

# 2022 DISCLOSURE STATEMENT OPERATING PRINCIPLES FOR IMPACT MANAGEMENT



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable  
investor for a  
changing world



## JANE AMBACHTSHEER

Global Head of Sustainability  
BNP Paribas Asset Management



“BNP Paribas Asset Management (BNPP AM) hereby affirms its status as a founding signatory to the Operating Principles for Impact Management<sup>1</sup> (the Impact Principles). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They seek to bring greater transparency, credibility, and discipline to the impact investing market and draw on emerging best practices from a range of asset managers, asset owners, asset allocators, development banks and finance institutions. This statement reasserts BNPP AM’s intent to use the Impact Principles as a framework to help inform our approach to impact investment.

This Disclosure Statement applies to the following assets (Covered Assets):

- BNP Paribas Green Bond Fund (Green Bonds), a fund investing in global green bonds supporting environmental projects, assets and/or activities that contribute positively towards environmental objectives. These green bonds are issued by supranationals, sovereigns, agencies, corporates.
- BNP Paribas Social Business Impact Fund (Social Business), which targets French associations and unlisted companies operating in France and abroad to solve specific social and/or environmental problems.
- BNP Paribas Singularity Fund I (Singularity), a private equity fund of funds with an impact investment approach focusing on sustainable growth trends. It targets both impact investing funds and thematic funds that have an impact potential and the willingness to increase their impact. The funds of funds supports the latter in their adoption of impact investing practices with the aim to optimize their impact through its engagement and learning platform.

The total Assets under Management in alignment with the Impact Principles is EUR 1,298 million (roughly 1,476 USD million) as of 31 December 2021”.

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<sup>1</sup> The Operating Principles for Impact Management were launched on April 12, 2019; more information about the Impact Principles can be found here: <https://www.impactprinciples.org/>

## PRINCIPLE 1

# DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- With the launch of our Global Sustainability Strategy<sup>2</sup> in 2019, we announced our goal for all of our investments to achieve a positive impact, and to track and measure that impact according to a set of predefined KPIs<sup>3</sup> around three areas: the energy transition, environmental sustainability and equality and inclusive growth (the “3Es”). These issues are critical pre-conditions for a more sustainable and inclusive economic system, which in turn will enable us to safeguard long-term returns for our clients. However, we believe there is a difference between aspiring for the full range of our funds to have a positive impact and the smaller set of our assets which fall under the ‘impact investments’ asset class.
- Impact investments are investments that intend to contribute to measurable positive social and/or environmental impact alongside financial returns<sup>4</sup>. At BNPP AM, our impact investment framework is built on three main building blocks – intentionality, additionality and impact measurement and reporting.



### INTENTIONALITY (CLEAR IMPACT OBJECTIVES)

The formalised wish of the investor to contribute to positive social and/or environmental impact.



### ADDITIONALITY (INVESTMENT CONTRIBUTION)

The channels through which the investor claim to contribute to the stated impact are clearly documented (e.g. theory of change document).



### IMPACT MEASUREMENT AND REPORTING

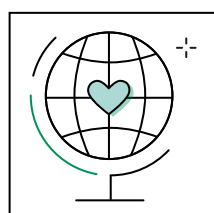
The impact is managed and monitored at all stages of the investment process, and is the subject of transparent and frequent reporting.

<sup>2</sup> Our Global Sustainability Strategy is available at this link: <https://docfinder.bnpparibas-am.com/api/files/1FC9FC6C-0DA8-468E-90B3-016DD85CD270>

<sup>3</sup> See page 20 of our Global Sustainability Strategy – link in footnote 2 – to discover our firm-wide KPIs on the ‘3Es’: energy transition, environmental sustainability; equality and inclusive growth.

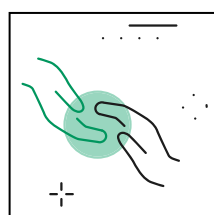
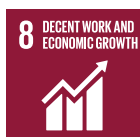
<sup>4</sup> This definition is based on the GIIN’s – see <https://thegiin.org/impact-investing/>

- Our Covered Assets have an explicit intention of having a positive and measurable impact and contribute to the following impact themes (which are themselves further aligned with the following SDGs), as explained in each fund's theory of change in the Appendix.



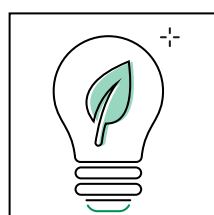
**GREEN BONDS**

Energy transition; energy efficiency; sustainable water management; sustainable agriculture and transportation; environmentally sustainable management of living natural resources and land use; green buildings; circular economy adapted products, production technologies and processes; terrestrial and aquatic biodiversity conservation; climate change adaptation



**SOCIAL BUSINESS**

Access to essential needs and good for vulnerable people (long-term unemployment, low-income, social exclusion, old-age, disabilities, ...); and more specifically: access to work; financial inclusion; access to quality and affordable social services; access to housing; fair trade; and humanitarian intervention



**SINGULARITY**

Challenges emerging from the demographic and social transitions, as well as from climate change and resource scarcity in alignment with several UN SDGs



For Social Business, the intention to have a positive measurable impact intent is shared with the investees, which are pure impact players.

- Furthermore, we recognise the role we have 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 the biggest 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 for the 3Es and have also announced a series of objectives relating to the SDGs<sup>5</sup>.

<sup>5</sup> See page 24-25 of our Global Sustainability Strategy – link in footnote 2.

