

Pillar 3 Remuneration Disclosures (BIPRU 11)

BNP PARIBAS ASSET MANAGEMENT UK LIMITED – December 2020

BIPRU 11.5.18R (1)

The annual decision-making process for determining remuneration is a BNP Paribas Group, enterprise-wide, centrally managed process, called “Compensation & Review Process (“CRP”). It involves several relevant parties, along the following three key principles:

- a. **Top-down determination of high-level funding** envelopes, which allows BNP Paribas Asset Management (BNPP AM) to take into account the global financial results of the BNPP AM, and its business lines, and the respective overall risks;
- b. **Bottom-up individual allocation recommendations**, which allows BNPP AM to take into account the market comparable pay practice, performance and the risks at team and individual levels;
- c. The **final proposals for compensation awards are achieved within a strict timeline, via an iterative process** concerning key individuals, it follows a risk-based approach, taking account of key variations year-on-year and ensuring fairness of application.

In this decision-making process, key overseers and decision takers are the following (BIPRU Remuneration Code Staff):

- BNP Paribas SA Holdings: Board of Directors and its Remuneration Committee¹, Group CRIF (Compliance, Risk, Finance) Committee and Compensation & Benefits department.
- International Financial Services (the division of BNP Paribas Group which includes Asset Management): CEO and Head of HR, supported by its Chief Compensation and Benefit Officer.
- BNP Paribas Asset Management: Board of Directors and its Remuneration Committee (“Remco”)², Global CEO, Global Head of HR, Global Head of Reward, Global Head of Finance, business line and function heads (including the Head of Risk, Compliance and Permanent Control), HR teams (country and business line).
- In addition, for investment management and sales activities, Risk, Compliance and Permanent Control are involved in the monitoring and measurement frameworks of these officers/managers’ performance and reward.
- BNP Paribas Asset Management UK and FundQuest Advisor London Branch: Relevant business heads propose remuneration levels, taking into account the available funding. HR co-ordinates the outcomes to ensure fairness and consistency across the businesses. To assist, external input is taken from external market remuneration surveys (e.g., McLagan, Towers Watson, etc).

¹ for Material Risk Takers (MRT) under Capital Requirements Directive 4, and in compliance with the transposition of this regulation in France, where the parent bank entity of BNPP Group resides and as a result, where the national competent authority and legislation for the home regulator system are to be found

² composed of 1 non-executive director and 2 independent directors, with one of these latter two appointed as chairman of such Remco – the mandate of this Remco covers all the applicable requirements under both the AIFMD/UCITS remuneration guidelines and the UK BIPRU Remuneration Code



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Approval for the overall compensation pool is also sought from each higher level. All individuals are reviewed by the relevant HR teams (country and business line) and by the business line heads. Depending on the size of certain awards for individuals, these would also be reported for oversight at International Financial Services and/or Group levels.

BIPRU 11.5.18R (2)

A key element influencing individual compensation is the employee's annual objectives, and performance is measured against those objectives. Objectives are specific, have a quantitative component and must be measurable. In addition, at least one qualitative objective is set annually for each BNPP AM employee. When the individual has team responsibilities, at least one managerial (qualitative) objective is included as well. Where relevant, risk management and compliance requirements are also further elaborated as key components of annual objectives. As a rule, an assessment of the employee's performance includes compliance with the company's risk management obligations as well as applicable laws, rules and regulations.

Our performance management and remuneration approaches are duly linked to ensure that compensation is based on achievement of stated business objectives (both financial and non-financial). Compensation is awarded in a mix of short-term and long-term arrangements, as appropriate, to ensure that employees are rewarded for achieving the company's short-term and long-term goals.

Compensation for control functions, including Compliance and Risk, is set independently from the performance or compensation of the business areas that they oversee or monitor.

BIPRU 11.5.18R 6&7

Aggregate quantitative information for members of staff whose actions have a material impact on the risk profile of the firm:

Business Area***	Number of Staff	Total Remuneration	Total Variable Remuneration
BNP Paribas Asset Management UK and FundQuest Advisor (London Branch)	20*	£9,730,536**	£5,062,173****

* please note that the number of staff includes employees who were identified staff for over 3 months during the 2020 year, including those who joined and left the company during the year.

** base salary information is included on an annualised basis as at 31 December 2020.

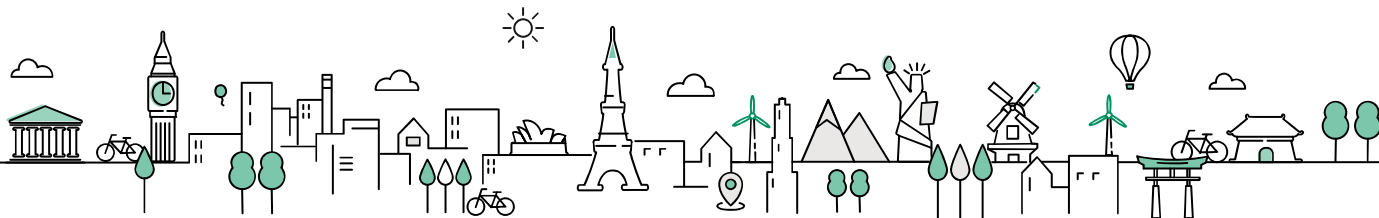
*** BNPP AM only has one "business area", namely its asset management business.

**** Total variable remuneration is based on 2019 performance year and therefore is not necessarily earned in their identified staff capacity.



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Remuneration practices & Sustainability risks integration

March 2021

SUSTAINABILITY AT THE HEART OF BNPP AM'S STRATEGY

GLOBAL SUSTAINABILITY STRATEGY

In a changing world, we focus on achieving long-term sustainable returns for our clients, to make a positive difference in people's futures. BNPP AM's strong commitment towards sustainable investment is comprehensively described in its firm-wide Global Sustainability Strategy (GSS)¹.

