

For professional investors

BNPP FUNDS EARTH

BE PART OF THE JOURNEY

CLIMATE & ESG REPORT As of 31.12.2020

INAUGURAL LONG SHORT SUSTAINABILITY REPORT



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BNP PARIBAS
ASSET MANAGEMENT

L'asset manager d'un monde qui change

INVESTMENT OBJECTIVE

The investment objective of the BNPP EARTH Fund (Environmental Absolute Return Thematic) is to invest in companies whose activities directly contribute to the transition of the global energy system as well as to the protection and restoration of ecosystems. The global energy system today is responsible for 70% of global CO₂ emissions and to keep within the Paris two degree Celsius target we need investments of \$90trn¹ across Renewable Energy Production, Energy Efficiency, Technology & Materials as well as Energy Infrastructure & Transportation through 2050. Currently we consume our natural capital 1.75 times as fast as EARTH can regenerate it². The U.N. has called this decade the Decade of Ecosystem Restoration and some estimates indicate \$22 trillion of related cumulative annual capital investment being required by 2030³.

- 1 IRENA Global Renewables Outlook, Energy Transformation 2050, April 2020
- 2 Morgan Stanley, Global Energy & CO₂ Status Report 2018
- 3 New Nature Economy Report II, "The Future of Nature and Business", 2020

WHAT IS IN THIS REPORT?

This report provides information on the fund's climate and ESG profile and compares the portfolio to its benchmark using several indicators⁴:

- Detailed carbon, waste and water metrics
- Avoided carbon, waste and water for every €10m invested in the Fund
- Portfolio ESG scores and data
- Review of select companies

⁴ Data sourced from TruCost, CDP, company disclosures and the BNP Paribas Sustainability Center

BNP PARIBAS ASSET MANAGEMENT As of 31.12.2020

BNP Paribas Asset Management ("BNPPAM") is a leading provider of quality investment solutions for individual, corporate and institutional investors. BNPPAM has around EUR 400 billion assets under management and over 3000 staff in 36 countries.

BNPPAM is backed by BNP Paribas Group, whose scale and A rating from S&P gives us and our clients the secure foundation to invest and make a positive difference in people's futures.

BNPPAM is '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.

OUR APPROACH TO SUSTAINABLE INVESTING As of 31.12.2020

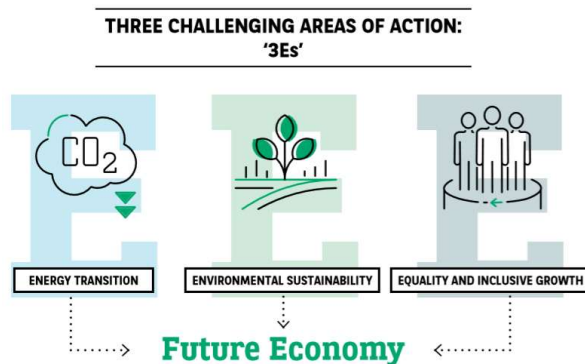
BNPP AM's commitment to sustainable investment began in 2002 with the launch of our first socially responsible investment (SRI) fund. We joined the Institutional Investors Group on Climate Change (IIGCC) shortly afterwards, and in 2006 we were a founding signatory to the UN-supported Principles for Responsible 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.

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 assists our ability to make well-informed decisions – particularly in a world with imperfect information and varied levels of knowledge – thus helping to enhance investment outcomes for clients

CLIMATE REPORTING¹ As of 31.12.2020**76.96**
MSCI ACWI 162.91

Weighted carbon intensity (tonnes CO₂/\$m) is the sum of the Scope 1 and Scope 2 CO₂ emissions (tonnes CO₂) divided by company revenue (\$m), summed by weight in the portfolio.

**-4,763**
MSCI ACWI 19,219

Weighted water use intensity (cubic meters/\$m) is the sum of direct use and purchased water (cubic meters) divided by company revenue (\$m), summed by weight in the portfolio. For the portfolio we adjust to measure consumed water as opposed to abstracted water, where water is returned to source for such uses as cooling and hydro-power production.