## PRINCIPLE 2

# MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS.

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The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- For our Covered Assets, impact is managed during the lifecycle of the investment, following established strategy-specific processes to track and measure impact performance at portfolio level.
- Pre-investment, we set impact indicators, taking into account impact characteristics of the investee or projects financed.
  - **Green Bonds:** the environmental impact of green bonds is assessed on an ex ante basis during primary issuance. Only green bonds with a high level of positive environmental impact – as per our in-house green bonds framework – are eligible for our portfolio investible universe. Our green bonds framework includes an assessment of the alignment of the green bonds' use of proceeds against the EU Taxonomy where applicable, and our internal taxonomy of eligible and ineligible activities which are based on market best practices (e.g. Climate bonds initiative, GBP). In addition, our green bonds framework pays special attention to the ESG characteristics of the issuer and their impact methodology. More specifically, as part of our assessment of issuer's ESG credentials, we exclude those bonds whose issuer's ESG decile is 10 (i.e. bottom 10% of peer group in terms of ESG score). We exclude them as we believe that the issuer has low credibility in successfully carrying out the green projects/activities financed.
  - **Social Business:** We have a formal governance process to analyse and validate the impact framework analysis for each investee entity, focusing on ensuring impact relevance and fit with BNPP AM's strategy. We developed an internal methodology for impact analysis, used for each new investee at the beginning of the due diligence. A synthesis is realized and presented to a dedicated committee that will validate the adequacy of the prospect to BNPP AM's impact strategy for Social Business investments.
  - **Singularity:** The management team screens investment funds through its impact potential framework. The framework assesses the impact fundamentals of the investment strategy of the funds under review, as well as their capacity to deliver on their impact thesis. It also ensures they adhere to the fund of funds' minimum sustainability criteria. Finally, it evaluates the potential that exists for engagement between the fund of funds and the fund to improve their impact and ESG practices over the life of its commitment. In terms of governance, the Fund's impact committee validates the fund of funds' impact strategy and processes. It also approves every transaction, focusing on ensuring their impact relevance with the fund of funds' strategy and their impact potential.

- During the investment period, we continuously track the impact performance of our funds, which is formally assessed and communicated to investors on an annual basis.
  - **Green Bonds:** portfolio impact is calculated in the form of avoided emissions via investing in green bonds. This is conducted by an ex post third-party independent assessment<sup>6</sup>, carried out on a yearly basis and made public on our website.
  - **Social Business:** the process takes into account the impact of each investment annually through an impact measurement grid that was developed in 2015. Sector-level indicators allow us to aggregate and report numerous categories of impacts at the portfolio level, while individual indicators allow us to follow and monitor company-specific impact at the investee level.
  - **Singularity:** a three-tiered impact measurement framework – at the company level, fund level and fund of funds level - has been established and an annual impact measurement report is being produced for investors. Specific indicators are being tracked at each level and aggregated. Finally, a portion of the management team's financial compensation is aligned with the delivery of impact across these three levels.
- For the Covered strategies, defining and achieving impact targets forms a core part of role description and performance measurement for related teams. Beyond this, CIOs and 'ESG Champions'<sup>7</sup> across BNPP AM investment and commercial teams have sustainability KPIs included in their formal objectives, thus linking their performance review remuneration to the successful incorporation of sustainability investment approaches in their strategies.
  - **Singularity:** Impact is included in the compensation structure of the fund. More concretely, an impact score reflecting impact management and performance over the life of the fund's investments is calculated and plays a role in the attribution of the carry of the fund to the management team.

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<sup>6</sup> The assessment is carried out by Trucost. Link to the assessment can be found footnote 10.

<sup>7</sup> As part of our efforts to implement a true firm-wide approach to ESG integration, each investment team is assigned one or more ESG Champions. ESG Champions have specific sustainability-related objectives, including undertaking an external ESG certification, joining monthly calls with in-house and external experts on sustainability and accessing dedicated sustainability resources. They act as ESG integration lead within their team, ensuring processes to integrate ESG are embedded in their investment strategies and overseeing the articulation of said ESG integration in teams' materials. They are ESG experts within their team, first in line to help their colleagues with issues around sustainability, encouraging ESG allocation of capital and engagement efforts. They are also the primary point of contact of the Sustainability Centre within investment teams, BNPP AM's centre of expertise on sustainability.



## PRINCIPLE 3

# ESTABLISH THE MANAGER'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- BNPP AM also contributes to the development of the broader impact market, being involved in numerous industry initiatives:
  - BNPP AM sits at the board of FAIR
  - BNPP AM is an member of the Global Steering Group for Impact Investments' French NAB
  - BNPP AM is a member of the GIIN Listed Equities Working Group
  - BNPP AM is a member of the IMP Impact Frontiers
  - BNPP AM is a member of numerous Finance for Tomorrow Working Group on Impact Investing
  - BNPP AM co-piloted the 'Forum Investissement Responsable' (FIR) – France Invest' Impact Working Group.

Through our participation in these organizations and working groups, we aim to promote greater transparency in what constitutes impact investing for a mainstream asset manager; to share best practices between investors and to contribute to the growth of the market.

