

RESPONSIBLE BUSINESS CONDUCT

FOR PROFESSIONAL INVESTORS - JUNE 2020



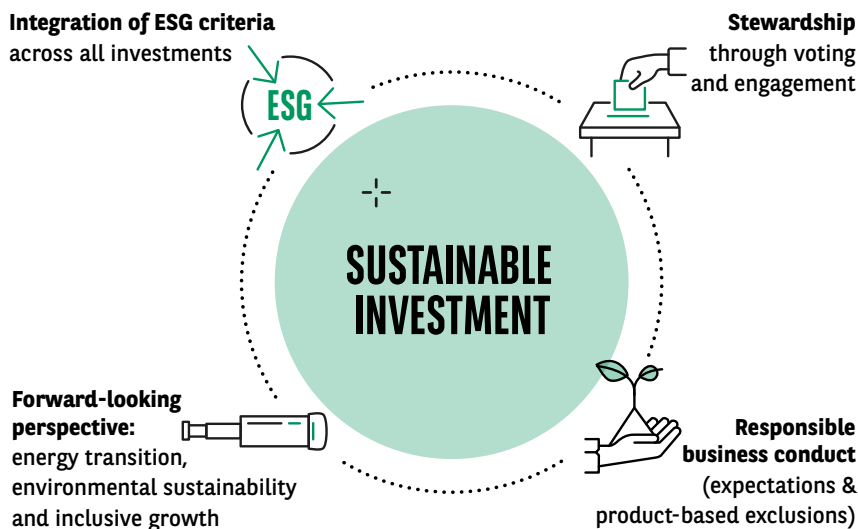
"Our commitment to long-term investing is resolute and we will continue to represent the interests of our clients to the management teams of the companies in which we invest, to engage with them on the issues relevant to our investment cases and to uphold our active commitment to a more responsible economy."

FREDERIC JANBON
CEO and Head of Investments

A MAJOR PILLAR OF THE BNP PARIBAS ASSET MANAGEMENT APPROACH TO SUSTAINABLE INVESTING

Responsible Business Conduct is one of four building blocks that form our Global Sustainability Strategy. We aim to provide investors with long-term sustainable returns and to have a positive impact on the economy, society and the environment.

Our four approaches strengthen the way we invest, come up with investment ideas, construct investment portfolios and control risk, and use our influence as an investor.



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

WHAT IS RESPONSIBLE BUSINESS CONDUCT?

Responsible Business Conduct refers to what BNPP AM expects of companies in terms of their social and environmental responsibilities. Our policies set minimum standards for all companies we invest in.

Running a business responsibly requires at least:

- Respect of human and labour rights
- Protecting the environment
- Having in place anti-corruption safeguards.

These guidelines are part of a global framework defined by the United Nations in its Global Compact Principles and are included in the OECD guidelines for multinational companies.

Responsible Business Conduct also means, for example:

- Using environmentally friendly technologies
- Fighting extortion and bribery
- Engaging with stakeholders
- Providing clear and complete information
- Ensuring product quality and reliability.

Our views are based on widely recognised international frameworks that set minimum social and environmental standards for all companies and issuers. They are laid down in business sector policies. The policies set out **mandatory environmental, social and governance (ESG) criteria** that have to be met for BNPP AM to invest.

Additional ESG evaluation criteria are used for further analysis, as well as dialogue with companies. Engagement allows BNPP AM to act as a good steward encouraging companies and other issuers of securities to improve.

INTEGRATING RESPONSIBLE BUSINESS CONDUCT CRITERIA IN INVESTMENT DECISIONS

Responsible Business Conduct requirements are implemented in all open-ended funds. In 2020, this will be extended to mandates as a default option.

How does it work? Issuers of securities are **screened periodically** for breaches of the UN Global Compact Principles.

We are continuously working to enhance our due diligence processes and the implementation of the OECD guidelines, including recommendations for specific sectors, as well as the UN Guiding Principles on Business and Human Rights.

To do so, BNPP AM uses data from the issuers, but also from external experts.

The result is a list of

- Issuers seen as being at risk of breaches
- Issuers that are excluded.

There are industry sectors that we simply exclude. These either are banned in some jurisdictions, or violate international norms, or they cause unacceptable harm.

Strictly excluded from investment:

- Tobacco (from 1 January 2019)
- Controversial weapons
- Asbestos.

In other sectors, BNPP AM uses **minimum criteria** to ascertain that business is conducted without having an adverse impact on the environment or society.

We invest only in:

- **Agriculture-related palm oil and wood pulp** companies meeting minimum standards on sustainable production
- **Nuclear power** companies that, for example, use appropriate technologies and have adequate health and safety measures
- **Mining** companies with strong ESG standards.

Our sector policies and the implementation of policy guidelines are revised continuously. This includes recommendations for specific sectors. We discuss sectors with minimum requirements for investment below.



PALM OIL

Several initiatives address environmental and social issues and aim to ensure a gradual shift towards good practices, one of the most prominent being the Roundtable on Sustainable Palm Oil (RSPO).