**4.46**
MSCI ACWI 6.78

Weighted waste intensity (tonnes/\$m) is the sum of landfill, incinerated and nuclear waste (tonnes) divided by company revenue (\$m), summed by weight in the portfolio.

**0.19%**

Brown share is the sum of:

- Share of coal in electricity production as a percentage of total generation
- Share of coal revenues as a percentage of turnover

**93.86**
MSCI ACWI: 141.80

Annual carbon emissions per \$1mln investment in the fund are the sum of Scope 1 and Scope 2 emissions divided by NAV (\$m) of portfolio. MSCI ACWI is unadjusted for different sector weightings given complexities in netting.

**12,732**
Car equivalent: 2,768

Total avoided emissions of the portfolio are total Scope 1 and Scope 2 emissions in tonnes per year saved by comparing the total fund AUM to an identical investment in the MSCI ACWI (non-adjusted sector weightings).

**0.51**

The Carbon Impact Ratio (CIR) measures the ratio of avoided emissions to total fund Scope 1 and Scope 2 emissions in tonnes of carbon emitted per year compared to the BNP Paribas Energy Transition Fund.

**14.51x**

Green energy generation (Gw/h) as a multiple of brown energy generation (Gw/h), which is defined as energy produced from coal and oil inputs. Green energy excludes nuclear.

¹ Long exposures are netted against short exposure
Source : BNP Paribas Asset Management, TruCost, CDP
Past performance is not an indication of future performance

TOP 10 LONG HOLDINGS, SHARE OF GREEN ACTIVITY & SDG ALIGNMENT AS OF 31.12.2020

Top 10 Holdings	Weight	% share of Green Revenues & Capex	Activity	SDG Alignment
SUNNOVA ENERGY	4.9%	100%	Residential Rooftop Solar Installer	7, 11
GENERAC HOLDINGS	4.5%	100%	Solar Inverters, Virtual Power Plants, Generators	7, 11
CENTRICA	3.5%	>20%	Energy Supply and Management, EV Charging	9
ENGIE	3.3%	>20%	Renewable Energy and Energy Efficiency	7, 9
AKER CARBON CAPTURE	3.2%	100%	Carbon Capture	9
GENERAL MOTORS	3.2%	> 20%	Electric Vehicles	9, 11
BALLARD POWER	3.2%	100%	Fuel Cells	7
THYSSENKRUPP	3.2%	> 20%	Green Steel, Water Electrolysis, and Energy Efficiency	11, 12
GREENPOWER MOTOR	3.1%	100%	Electric Vehicles	9, 11
LG CHEM	3.0%	>20%	Battery Producer	9
Total	35.2%	-	-	-

The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities.
Portfolio holdings are subject to change at any time without notice and should not be construed as a recommendation to buy or sell a particular security.
Past performance is not an indication of future performance

Source: BNP Paribas Asset Management



ENVIRONMENTAL IMPACT OF \$10m INVESTED IN THE STRATEGY FOR ONE YEAR COMPARED TO MSCI ACWI AS OF 31.12.2020

**479** tonnes/CO₂Equivalent to taking **104** cars off the road for a year**Total emissions avoided**

Carbon and carbon equivalent

**856** MWhEquivalent to **231** household's annual electricity consumption**Total renewable electricity generated****86** Tonnes

Absolute measure of fund recycling activity, not relative to index

Total waste recycled annually

Absolute, not relative to index

**43** tonnesEquivalent to **44** household's annual waste production**Total waste avoided**

Landfill and incineration

**183** MegalitersEquivalent to **1,165** household's annual water consumption**Total water saved**

Direct and Purchased

**29.8** thousand USD saved in pollutant damage and natural resource costs**Total monies saved**

Land, water and air pollutants

Note: The analysis above is done on a net basis between longs and shorts, relative to the 'unadjusted' MSCI ACWI index