- For our Covered Assets, a dedicated process to enable us to contribute as an “impact investor” is achieved at every step of the investment process, where the specific approach will differ between asset classes and strategies.
  - **Green Bonds:** engagement with green bonds issuers is key to contribute to the achievement and improvement of green bonds' impact but also protect our clients' investments from the potential risk of reputational 'impact washing'.
    - At-issuance engagement: We focus on three main areas: an issuer's sustainability credentials and integrity, alignment with BNPP AM's taxonomy, and the green bond's proposed project ambition, expected allocation and implementation. A project's non-alignment with BNPP AM's taxonomy or a weak issuer ESG rating, coupled with unsatisfactory engagement feedback, may trigger an exclusion of the issuance from our investment universe.
    - Engagement after green bond investment: We focus our engagement on three key areas: output and impact indicators and actual project allocation. If the issuer fails to provide a satisfactory explanation for not providing impact indicators, the green bond will be excluded from the investment universe and sold if the bond is already in the portfolio.
  - **Social Business:** Contribution to impact is achieved through the deployment of more favourable than market financing (e.g. lower interest rates, accommodating liquidity or profitability requirement, no guarantee of return on investment). In addition, we have developed a wide range of financial instruments to address the various financial needs of Social Businesses, with a focus on identifying and remedying financial gaps. Beyond financing, we implement a long term partnership approach that allows us to support and advise our partners on various aspects of their business (such as management, governance, strategy...).
  - **Singularity:** Contribution to impact will be achieved through an engagement and learning platform providing technical advice and capacity building to selected funds on their management of impact and ESG factors. We aim to build long term partnerships with management teams, supporting them in meeting higher operational standards in these areas. We also aim to be a long-term provider of capital by providing additional capital as a co-investment resource for our funds. The fund of funds' contribution to impact is being assessed by tracking the engagement with each fund in the portfolio, collecting their feedback on the fund's support, and evaluating fund's progress over time through the fund of funds scoring system.

## PRINCIPLE 4

# ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH.

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For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- For our Covered Assets we have put in place specific impact measurement frameworks:
  - **Green Bonds:** There are a number of metrics that quantify the physical impacts of different projects financed by the Green bonds included in the Green Bond Fund. These include green energy produced, area covered for green buildings, passenger km travelled on green transport, and energy saved through green products. Impact assessment and measurement of the positive environmental impacts of green bonds helps to address the growing market concern regarding the number of self-proclaimed financial which are either not audited at all or assessed inconsistently in the market. Therefore, the Green Bond fund is represented by an impact dataset that is designed to estimate the potential positive impacts and avoided carbon emissions from green bond investments. This is made available to investor in the fund's annual impact report<sup>8</sup>.
  - **Social Business:** We have a systematic approach to impact measurement, with a framework that focuses on answering three questions: i) WHO are the beneficiaries; ii) WHAT are the products and/or services developed to answer social needs; iii) what are the expected and effective impact on the beneficiaries (cf. HOW MUCH dimension of impact from the IMP). During the due diligence phase, our analysis is mainly qualitative and unable to analyse not only the impact intentionality but also the risks the impact would not occur. Once an investment is validated, we define with the investee impact indicators that must be followed, included "mandatory" indicators according to the sector, and "specific" indicators adapted to each investee. Indicators are then aggregated in an annual impact report<sup>9</sup>.
  - **Singularity:** First, the fund of funds tracks that underlying portfolio companies have a positive impact. Each fund is asked to select key impact and ESG objectives and indicators each time they add a company to their portfolio. To define these, we encourage funds to use the best practice of assessing their companies against the IMP's 5 dimensions of impact. Secondly, it monitors that selected funds promote strong impact and ESG practices while deploying capital in portfolio companies and that they progressively adhere to better standards on these aspects when room for improvement exists. All the above will enable the fund of funds to assess if these funds' strategy can effectively be deemed to be generating a positive impact. Finally, the fund of funds will report on its own engagement activities with funds to promote best practices in impact and ESG management. The adequacy and efficacy of these engagement activities will also be assessed and reported on.

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8 Our latest Green Bond Fund impact report can be found here: <https://docfinder.bnpparibas-am.com/api/files/6472a6b9-532d-421e-86a4-11db9408bb35>.

9 Our latest Social Business Investments impact report can be found here: <https://docfinder.bnpparibas-am.com/api/files/B181394A-63E5-4163-B935-B29376A85424>.



## PRINCIPLE 5

# ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT.

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For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- All BNPP AM funds are committed to implement our Global Sustainability Strategy and relevant and applicable sustainable finance regulations. This includes respecting BNPP AM's policies on ESG integration, Responsible Business Conduct<sup>10</sup>, as well as requirements linked to Principal Adverse Sustainability Impacts defined in the REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures (SFDR) in the financial services sector, as outlined below. Together, these policies act as a "do no significant harm" safety net, helping us to screen out investments that are at risk of creating significant negative impact.

In particular, Covered Assets meet the following requirements:

### BNP Paribas requirements

- **ESG integration:** Thoughtful ESG assessment and monitoring is an integral part of our investment processes and we have a firm-wide commitment to integrate ESG into all our AUM.
  - At BNPP AM (Green Bonds Fund), the process to integrate and embed ESG factors is guided by formal ESG Integration Guidelines<sup>11</sup>, which include strong commitments, including not to invest in an entity without first establishing an ESG point of view (i.e. without an ESG score, or – if no ESG score is available – without undertaking a qualitative ESG analysis). This process enables us to make sure that we are mindful of potential ESG risks and opportunities before investing. Our common ESG integration requirements also include portfolio objectives, such as aiming to have a higher weighted ESG score and a lower carbon footprint than the benchmark. These requirements have been adapted for investments in small non-listed entities in the case of Social Business Investments and have started being applied as of early 2022.
  - For Singularity a dedicated ESG integration policy and due diligence framework ensures that funds meet minimum requirements in integrating ESG throughout their investment lifecycle, from origination to investment and reporting. This ESG integration is monitored over time. On an annual basis funds are asked how they mitigate the negative impact of their investments.
- **Responsible Business Conduct:** 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, OECD MNE Guidelines and UN Guiding Principles on Human Rights. We aim to engage with companies when they fall short, and exclude the worst offenders. We also have a series of 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, 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.

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10 Our Responsible Business Conduct Policy: <https://docfinder.bnpparibas-am.com/api/files/D8E2B165-C94F-413E-BE2E-154B83BD4E9B>.