BNP Paribas Asset Management believes that the RSPO has made, and is making, a major contribution to the adoption of sustainability practices through its wide-reaching, consensus-based and multi-stakeholder approach. BNP Paribas Group is an RSPO member.

BNP Paribas Group supports companies committed to No Deforestation, No Peat, No Exploitation.

As a participant in the Soft Commodities Compact, BNP Paribas Group is committed to aligning banking industry practices with the objective of achieving zero net deforestation by 2020 in the sector.

BNP Paribas Asset Management will invest in this sector when palm oil is produced sustainably.



WOOD PULP

Growing demand is likely to impact wood pulp production and forestry management significantly. BNP Paribas Asset Management is focusing on sustainability areas including respect of local people's rights and job development; job health and safety; and environmental management.

BNP Paribas Asset Management believes the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification Schemes (PEFC) currently offer the best available criteria for sustainability.

BNPP AM encourages companies to:

- Have a clear and stringent environmental management procedure for existing plantations, including the use of agro-chemicals and water. External suppliers must have similar procedures.
- Develop alternatives to plantations on peatlands with valuable ecosystems.

We will, under certain conditions, invest in the wood pulp sector since we believe that wood pulp can be produced sustainably and responsibly.



NUCLEAR POWER GENERATION

This policy addresses the ethical issues of nuclear power and establishes guidelines for conducting business in a responsible manner. The aim is to ensure that we invest in companies that operate in countries with a proper legal framework, use appropriate technologies and have adequate health, safety and accident prevention measures.

Our guidelines apply to owners, operators and companies in the nuclear fuel cycle (i.e. uranium enrichment, fuel production, used fuel recycling, storage and disposal of nuclear waste).



AGRICULTURE

While agriculture is central to many economies, and is expected to grow as demand for commodities and food rises, agricultural production is not exempted from social and environmental influences.

Climate change could endanger the livelihood of millions. Improper development could harm local communities and ecosystems.

Environmental and social issues range from water pollution and child labour to food security and animal welfare.

BNPP AM supports the development of sustainable agricultural practices. Our policy is aligned with the OECD guidelines for responsible agricultural supply chains.



COAL

BNP Paribas Asset Management is implementing a tighter exclusion policy on companies engaged in (i) the mining of thermal coal and (ii) the generation of electricity from coal.

The implementation of this policy is a major step in aligning portfolios to the goals of the Paris Agreement.

The aim is to:

- Tackle climate change
- Reduce air pollution, improve human health
- Manage the risk of fossil fuel assets becoming stranded in a push to mitigate the effects of climate change.

BNPP AM excludes companies that earn more than 10% of their revenues from thermal coal mining and/or are responsible for 1% or more of global thermal coal production.

We exclude power generators with a carbon intensity above the 2017 global average, with BNPP AM following the Paris-compliant trajectory as set out in the Sustainable Development Scenario of the International Energy Agency.



CONTROVERSIAL WEAPONS

Controversial weapons are those with indiscriminate effects and causing undue harm and injuries, including chemical and nuclear weapons. The financing of controversial weapons is forbidden in several EU countries.

The list of weapons might differ from country to country.

BNPP AM works with a comprehensive list based on international conventions and best practice. We do not invest in companies involved in controversial weapons, goods used for capital punishment and torture, and violating embargoes on arms and internal repression tools.



ASBESTOS

BNP Paribas Asset Management does not invest in companies that own or operate asbestos mines and asbestos fibre production facilities.



MINING

Mining provides mineral resources that are essential inputs to most sectors of the economy and represents a key share of national revenue in some countries.

Mining faces rising demand from world population growth and infrastructure development and maintenance. At the same time, several mineral reserves are becoming scarcer and harder to access.

These considerations should be balanced against ESG concerns including water and land use, emissions, human rights and benefit-sharing issues.

BNPP AM does not invest in companies that, among other things, use child or forced labour, cannot provide a health and safety record and cannot report on water, waste, greenhouse gas emissions or land reclamation.



UNCONVENTIONAL OIL AND GAS

Despite significant efforts to limit its impact, oil sands development may take place in areas of ecological significance. It may also fragment habitats and create large tailings ponds. The presence of indigenous communities in oil sands development regions is a key social issue.

Shale extraction is increasingly associated with major environmental issues – water consumption and pollution, methane emissions. This makes investing in companies involved in such activities incompatible with BNPP AM's aim to contribute to an ecological transition.

We will not invest in:

- Companies that are involved in exploration, production or trading, for which unconventional oil and gas represents a significant part of total reserves or total revenues
- Companies that own or operate pipelines or LNG export terminals supplied with a significant volume of unconventional oil and gas.



TOBACCO

The UN Global Compact – at the heart of our responsible investment policy – excludes tobacco producers and/or manufacturers. This fits with UN Sustainable Development Goal 3 – 'Ensure healthy lives and promote well-being for all at all ages'.

In line with BNP Paribas Group's halt to financing and investing in tobacco companies, BNPP AM has divested from tobacco manufacturers in all funds except for ETFs that replicate mainstream benchmarks.

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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