ESG INDICATORS AS OF 31.12.2020

	Score ESG Total	Environmental Contribution	Social Contribution	Governance Contribution	Average Decile	Controversy Score
Fund	55.6	2.4	2.1	1.1	3.7	1.6%
MSCI ACWI	55.6	3.1	2.3	0.2	3.5	7.4%

Past performance is not an indicator of future performance

Source : BNP Paribas Asset Management, Sustainalytics

Note: The ESG score, particularly within the "E" vertical, is underestimated for the EARTH Fund as several of our smaller pure-play environmental companies are not yet fully scored, resulting in them being excluded from our "E" score, which in turn lowers our ESG score. Importantly, these companies (and all others in our portfolio) directly help to solve climate issues. Individual 'pillar' scores are contribution points and are not on a 100 scale. Fund scores only consider long investments, grossing weighted sums up to 100%.

- The ESG score is constructed from the evaluation of detailed criteria aimed at systematically evaluating companies' commitments and practices in terms of the environment (ie. climate change), social (ie. human resources management) and governance (ie. Independence, competence of directors). This ESG score reflects a proprietary BNP Paribas Asset Management methodology. The system does not benefit or penalize sectors for business activity, but aims to remain sector agnostic. In respect to the environment it looks at Scope 1 and 2, but not Scope 3 emissions. Pillars are measured as marginal positive or negative contributions.
- The ESG decile is a "relative" ESG score. The score from 1 to 100 is converted into a classification by decile from 1 to 10 (1 being the best decile and 10 the worst). All decile rankings cover at least 5 companies. The classifications are carried out by sub-group and region.
- The social controversy score shows the percentage of titles whose issuers are subject to severe social controversy (level 4 or 5). Level 4 indicates the existence of several major controversies demonstrating structural problems of the company while level 5 controversies are very serious controversies with strong impact.

**73.08**

MSCI ACWI 78.21

Good corporate governance is measured through various indicators, in particular the presence of women on the boards of directors. We believe that a good diversity on the board of directors creates the framework that ensures that the company is managed in long term interest of shareholders. This indicator assesses the average percentage of women on board within the portfolio's issuers.

**58.54**

MSCI ACWI 35.31

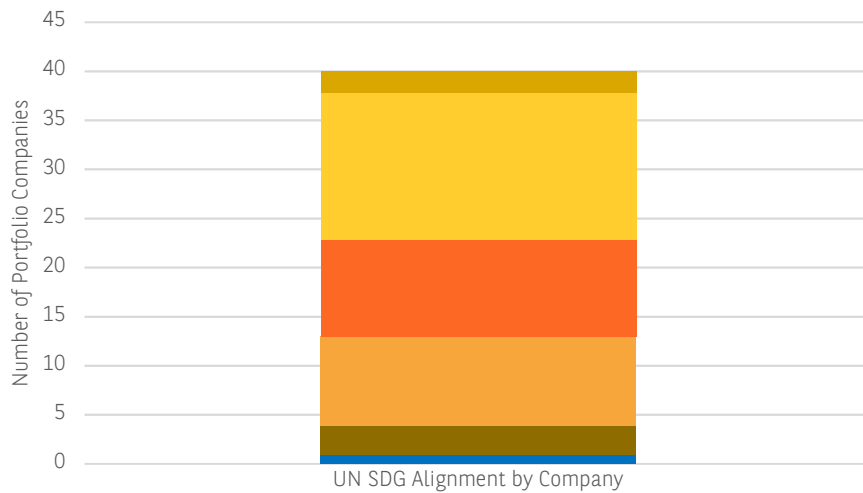
Human rights compliance with international standards and conventions as measured by share of companies that are signatories to the UN Global Compact

Source : BNP Paribas Asset Management, MSCI ESG Research, Sustainalytics. Fund scores only consider long investments, grossing weighted sums up to 100% to account for unscored companies. The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation

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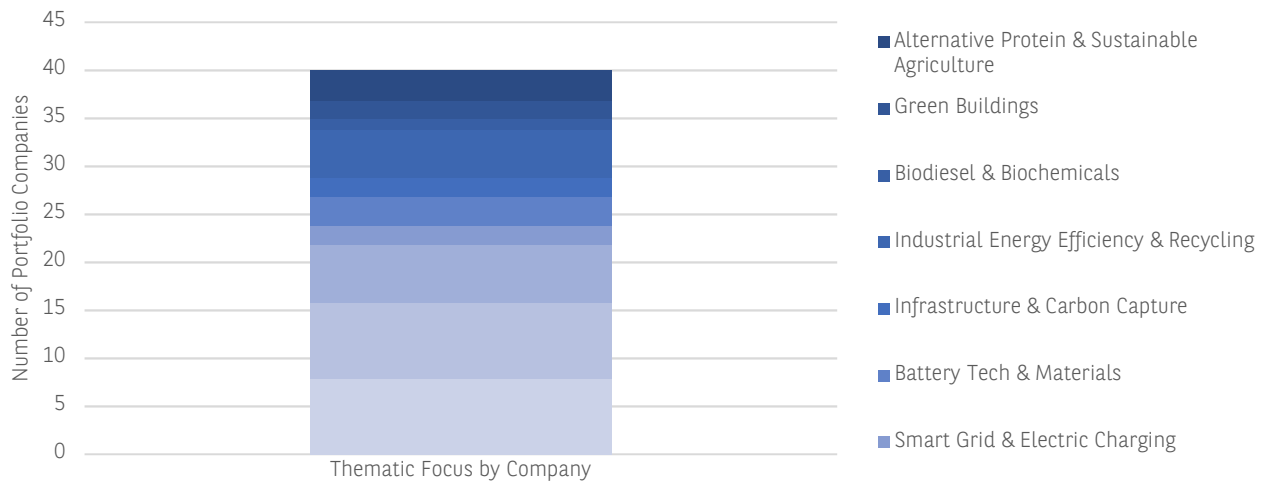
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT, BY NUMBER OF COMPANIES² AS OF 31.12.2020



- SDG 2**
Zero Hunger
- SDG 7**
Affordable and clean energy
- SDG 9**
Industry, innovation and Infrastructure
- SDG 11**
Sustainable cities and communities
- SDG 12**
Responsible consumption
- SDG 14**
Life below water

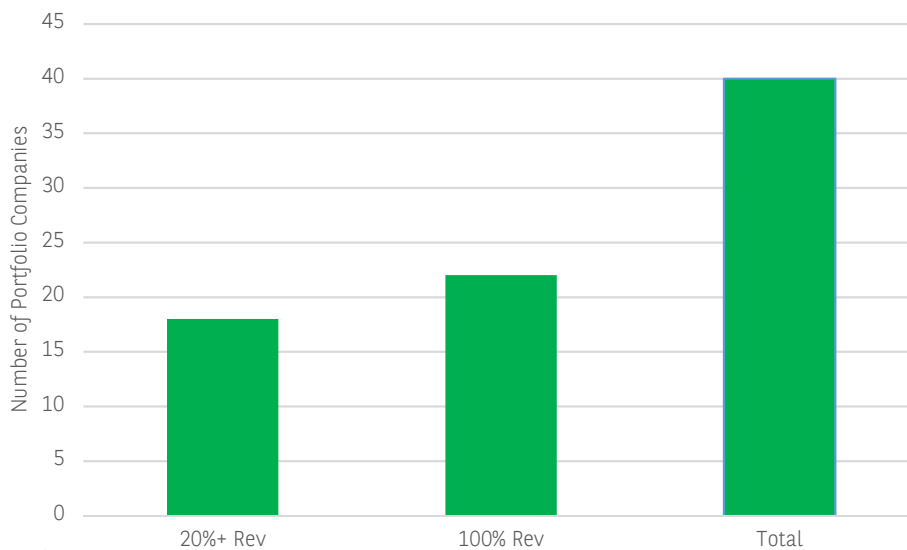
Source: BNP Paribas Asset Management

EARTH THEMATIC FOCUS, BY NUMBER OF COMPANIES² AS OF 31.12.2020



Source: BNP Paribas Asset Management




ENVIRONMENTAL REVENUE SHARES, BY NUMBER OF COMPANIES² AS OF 31.12.2020



Source: BNP Paribas Asset Management.