11 BNPP AM's ESG Integration guidelines can be found at this link: <https://docfinder.bnpparibas-am.com/api/files/517E383E-5094-4908-A7CB-A0C0795C0288>

In the case of our *Green Bond Fund*, we take a proactive approach to managing environmental and social risk, with the goal to manage and mitigate potential negative externalities arising from green bond projects/activities (e.g. hazardous waste, water run-off, health & safety hazards). In order to do so, as part of our green bond framework we assess whether the issuer has adequate management systems and standards to safeguard against negative externalities. For example, we will expect the issuer to follow national standards at a minimum, or use international standards such as ISO14001 to manage overall environmental risks, or as best practice implement the Equator Principles.

### Regulatory requirements

To comply with the “Do No Significant Harm” principle, as defined by the SFDR, the financial product takes into account the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I (**Register of Commission Documents - C(2022)1931 (europa.eu)**) and aligns with international norms and conventions detailed in the SFDR.



## PRINCIPLE 6

# MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

For all portfolios, impact KPI data is collected and managed throughout the investment lifecycle. At each point of the investment process (and no later than annually), we review the impact against expectations and conduct appropriate follow-ups whenever necessary (e.g. potential engagement and escalation, wherever appropriate).

- **Green Bonds:** We assess progress on achieving impact and there is the opportunity to demote our green bond assessment should there be concerns. Our first assessment occurs when the issuer comes to the primary market. Data is collected through our internal scorecard based on the issuers' disclosures, focusing on the issuer's green finance framework and engagement with green bonds issuers. In addition to primary data, our analysts use secondary data sources such as "second party opinions" provided by the ESG rating agencies that evaluate the level of "greenness" and the alignment of Green Bonds with the Green Bonds Principles and the EU Green Taxonomy. The second catalyst for assessment is when the issuer publishes its impact report 18-24 months after the issuance. Our analysts use an internal scorecard template to collect key impact information, focusing on i) actual project allocation; ii) output indicators (for example clean energy installed capacity); and iii) impact indicators (GHG avoided). If the issuer doesn't publish an appropriate impact report, we demote the issuer i.e. recommendation becomes to not invest or sell if the bond is already in a portfolio. If engagement is satisfactory and the green bond issuer publishes an appropriate impact report, the recommendation is to invest for another year.
- **Social Business:** Evolution of the impact is assessed annually, through impact KPIs and qualitative interviews with the investees. Once an investment is validated, we may define with the investee impact indicators that must be followed, including "mandatory" indicators according to its sector and "specific" indicators adapted to each investee. The objective is to analyse how impact considerations are integrated in the investees' strategic plan. The annual assessment enables us to compare impact expectations to the effective impact achievements: are the targeted beneficiaries the effective ones? Do the products and services deployed enable the changes expected for the beneficiaries? How is the impact strategy evolving taking into account the effective results? There is an opportunity to engage with investees and potentially exit investments if the impact is deemed insufficient.
- **Singularity:** Evolution of the impact is assessed annually, through impact KPIs and qualitative interviews with the investees. Once an investment is validated, engagement plans are defined with investees to assess the evolution of their impact practices over time, including the agreement to define and track impact KPIs at portfolio company level. To date, all funds that have been held in portfolio for more than a year have made progress on their management of impact and ESG factors. It is too early to assess the evolution of the impact of companies over time.

## PRINCIPLE 7

# CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- As a global asset manager, we manage a comprehensive range of active, passive and quantitative investment solutions covering a broad spectrum of asset classes and regions. Exit considerations and our influence on those considerations are dependent on the type of investments, whether public or private, direct or indirect, the relative size of our positions, and fiduciary duty.
- **Green Bonds:** Several events can prompt a change in the team's recommendation for inclusion in the investment universe ex ante or ex post:
  - Lack of ex-post reporting or sufficient detail and quality in ex-post reporting with no plan to improve despite attempted engagements with the issuer.
  - Allocation of proceeds toward activities that are excluded by BNPP AM as part of its Responsible Business Conduct policy.
  - Downgrade of the issuer's ESG score to decile 10 (which is the bottom 10% within its peer group, according to our internal ESG scoring model), which is considered a criteria for exclusion in the green bonds proprietary framework as stated above
  - Significant issuer controversy which incurs high negative environmental, social and/or reputation risks, a history of negative practices in managing environmental and social impacts in its activities and a failure to meet the DNSH requirements.
- **Social Business:** in the event that a decision to exit must be made, we would take into consideration the impact of the decision for all stakeholders involved, including, but not limited to, the impact on sustainability of the investee's business model and fiduciary duty to our clients. We do not hesitate to ease our exit conditions or postpone them should the situation require it. As a concrete example, we decided to offer the possibility to delay – free of interest – the repayment terms initially due for Q2 2020, taking into account the cash and economic issues encountered by our investees because of the COVID-19 crisis.
- **Singularity:** Due to its nature as a fund of funds in private equity, the fund cannot conduct exits considering the effect on sustained impact. However, it can favour investment funds that do and promote this practice in selected funds.



