of which underpin future corporate profit growth and technological innovation. Short term strategies based on aggressive tax minimisation can lead to capital misallocation, leave company corporate profitability and cash flows vulnerable to tax and regulatory regime changes, and may undermine long term investment returns.[53]

Companies can also strive to source locally; to create positive spill-overs such as through technology transfer; and to invest in the communities in which they operate. They can contribute to inclusive labour markets by investing in human capital, providing equal opportunities to women and minorities; and ensuring they uphold their obligations to respect human rights and contribute to remediating human-rights abuses to which they might have contributed.

Finally, companies can make a difference by ensuring they remunerate their employees in a fair and transparent way and equally for the same job. They can help minimise the widening gap in compensation between the C-suite executives and workers, in particular in large public companies[54]. Companies that share sensibly the creation of value across their organisations exhibit higher levels of retention and attracting talent.[55]

Today, in the midst of growing wealth and income inequalities, key questions are being asked about how capital is distributed within and across the corporate enterprise and society, from the CEO to the average employee, consumer, government and shareholder. There is also a growing focus on the role companies play in seeking to influence the 'rules of the game' through lobbying or other political activities.

We believe that the answers to these questions will help to provide an outline of the sustainable company of the future, and will help to re-balance the inequalities of wealth, income and opportunity that currently threaten the long-term stability of our economies. We will work to answer these questions and to act upon these answers, through proxy voting and direct engagement with companies, as well as research and public advocacy. In particular, we will engage with policymakers and regulators to better align financial regulations and other policies with the goals of an inclusive society. Investors have been a key beneficiary of corporate largesse. It is incumbent upon us to re-tilt the playing field in favour of a more equitable and sustainable economy.

CONCLUSION

The financial sector carries a significant responsibility: we are entrusted with managing people's savings and retirement assets. But we believe that our responsibility goes beyond that. As financial institutions, we have the potential to influence the behaviour of entities that we invest in, as well as the regulatory framework within which we operate. As we have highlighted in this strategy document, the current economic, social and environmental system is failing and must be transformed in order for financial institutions to deliver sustainable returns over the long term.

We are committed to using the financial capital we manage on behalf of our clients, as well as our human capital, to push towards a more sustainable future. This will benefit our employees, our investment returns, our clients, and society at large. We invite our peers to join us in this commitment – as it is by working together that the financial community has the greatest opportunity to be a force for positive change – to be *'future makers'*.

OUR TARGETS AGAINST THE SDGs

As an investor, BNPP AM recognises the role it has to play in contributing to a sustainable future, as outlined by the Paris Agreement and SDGs. Our Global Sustainability Strategy is concentrated in those areas where we believe we can have a bigger impact given our core business: investing. We have taken into consideration the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) in establishing our core objectives, targets and KPIs.

The table below provides an overview of our key objectives – each linked to a KPI and matches them with the SDGs.

BNPP AM objective linked to one of the '3Es' pillars and itself linked to a specific SDG goal

PILLAR	SDG	OBJECTIVE
E#1	13	Align BNPP AM's total investments with the goals of the Paris Agreement, as reflected by the IEA SDS scenario.
E#1	7, 9	Increase investments in sustainable economic activities according to the EU taxonomy.
E#1	13	Align the GHG average emissions from specific sectors with the IEA SDS scenario.
E#1	13	Reduce our portfolios' exposure to GHG emissions, and align them with the IEA SDS.
E#1	13	Align real estate investments with EU climate energy targets by 2030.
E#1	13	Assess and integrate NDC alignment with the Paris Agreement when investing in sovereign bonds.
E#1	13, 9, 11	Use collaborative engagement to promote Paris-aligned practices by large capitalisation companies.
E#1	13	Use proxy voting to encourage companies to take action on climate in line with Climate Action 100+ requests.
E#2	6	Enhance the water efficiency of our investments.
E#2	7	Use engagement to encourage water-intensive companies to reduce their water footprint in water-stressed areas.
E#2	15	Actively contribute to halving natural forest loss by 2020, and strive to end it by 2030.
E#2	13	Better understand and evaluate companies' physical risks associated with climate change; assess corporate and government measures to adapt to climate change.
E#2	14	Support efforts and develop a policy to preserve oceans.
E#2	12	Support efforts to reduce waste.
E#2	13	Contribute to the European Commission's target "ensuring that all plastic packaging is reusable or recyclable in a cost effective manner by 2030".
E#2	11, 14	Support efforts and develop a policy to reduce air pollution.
E#2	15	Support efforts and develop a policy to reduce soil pollution.
E#2	14, 15	Improve our understanding and analysis of biodiversity impacts.
E#3	8	Encourage the improvement of human capital-related disclosures.
E#3	10	Improve tax transparency and payments to host countries by convincing companies to report on a country-by-country basis.
E#3	5, 8	Improve gender parity at board and management level.
E#3	8, 10	Use engagement and proxy voting to encourage companies to increase transparency and curb excessive executive pay, including unjustified disparities in CEO-to-median employee pay ratios.
E#3	10	Use engagement and proxy voting to promote more sustainable corporate capital allocation decisions including sustainable dividends and limits on excessive share buy-backs.
E#3	10	Improve transparency and address company lobbying activities that are undermining long-term economic growth, climate mitigation and inclusivity.
E#3	1	Contribute to efforts to promote human rights and scale up social investments to tackle poverty.

E#1: Energy Transition E#2: Environmental Sustainability E#3: Equality and Inclusive Growth

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3. Please note that for some specific investments such as asset-backed securities (ABS), mortgage-backed securities (MBS) as well as derivatives and some index funds and exchange-traded funds (ETFs), integrating ESG is a complex and relatively new exercise. In such cases, we are exploring different avenues and will do our best to address the ESG risks inherent in those investments, but recognise that further research into these investments is needed. (see scope of our sustainable investment approach p13).
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12. Oil and gas, electric utilities, automobile manufacturers, chemicals, paper, cement and steel makers.
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17. The IPCC has outlined four pathways to 1.5°C, three of which would allow higher emissions today in exchange for some form of carbon capture and storage later. While these approaches may be tempting to policymakers looking to lessen the immediate economic consequences of a rapid transition – a worthy objective in keeping with our commitment to a just transition – the ecological consequences are unacceptable. See IPCC (2018), Global Warming of 1.5 ºC, https://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf.

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