



FOR PROFESSIONAL INVESTORS - OCTOBER 2020

# FUND FACTSHEET UPDATE: ADDITION OF ESG AND CARBON INDICATORS

## FUND FACTSHEET: OVERVIEW OF ESG SECTION

BNP Paribas Asset Management fund factsheets are evolving to include two new indicators, reflecting our commitment to integrate sustainability considerations across our investments. The purpose of this document is to help you to understand and interpret these indicators.

### ESG CONTRIBUTION

Contribution points measure the performance of an issuer on an ESG indicator vs. its peers. An issuer receives a positive (or negative) contribution for an ESG indicator if it performs better (or worse) than its peer average.

E, S and G pillar contributions for an issuer represent the sum of all contribution points for the indicators within each pillar.

The E, S and G contributions shown in the fund factsheet are at portfolio level and together represent the weighted average of the contributions of the individual portfolio holdings.

### ESG GLOBAL SCORE

Our proprietary ESG scoring methodology determines an issuer's ESG score by evaluating performance vs. peers on a narrow set of key ESG issues related to the environment (e.g. climate change), social issues (e.g. human resources management) and governance (e.g. independence and competence of directors). We use numerous research inputs and data sources (e.g. Sustainalytics, ISS & Trucost) to determine companies ESG scores.

Each issuer starts with a baseline 'neutral' score of 50. We add or subtract contributions from each of the three pillars, resulting in issuers being assigned a final score from 0 to 99.

The total ESG score shown in the fund factsheet is the weighted average of the ESG scores of the individual portfolio/benchmark holdings. It can also be understood as 50 plus the sum of the portfolio/benchmark-level E, S and G contributions.

Fund Factsheet		Classic, Capitalisation	Marketing Communication
<b>SUSTAINABLE INDICATORS</b>			
<b>ESG CONTRIBUTION</b>			
	Environmental contrib.	Social contrib.	Governance contrib.
Portfolio	3.48	3.24	2.38
Benchmark	-0.26	-0.81	0.73
<b>CARBON FOOTPRINT</b>		<b>PORTFOLIO COVERAGE</b>	
	T/Co2 per M€ per year		Coverage rate
Portfolio	49.22	ESG coverage	100.00 %
Benchmark	93.83	Carbon footprint coverage	99.19 %

**ESG global score**  
59.09  
Benchmark : 49.65

### CARBON FOOTPRINT

The portfolio carbon footprint is the sum of companies' carbon emissions divided by companies' simplified enterprise value multiplied by each companies' weight in the portfolio.

Carbon emissions are the sum of scope 1 emissions (direct emission from the company's facilities) and scope 2 emissions (indirect emissions linked to the company's energy consumption).

The footprint is expressed in tons of CO<sub>2</sub> equivalent per year and per million euros invested.

Trucost is our data provider for carbon emissions.

### COVERAGE RATE

The coverage represents, within a portfolio or benchmark, the percentage of securities that have an ESG score/carbon footprint within those that are eligible to have an ESG score/carbon footprint. Non-eligible securities include, but are not limited to, cash, external funds, private loans.



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## FREQUENTLY ASKED QUESTIONS

### 01 Why do we measure the carbon footprint and esg score of our investments?

At BNP Paribas Asset Management, we started measuring the carbon footprint of our “Sustainable +” equity funds and mandates in 2011. In May 2015 we were among the first signatories of the Montreal Carbon Pledge<sup>1</sup>, and subsequently started to report the carbon footprint of an increasing number of our open-ended funds.

In our Global Sustainability Strategy published in March 2019, we committed to report on the carbon footprint of our portfolios. In our ESG Integration Guidelines, we articulate an objective for our portfolios to have a higher environmental, social and governance (ESG) score and lower carbon footprint than their respective benchmark.

This commitment is grounded in the following beliefs:

- As an investor, to evaluate the environmental impact of our investments and assess the associated climate risk, we need to be able to measure the greenhouse gas emissions embedded in those investments.
- We also believe that environmental, social and governance (ESG) considerations, when combined with traditional financial analysis, can help investors to understand a wider set of risks and opportunities and, in turn, make better-informed investment decisions.

By introducing this information into fund factsheets, we enable our clients to readily access the carbon and ESG performance of their investments. By doing so, we also help our clients understand how well we’re implementing this part of our Global Sustainability Strategy.

### 02 How do we calculate the carbon footprint?

To calculate the carbon footprint of a fund, companies’ CO<sub>2</sub>e emissions are added up and weighted by simplified enterprise value and the companies’ weight in the portfolio.

- The simplified enterprise value is defined as the sum of the company’s market capitalization and total debt.
- Today, the measurement of scope 3 emissions and avoided emissions is not standardised or considered sufficiently reliable to be used in reporting.
- As a result, the calculation of a company’s carbon footprint currently focuses on scope 1 and scope 2 emissions.
- Given the importance of scope 3 emissions in certain sectors (such as car manufacturing where the scope 3 emissions that occur during the life of the car account for 98% of its emissions), we are evolving our approach to calculating scope 3 emissions with the aim to include it in the future.