## PRINCIPLE 8

# REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED.

**The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.**

- We learn from each of our impact investments. The impact market is evolving rapidly and there is constant innovation. We continually innovate and strive to improve our impact management practices and processes, including our impact investment analysis and measurement methodologies. We firmly believe there is a “feedback loop” between us as an investor, the companies we engage with and our peers to share best practices and push for improvements on impact and assessment methodologies and reporting. For example, we often consider evolutions to our internal taxonomy of eligible green projects/activities for green bonds based on new available information (e.g. adding large hydropower projects to our exclusion list, due to large negative social externalities).
- Our Covered Assets’ impact frameworks are reviewed at least annually. From a governance perspective, BNPP AM’s Investment and Executive Committees oversees the firm’s approach, policies, targets and reporting as they relate to sustainability and impact.
- Operationally, BNPP AM’s impact approach is piloted by an internal Impact Taskforce. The Taskforce is in charge of the development and evolution of the firm’s impact framework, as well as related guidelines, checklists and policies. Strategies that desire to fall under the impact category are followed and vetted by members of the Impact Taskforce to ensure impact considerations are wedded via a cohesive theory of change throughout the investment process, before validation of strategies’ classification at the Global Product Committee.



## PRINCIPLE 9

# PUBLICLY DISCLOSE ALIGNMENT WITH THE IMPACT PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT.

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The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Statement reaffirms the alignment of the Covered Assets' impact management systems with the Impact Principles and will be updated annually.
- The latest independent assurance report on the alignment of BNPP AM's Covered Assets with the Impact Principles is posted at <https://www.bnpparibas-am.com/en/sustainability-documents/>.
- Independent verification of the Covered Assets' impact management systems will be conducted on a regular basis (and no later than at 3-year intervals, or earlier if there is a significant change to our impact management systems).
- Information on the current independent verifier is as follows:

#### **Name and Address**

EY & Associés  
Tour First 1 place des Saisons TSA 14444  
92037 Paris La Défense Cedex France

#### **Qualifications**

"EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities. EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, [please visit ey.com](https://ey.com)."

**Most Recent Review** July 12 2021



# ABOUT BNP PARIBAS ASSET MANAGEMENT

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BNP Paribas Asset Management is the investment arm of BNP Paribas, a leading banking group in Europe with international reach. BNPP AM aims to generate long-term sustainable investment returns for its clients, based on a unique sustainability-driven philosophy. BNPP AM's investment capabilities are focused around five key strategies: High Conviction Strategies, Private Debt & Real Assets, Multi-Asset, Quantitative & Solutions (MAQS), Emerging markets and Liquidity Solutions, with investment processes incorporating quantitative and fundamental analysis.

Sustainability is embedded within BNPP AM's strategy and investment decision-making. Among the leaders in thematic investment in Europe, BNPP AM contributes to the energy transition, environmental sustainability and the promotion of equality and inclusive growth. BNPP AM currently manages EUR 522 billion of assets (EUR 645 billion of assets under management and advisory) and benefits from the expertise of around 500 investment professionals and around 800 client servicing specialists, serving individual, corporate and institutional clients in 67 countries.

Source: BNPP AM, as at 31 March 2022



# APPENDIX – FUNDS' THEORY OF CHANGE

## SINGULARITY



### CONTEXT

A 'theory of change' describes the change that an initiative wishes to see and its understanding of how it will contribute to that change. BNP Paribas Singularity Fund I has been designed based on the following reasoning:

#### 1

##### THE PROBLEM WE ARE TRYING TO ADDRESS

As described in the GIIN 2019's Core Characteristics of Impact Investing' report by their CEO: "To tackle issues on the scale of the Sustainable Development Goals and global climate targets, we must think much bigger and engage a much broader set of investors. Scale is essential. But it must be scale with integrity, to ensure we are achieving impact at scale, not just capital at scale."

McKinsey' Global Private Markets Review 2022 estimates the private equity market at USD 6.3 trillion. The Global Impact Investing Network (GIIN)'s 2020 Annual Impact Investor Survey estimated the global impact investing market at USD 715 billion, 16% of which is in private equity. As a matter of a fact, self-labeled impact funds still represent a marginal subset of the private equity market but the impact investment opportunity in the asset class is growing.

Across the private equity universe we distinguish thematic investors from impact investors. While the former focus on seizing the commercial opportunities that megatrends embedded in sustainability challenges offer, the others intentionally focus on solving sustainability issues in the first place.

We look at both because our conviction is that both have the potential to create measurable societal impact and attractive risk-adjusted financial returns. We do observe that private equity managers integrate sustainability factors in their investment strategies to varying degrees. The same goes for their investment process. There is a wide gap among established players and emerging ones in terms of track records, expertise and knowledge on both impact and financial aspects that must be addressed across the investment chain to scale the creation of a net positive impact in the asset class.

#### 2

##### OUR IMPACT GOAL IS TWOFOLD

BNP Paribas Singularity Fund I's mission is to bridge the gap between thematic investing and impact investing and hence contribute to the scaling of impact investing and to do so with integrity. Therefore we aim to:

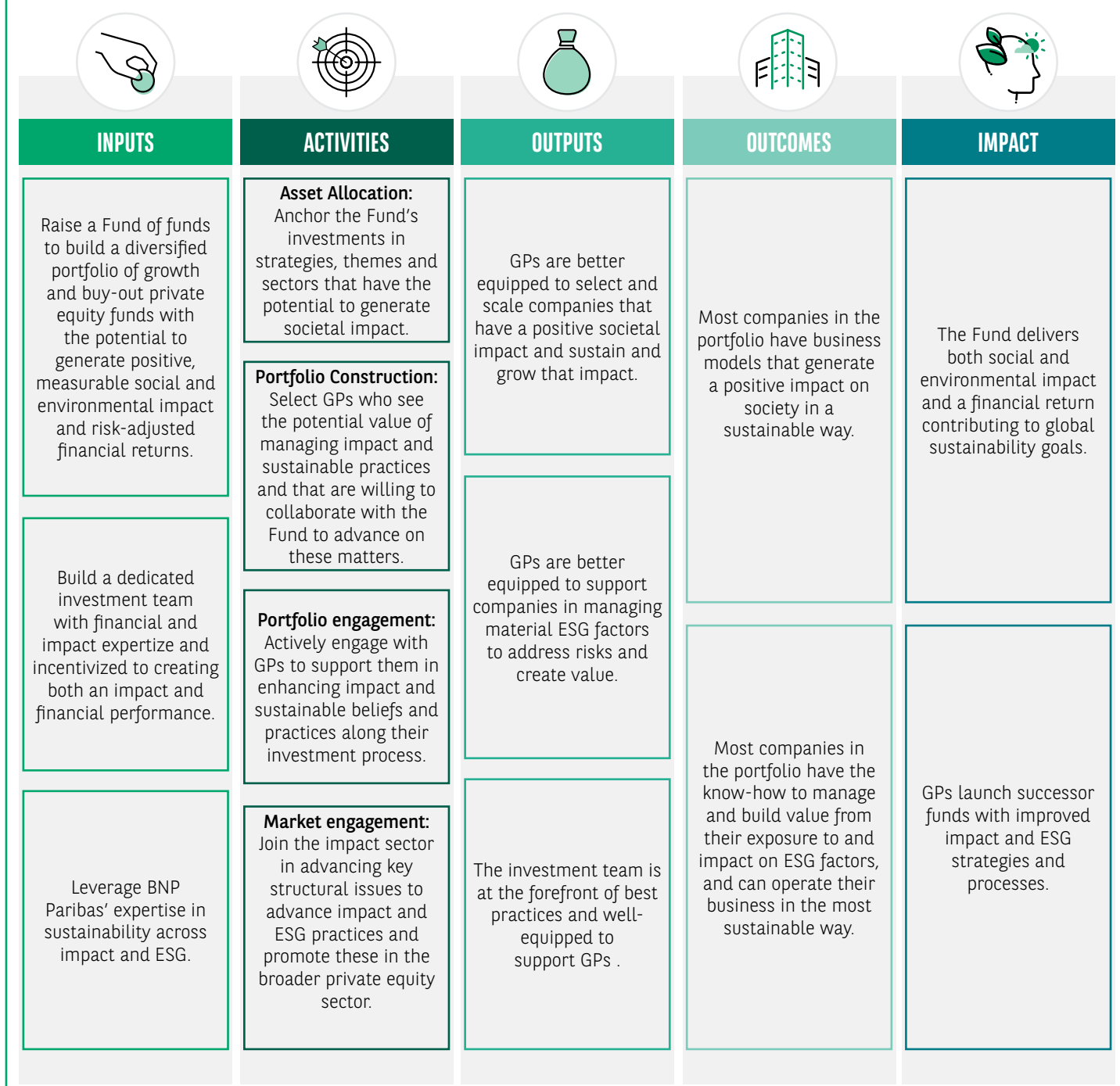
- Demonstrate that fostering economic growth and development while intentionally protecting natural assets and favoring well-being across society represents a strong opportunity to generate risk-adjusted returns for investors.
- Showcase the structural added value of a fund of funds product in scaling impact investing and ESG in private equity.





## LOGIC MODEL

BNP Paribas Singularity Fund I aims to reach these goals by investing and engaging with stakeholders in the following manner:



*The investments in the fund are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay, the fund described being at risk of capital loss.*

*For a Complete description and definition of risks, please consult the last available prospectus and KIID of the fund. Investors considering subscribing to a fund should read carefully its most recent prospectus and KIID that can be downloaded free of charge from our site.*

*Past performances or achievement is not indicative of current or future performance.*

# APPENDIX – FUNDS' THEORY OF CHANGE

## GREEN BONDS



### CONTEXT

A 'theory of change' describes the change that an initiative wishes to see and its understanding of how it will contribute to that change.

The BNP Paribas Green Bond Fund is a SFDR Article 9 fund which apply our BNP Paribas Asset Management proprietary Sustainable Investment Policy and invest in companies that provide solutions to environmental and/or social challenges. Each issuer must respect sustainable development criteria in terms of social, environmental and/or governance factors. The security selection criteria for this green bond fund includes BNP Paribas Asset Management's own thematic bond assessment methodology, taking into account the extent of contribution of the use of proceeds towards environmental objectives. We apply a strict and comprehensive in-house definition of a green bond through our extra financial research, placing a high level of importance on reputational risk (avoiding green-washing).

#### 1

#### THE PROBLEMS WE ARE TRYING TO ADDRESS

Green bonds are specifically used to raise money for projects with environmental benefits such as energy transition; energy efficiency; sustainable water management; sustainable agriculture and clean transportation; environmentally sustainable management of living natural resources and land use; green buildings; circular economy adapted products, production technologies and processes; terrestrial and aquatic biodiversity conservation; climate change adaptation.

Policy developments and increased client awareness means that investors are under increasing pressure to better manage and report on their positive environmental and societal impacts. While the investment community has demonstrated appetite for instruments which meet positive environmental criteria, there are limited solutions in the market to help them systematically assess and quantify the positive impacts of green bonds.

S&P Global Sustainable1's measurement of the positive environmental impacts of green bonds will help address the growing market concern regarding the number of self-proclaimed "green financial assets", which are either not audited at all or assessed inconsistently in the market. S&P Global Sustainable1 has developed a Green Bond dataset that is designed to estimate the potential positive impacts and avoided carbon emissions from green bond investments. Trucost believes that the quantification of absolute and avoided carbon emissions offers issuers and investors the opportunity to develop a green bond market that is robust, credible and transparent. By quantifying the environmental benefits of green bonds, all market participants will be able to compare the performance of different issuances on a like-for-like basis and investors will be able to report the positive impact of their green bond portfolio in a consistent manner.