² All graphs reflect long investment exposure
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KEY LOW SCORING COMPANIES AS OF 31.12.2020


COMPANY	BNPPAM ESG Score	Carbon Intensity tCO ₂ / \$ 1mIn Revenue	Solving for the Environmental Solutions
 ENGIE	41	1,013	Engie's strategy is to be a leader in the energy and climate transition by acting "to accelerate the transition to a carbon-neutral economy." They provide network and electric vehicle charging services, renewable power generation, and energy efficiency client solutions, in addition to their thermal power generation. It has dramatically cut its legacy carbon footprint by over 50% since 2015 and aims for further large reductions by 2030. Renewable energy should go from 28% of their electricity mix in 2019 to 58% in 2030, reducing emissions from 80Mt today to 43Mt in 2030. Coal-fired capacity has dropped 72% already from 2015 to today. They aim for their gas business to be 100% green by 2050. 98% of their European sites are covered by a biodiversity action plan since 2015. They get an 8/8 or "A" from CDP on climate.
 AKER CARBON CAPTURE	45	61	Aker Carbon Capture is the only listed pure play carbon capture company. While it is newly listed with limited current policies, it has over two decades of operational experience. Their pipeline has grown 300% from April 2019 to June 2020. The company was responsible for the world's first offshore CO ₂ storage project, the Sleipner Field, which has sequestered more than 1mm tons of CO ₂ . Their latest project will be the first carbon capture effort at a cement factory, aiming to sequester the CO ₂ equivalent of about 200,000 cars, for Norem HeidelbergCement.
 THYSSENKRUPP	41	799	ThyssenKrupp is not a name that most environmentalists would think of given it manufactures steel, but it is pioneering low carbon ways to do this with hydrogen. Furthermore they have a dedicated joint venture with Mantrco to recycle scrap steel. All activities that are environmentally relevant are required to operate with an ISO 14001 environmental management system and for the fifth time in a row the CDP has put ThyssenKrupp on their Climate A List. ThyssenKrupp aims to become climate neutral by 2050 and has meaningful targets for 2030 which are in line with the 2015 Paris Agreement. This position has been hedged alternatively with market instruments and less progressive steel companies.

Note: Not all companies in our portfolio have a high ESG score or a low carbon intensity score. This is because ESG scores can emphasise policies and not take fully into consideration what companies are doing, or they can be more of a reflection of S and G, or can penalise smaller companies with incomplete data. We include ESG scores and the fund must have an ESG score above benchmark, but otherwise we optimise for environmental considerations. Similarly some companies can help the environment, including conducting aggressive renewable build-outs, even if they have a high carbon intensity (for example, due to a legacy dirty business that is being divested.) We try to look forward and make an impact by focusing on companies that provide environmental solutions through their products and services and where we tie these to a significant amount of the company's revenues and capital expenditures.

EARTH ESTABLISHED COMPANY HIGHLIGHT OF THE QUARTER AS OF 31.12.2020

COMPANY	ESG BNPP AM Score	Carbon Intensity tCO ₂ / \$1 mln Revenue	Explanation
 APTIV	67	32	Aptiv is a global technology leader in mobility. With a presence in 44 countries they make vehicles safer, greener, and more connected. They have core expertise in sensing and perception systems, high-speed power and data distribution, advanced software, and central computing platforms. Some applications are active safety, driver assistance, and automated driving including LiDAR and radar. Their high voltage and systems businesses are instrumental for the growth of the electric vehicle industry. 85% of suppliers are certified with an environmental management system and the company has reduced its carbon emissions and water consumption by 41% and 38% respectively over the past 9 years. They have an AA MSCI ESG rating, a CDP B score, and for the ninth year in a row are ranked on a list of the world's most ethical companies by the Ethisphere Institute.