BNPP AM's Global Remuneration Policy is fully aligned with the GSS, as it represents a core element of BNPP AM's overall strategy. Set out below are the key remuneration practices that allow to make sustainability risks integration, part and parcel of BNPP AM's remuneration policy.

SUSTAINABILITY RISKS IN BNPP AM'S REMUNERATION POLICY & PRACTICES

INTEGRATION OF SUSTAINABILITY RISKS IN RELEVANT EMPLOYEES' INDIVIDUAL OBJECTIVES

As mentioned in Section 3 of BNPP AM's Remuneration Policy, *"all of our employees, whose remuneration is decided during CRP [Compensation Review Process], are appraised through continuous feedback and annual review against a set of objectives that are specific to the nature of their role."*

First, BNPP AM's management recognises that each team within BNPP AM does contribute to the achievement of BNPP AM's overall strategy, hence plays a role in the reaching of its sustainability goals.

More concretely, sustainability-related roles and responsibilities were defined for a set of key internal functions more closely involved with Sustainability at BNPP AM, and specific objectives were assigned, which are cascaded down to teams and individuals where relevant. At the end of the year, the fulfilment of these objectives is assessed, among others, in the annual performance reviews, which are a key input in the determination of the annual variable remuneration awards. This determination remains a discretionary process, in line with BNPP AM Global Remuneration Policy's standard practice.

Teams with such assignment of specific sustainability objectives are the following:

► Executive Committee

Where relevant, Executive Committee members have goals relating to the successful implementation of BNPP AM's Global Sustainability Strategy, and the integration of sustainability risks, across our organisation. The Global Sustainability Strategy encompasses a comprehensive suite of policies and procedures designed to integrate the evaluation of sustainability risks throughout our investment processes and stewardship activities.

► The Sustainability Centre

This team plays a central role in the design and implementation of BNPP AM GSS:

- driving our approach to sustainable investment;

¹ <https://www.bnpparibas-am.com/en/sustainability/>



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- being responsible for developing and implementing the firm's Global Sustainability Strategy, ESG Integration Guidelines and Policy, Stewardship Policy, Responsible Business Conduct Policy and product-based exclusions, as well as the firm's ambitious targets on issues such as the energy transition, the environment and equality;
- providing investment teams with research, analysis and data at company and sectoral levels, and also supporting teams in their efforts to fully integrate sustainability-related risks and opportunities into investment strategies;
- playing a crucial role in measuring, tracking and reporting on BNPP AM's impact and progress on sustainability;
- driving BNPP AM's ESG-related stewardship activities, which include proxy voting and engagement with companies and policy makers; and setting the strategic direction as well as playing an advisory and coordination role to the investment teams in their dialogues with companies on sustainability-related issues.

Thus, many objectives of Sustainability Centre members do relate to the integration of sustainability risks.

► Investment teams

At the core of all our investment processes, analysts and portfolio managers integrate ESG factors into their company, asset and sovereign evaluation and investment decision-making processes.

Investment teams are responsible for implementing our ESG Integration Guidelines for the assets they manage, which include a number of key objectives such as:

- (i) the integration of ESG information (and risks) in investment decision-making; and
- (ii) the aim to 'beat the benchmark' (where an investible benchmark exists) on the ESG score and carbon footprint of their portfolios (noting that some non-standard cases exist).

Successfully implementing our ESG Integration Guidelines is reflected in the objectives of our Chief Investment Officers, and cascaded to their investment teams where relevant.

► ESG Champions

ESG Champions have been appointed within Investments and the Global Client Group in order to help promote sustainable investment and integrate sustainability risks within each team, liaising with the Sustainability Centre. Champions typically participate in relevant training sessions, which are organised centrally both for the ESG Champions as well as across investment and commercial teams. Each investment team has at least one ESG Champion who is notably, responsible for communicating issues related to sustainability risks to team members. ESG Champions' objectives reflect this, including additional goals specific to their Champion role.

► Quantitative Research Group (QRG)

- Co-develop ESG Scoring using, among other criteria, a materiality and risk-based approach
- Develop new research methodologies and approaches
- Research on and monitor the link between ESG integration and investment performance

This is reflected in the objectives of this department, and cascaded to its members, where relevant.

► RISK function

Sustainability risks are included in the RISK function's controls:

- Respect of ESG criteria objectives described in the fund prospectus's investment guidelines, and ensure successful implementation of our Responsible Business Conduct (RBC) Policy
- Insertion of ESG criteria within the credit risk policy

This is reflected in the objectives of the RISK function, and cascaded to its members, where relevant.

INCLUSION OF SUSTAINABILITY RISKS IN OUR RISK-ADJUSTED REWARD FRAMEWORK

First, section 4.1 of BNPP AM's Remuneration Policy explicitly mentions that the Bonus Pool is determined annually taking into account "current and future risks (including sustainability ones)".

In addition, section 3 of BNPP AM's Remuneration Policy states that "Regulated Staff and SMPs (holders of Senior Management Positions in a Group wide context) have mandatory Compliance and Risk objectives. If these two objectives are not met, the variable compensation of the concerned employees may be reduced under the supervision of the Remuneration Committee".

Meeting of the mandatory Risk objective is decided by examining the employee's manager appraisal and the assessment by the RISK function, during a Risk and Compliance review committee at the end of the Compensation Review Process.

Thus, more generally and based on its controls, RISK function is able to raise sustainability risks-related breaches, together with Compliance and HR:

- during the Risk & Compliance review, leading to potential negative impacts on variable remuneration to be awarded at the end of the Compensation Review Process, and
- before the vesting of deferred bonus plans, leading to potential malus on the vesting amounts.