#### 2

#### OUR IMPACT GOALS

There are a number of metrics that quantify the physical impacts of different projects financed by the Green bonds included in the Green Bond Fund. These include green energy produced, area covered for green buildings, passenger km travelled on green transport, and energy saved through green products. Impact assessment and measurement of the positive environmental impacts of green bonds helps to address the growing market concern regarding the number of self-proclaimed financial which are either not audited at all or assessed inconsistently in the market. Therefore, the Green Bond fund is represented by an impact dataset that is designed to estimate the potential positive impacts and avoided carbon emissions from green bond investments.

*The investments in the fund are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay, the fund described being at risk of capital loss.*

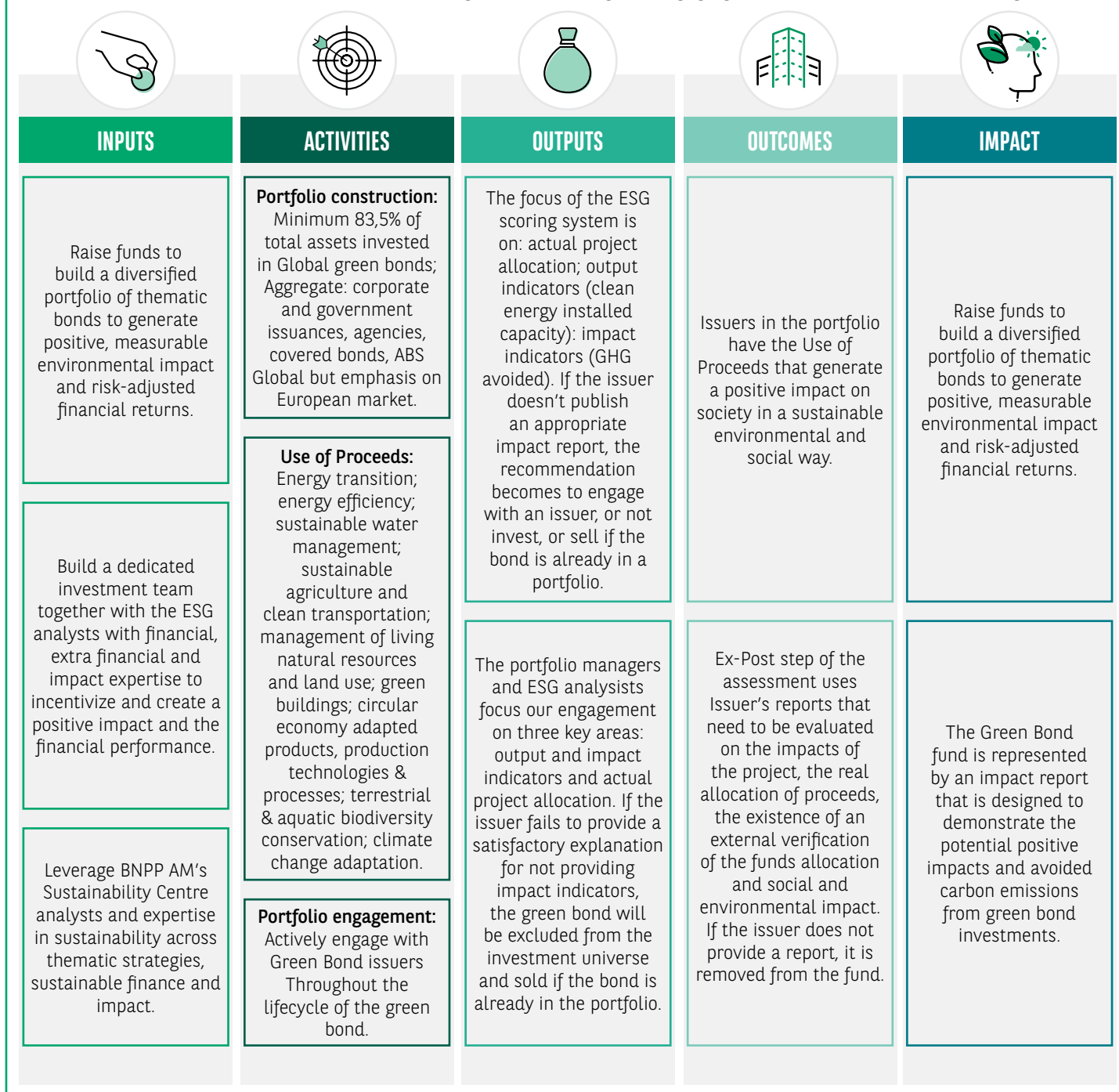
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## LOGIC MODEL

BNP Paribas Green Bond Fund aims to reach these goals by investing and engaging with stakeholders in the following manner:



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# APPENDIX – FUNDS' THEORY OF CHANGE

## SOCIAL BUSINESS



### CONTEXT

A 'theory of change' describes the change that an initiative wishes to initiate and its understanding of how it will contribute to that change. BNP Paribas Social Business Impact Fund has been designed based on the following reasoning:

#### 1

##### THE PROBLEM WE ARE TRYING TO ADDRESS

In France and in Europe, millions of people are still living into poverty or experiencing social exclusion. It can take many forms.

In France, INSEE estimates that 9.2 million people – mostly unemployed people, single-parent families and migrants– are living below the poverty line, accounting for almost 15% of the national population. INSEE also explains that more than 13% of the population is living in a situation of material and social deprivation, albeit more than 50% not living under the poverty line. Material and social deprivation means that, for financial reasons, those persons are unable to cover at least 5 of the basics needs (heat their homes, buy new clothes, have a personal vehicle, spend one week of vacation outside of their homes per year, ...). A 2021 study by IFOP on social exclusion and poverty points out that 25-34 years old are particularly affected by social exclusion, and two new fragile populations are emerging: working poors and seniors.

