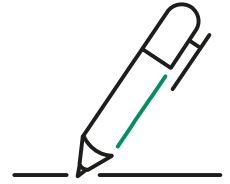


TALKING HEADS PODCAST



By **Daniel Morris**, Chief Market Strategist | **Thibaud Clisson**, Climate Change Lead

COMMITTING TO NET ZERO AS AN ASSET MANAGER

Daniel Morris: Hello and welcome to the BNP Paribas Asset Management Talking heads podcast. Every week, Talking heads will bring you in-depth insights and analysis through the lens of sustainability on the topics that really matter to investors. In this episode, we'll be discussing the Net Zero Asset Manager initiative. I'm Daniel Morris, chief market strategist, and I'm delighted to be joined by Thibaud Clisson, climate change lead from our Sustainability Centre. Welcome, Thibaud, and thanks for joining me.

Thibaud Clisson: Hi Daniel, it's great to be here. Thank you for hosting me.

Daniel Morris: If we think about all the tumultuous events that have occurred over the last few years from the pandemic and now, of course, the conflict in Ukraine, one of the unexpected, but perhaps positive consequences has been a renewed focus on climate, on energy transition, on the environment, really everything ESG-related. We just saw recently, for example, the passage of a climate bill in the US, which I think highlights a good trend in that we're, moving from a lot of words and promises and commitments to achieving some of these objectives and much more real action and money and hopefully some targets that companies and individuals will stick to. And related to that BNP Paribas Asset Management has joined the Net Zero Asset Manager initiative. That was in November 2021, and BNP was given one year to disclose its targets and its commitments publicly. So that's what we want to talk about. So tell me, Thibaud, first of all, can you actually just explain to us what net zero means? Really, why is it necessary? And importantly, how can an asset manager reach net zero emissions?

Thibaud Clisson: In a nutshell, you reduce emissions and then you remove the remaining emissions in order to reach a net zero balance between the emissions and the ones that are captured. Why it is so important? Well, according to the science, limiting global warming to 1.5 degrees above pre-industrial levels by the end of this century will prevent humanity from facing irreversible and massive impacts of climate change. For us, as an asset manager, why it matters, how can we act or reach net zero emissions? Well, the activity of an asset manager is to provide capital, right? So we provide capital to corporates and governments. And I think we have a responsibility and a key role to play as regards this net zero debate, we can help achieve net zero emissions by 2050 by moving our investments towards the necessary energy and transition and by encouraging corporates and governments to announce their climate ambitions and deliver on their climate commitments. So that's how asset managers can act and contribute to this net zero goal.

Daniel Morris: Now, beyond just net zero as a concept, there's something specific that we want to talk about, which is the Net Zero Asset Manager initiative. Can you tell us a little bit more about that and who else has joined?

Thibaud Clisson: So, the Net Zero Asset Manager initiative was launched in December 2020, and the goal was really to galvanise the asset management industry to commit to a goal of net zero emissions. And we have all committed together to support the goal of net zero greenhouse gas emissions by 2050 or sooner, and to support investing aligned with net zero emissions by 2050 or sooner. So the initiative was really meant to mobilise action within the asset management industry to demonstrate leading practices and to show that it is possible to bring the industry towards net zero emissions and also to deliver on the investment strategies and all the things that are needed to reach net zero emissions. And last but not least, it's also a great forum for all the members to share best practices and overcome some of the issues we face in our process to align our investments with the net zero goal.



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Daniel Morris: As I mentioned at the beginning, it really does come down to real commitments and not just words on a page. So what has BNP Paribas Asset Management actually committed to in terms of commitments?

Thibaud Clisson: By joining the initiative, we commit ourselves in doing three main things. First is to work with our clients, the asset owners on decarbonisation goals. The second is to set ourselves some interim goals, some interim targets in terms of the proportion of assets that will be managed in line of net zero goals. And the last thing is we commit ourselves to regularly review our targets every five years and to increase the portion of our assets that are included into the commitment with the goal of finally having 100% of our assets that will be net zero. So I think as regards BNP Paribas Asset Management, we will start by having a quite conservative approach because we strongly believe it's important to focus on the holdings for which we have as of today the tools, the data and the ability to achieve net zero emissions. We will focus on the main levers we have as an asset manager. We would first reduce the carbon footprint of our corporate investments and we will have milestones in 2025 and 2030. And thirdly, we will also progressively align our corporate investments with a net zero pathway. So we will give a priority when we invest in companies to those that are reducing their carbon emission on a pathway which is consistent with the net zero goal. We will also exit all our investments in coal. This is part of our previous commitment, but I think it's important to highlight that by 2030, we won't have any more coal in our portfolios in EU and OECD countries and by 2040 for non-OECD countries. We will also continue to expand our investment solutions offering, targeting climate and environmentally themed investments. That's just to give the opportunity to our clients to contribute to direct financing of the energy transition by investing in companies that are providing the necessary services or the necessary products for the transition. And last but not least, we will also strengthen our stewardship actions because we believe it's very important to encourage the companies in which we invest to take strong climate actions, and we will reduce our operational emissions because it's important to lead by example. And we will also improve our climate transparency.

So, in a nutshell, we will act on the main levers we have as an asset management company. So we will work on our investments. We will also work on our stewardship activities to try to influence corporate behaviour. We will obviously walk the talk by working on our own emissions and our own direct impact. And last but not least, we will increase our transparency to provide proof of our delivering on our net zero journey.