EARTH NEW COMPANY OF THE QUARTER AS OF 31.12.2020

COMPANY	ESG BNPP AM Score	Carbon Intensity tCO ₂ / \$1 mln Revenue	Explanation
 APPHARVEST	N.A.	N.A.	AppHarvest is an exciting agricultural technology company that is dramatically reducing the carbon footprint of produce consumed in the USA. They use very large greenhouses in Kentucky and deliver to east coast cities, thereby cutting out thousands of miles worth of diesel truck emissions from conventional Mexico based suppliers. Furthermore, they use no additional water beyond recycled rainwater, use no pesticides due to the controlled environment, and have no nitrogen run-off due to their vertical farming method. Leveraging advanced agricultural technology, they are able to produce at 30x the yields of conventional farming, which could help return land to other uses, potentially supporting biodiversity. The company is very strong on social measures, building farms in rural coal-mining areas where much of the population has struggled with unemployment and addiction issues. They have active programs with local schools and are bringing back quality jobs to Kentucky. We invested capital directly into the company via a private placement, providing them with monies to help grow their business.

Note: every quarter we will highlight one mature portfolio company that we think has an exciting story and is making a meaningful impact in respect to global climate challenges as well as one young innovative company that we think has the potential to grow significantly and is directly aligned with environmental solutions themes. Trademark, copyright, and other intellectual property rights are and remain the property of their respective owners. The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation



PORTFOLIO MANAGER BIOGRAPHIES



Edward Lees, Co-head Environmental Strategies Group, ESG Champion

Edward is co-head of Environmental Strategies Group and co-lead portfolio manager of the BNP Energy Transition Fund and BNP Environmental Absolute Return Thematic Fund, EARTH having joined BNPP AM in 2019. Edward began his career in 1994 at Morgan Stanley in New York in investment banking and private equity. He joined Goldman Sachs in 2000 where he was an MD and founded and co-ran the Goldman Sachs Thematic Investment Group (2005-2009). Edward set up thematic fund Clear River Capital in 2009 and subsequently went to UBS as a MD to start a principal investing business. Since 2012, Edward was the CEO and co-founder of North Shore Partners that became part of Duet Asset Management in 2015 and later co-founded Sustainable Solutions (2017-2019). He holds a MBA from Wharton and a BA from Amherst College.



Ulrik Fugmann, Co-head Environmental Strategies Group, ESG Champion

Ulrik is co-head of Environmental Strategies Group and co-lead portfolio manager of the BNP Energy Transition Fund and BNP Environmental Absolute Return Thematic Fund, EARTH having joined BNPP AM in 2019. Ulrik began his career at Goldman Sachs, London, in 2001 investing thematically across energy, materials, agriculture and material companies globally at Goldman Sachs Principal Strategies (2005 - 2007) and co-ran the Goldman Sachs Thematic Investment Group (2007-2012). Since 2012, Ulrik was the CIO and co-founder of North Shore Partners that became part of Duet Asset Management in 2015 and later co-founded Sustainable Solutions (2017-2019). He holds a MSc in Economics and Political Science from University of Copenhagen.

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The risks associated with investments in shares (and similar instruments) include significant fluctuations in prices, negative information about the issuer or market and the subordination of a company's shares to its bonds. Capital risk: the value of investments and the income they generate go down as well as up and it is possible that investors will not recover their initial outlay. The value of an investment be affected by fluctuations of the currency of the country in which the investment was made, or exchange control regulations. Sub-funds investing in small caps are likely to be subject to a higher-than-average volatility due to a high degree of concentration, greater uncertainty because less information is available, there is less liquidity, or due to greater sensitivity to changes in market conditions.

For more information on risks, please see the "Investment Risks" section of the fund's prospectus or KIID. All relevant documents (prospectus, annual report, KIID) can be downloaded free of charge from our website: www.bnpparibas-am.com.

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As at April 2021.