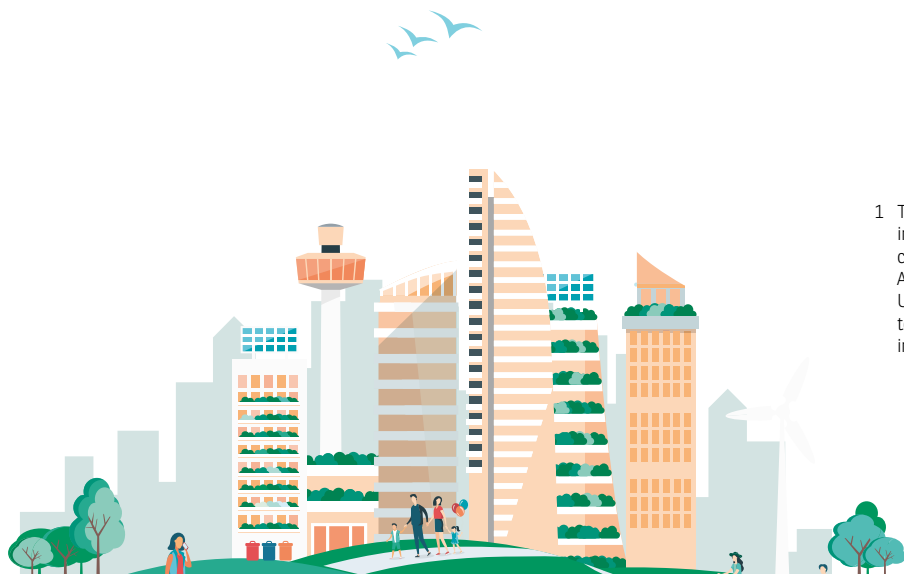
### 03 How to interpret the carbon footprint?

The carbon footprint measures emissions generated for each euro invested in the fund and is expressed in tons of CO<sub>2</sub> equivalent per million euros.

For comparison, one ton of CO<sub>2</sub>e is equivalent to:

- 1 round trip Paris, France / Faro, Portugal by plane per person (around 3300 km) (or 293g CO<sub>2</sub>e/km)
- The emissions of an average French car after driving 3800 Km (or 259g CO<sub>2</sub>e/km)
- Sending 28,571 emails with an attachment (or 35g CO<sub>2</sub>e/email)

<sup>1</sup> The Montreal Climate Pledge is an initiative encouraging investment management firms to monitor and reduce the carbon emissions associated with their investment portfolios. At the time of COP21 in 2015, over 120 signatories representing US\$ 10 trillion of assets under management, had committed to “measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis” as part of the pledge.



## 04 How do we calculate the ESG global score?

The ESG score shows how well a portfolio performs versus its benchmark on ESG. The ESG global score aggregates the average ESG scores of the companies in a portfolio, based on BNP Paribas Asset Management's proprietary ESG scores covering over 12,000 issuers.

Through our ESG scoring process, we start with a stringent metric selection for each sector, then compare companies to their sector and geographical peers. Through the qualitative review step, our investment and Sustainability Centre analysts have the opportunity to implement data corrections and overlays to the score based on our perception of a company's performance on sustainability issues. The combined qualitative and quantitative ESG score ranges from 0 to 99. Issuers excluded from investment (through our Responsible Business Conduct policy) are assigned a score of 0.



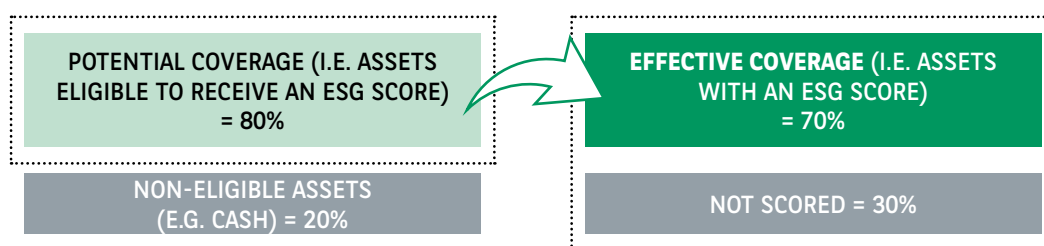
For more details on our scoring system, please refer to our 4-pager: 'Creating Value with our Proprietary ESG Scores' and our website: <https://www.bnpparibas-am.com/en/esg-scoring-framework/>.

## 05 How to interpret ESG contribution and score?

Contributions measure the performance of an issuer on an ESG indicator vs. its peers. An issuer receives a positive contribution on an ESG indicator if it performs better than its peer average (and conversely, a negative one if it performs worse). For each issuer, we start with a baseline score of 50 and add or subtract contributions from each metric, resulting in an ESG score from 0 to 99.

## 06 How do we measure coverage?

The effective coverage of a portfolio reflects the portion of assets that have an ESG score or carbon footprint measure. It is also the coverage shown in the fund factsheet. The effective coverage represents the coverage of the eligible assets which could potentially have an ESG score or carbon footprint measure. Non-eligible assets include assets such as cash, derivatives and external funds.



## 07 Is there a minimum coverage threshold for reporting? Why was that cut-off point picked?

The coverage of the portfolio and of the benchmark is critical to deliver meaningful information. We have decided to publish the ESG score and/or carbon footprint score when the effective coverage is above 50% for both the portfolio and the benchmark.

75% or 90% are known as relevant thresholds for SRI products (French SRI label) but the focus here was to find a relevant threshold to be applied through the whole scope of products to give as much as possible a global picture. It is also a way to highlight areas for ongoing improvement in coverage. Below 50%, it was felt that scores are not representative enough to display.

## 08 Are there other reasons why a carbon footprint or ESG score is not reported?

There are some specific situations which require further technical development in order to support specific ESG and/or carbon footprint reporting, which will be introduced at a later date.

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