Another cause of vulnerability and exclusion is disability. INSEE estimates that there are 12 millions disable people in France. And it is not only a question of ability. The statistics demonstrate that they are under-educated, under-graduated and under-employed. Access to mobility and to leisure are more difficult. They suffer stigma and discrimination.

#### 2

##### OUR IMPACT GOAL IS TWOFOLD

BNP Paribas Social Business Impact Fund's mission is to contribute to solutions for people in situation of vulnerability by bridging the financing gap for non-profit organizations and social businesses in France and in Europe. We achieve this by financing:

- Non-profit organizations and social businesses that aim at answering the needs of vulnerable people, by offering them directly products and services with a positive impact ;
- By offering adapted financing tools with low-interest and by creating long-term trusted partnerships.

*The investments in the fund are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay, the fund described being at risk of capital loss.*

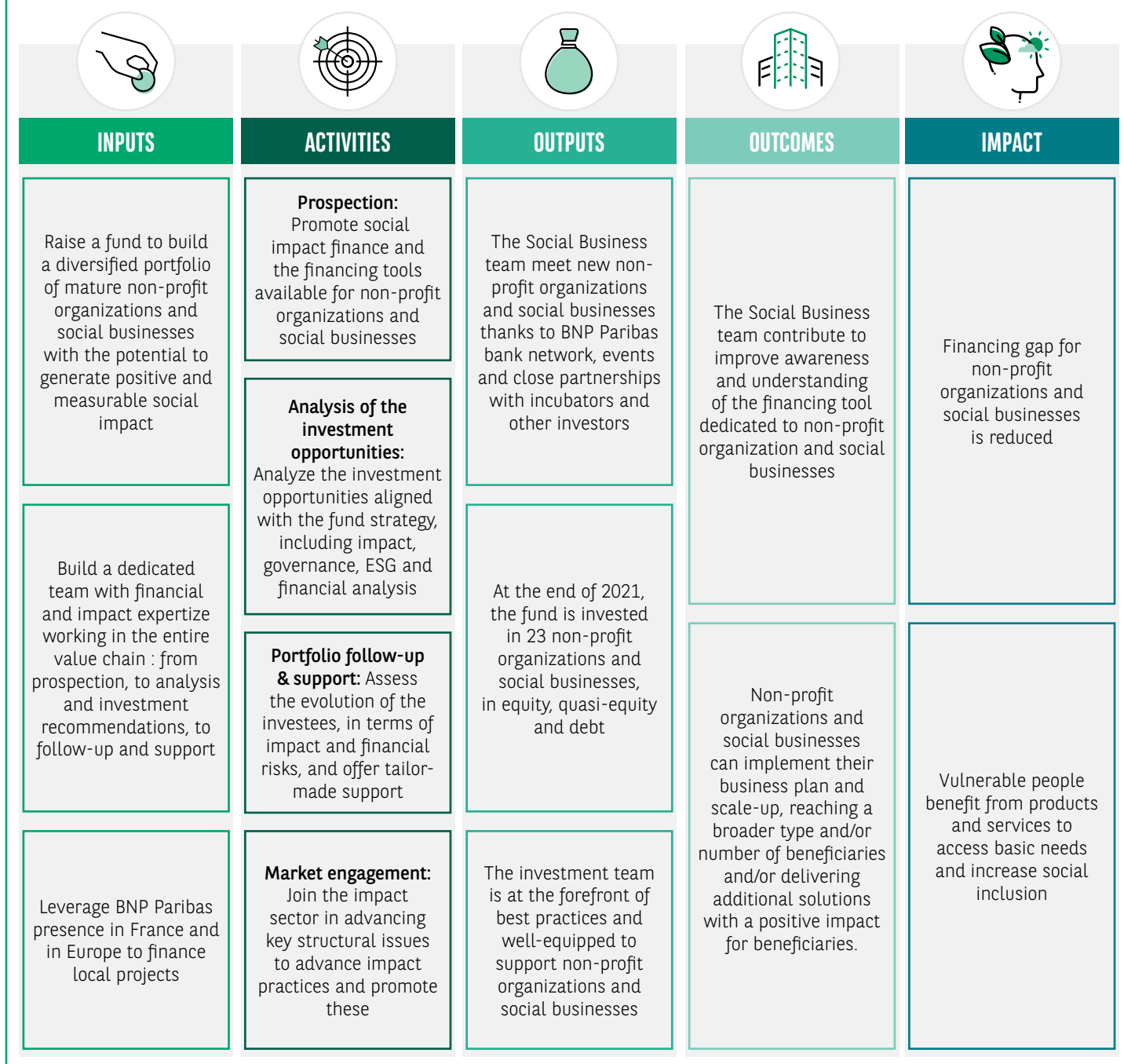
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## LOGIC MODEL

BNP Paribas Social Business Impact Fund aims at reaching these goals by investing and engaging with stakeholders in the following manner:



*The investments in the fund are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay, the fund described being at risk of capital loss.*

*For a Complete description and definition of risks, please consult the last available prospectus and KIID of the fund. Investors considering subscribing to a fund should read carefully its most recent prospectus and KIID that can be downloaded free of charge from our site.*

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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.

This material is issued and has been prepared by the investment management company.

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The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

All information referred to in the present document is available on [www.bnpparibas-am.com](http://www.bnpparibas-am.com)

# VIEWPOINT



**BNP PARIBAS**  
**ASSET MANAGEMENT**

**The sustainable  
investor for a  
changing world**