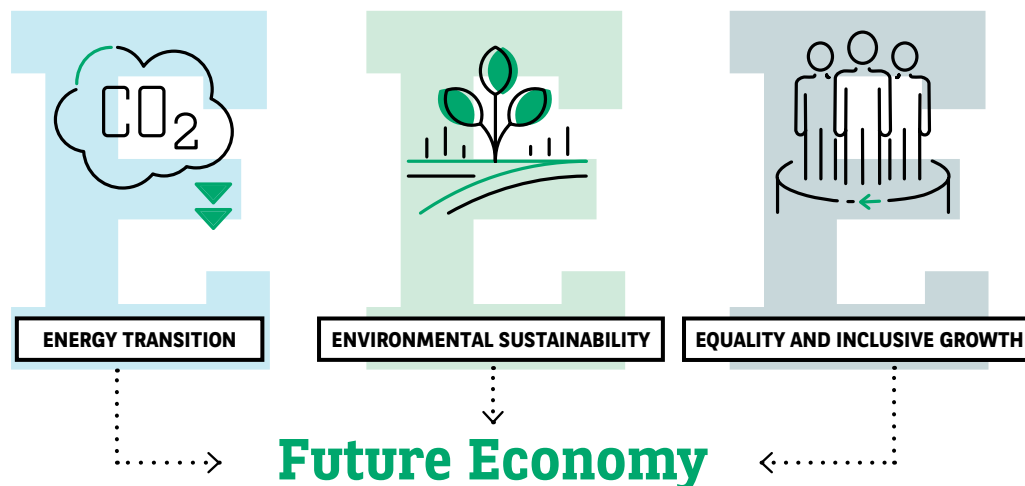

THREE CHALLENGING AREAS OF ACTION: '3Es'



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

Together, these steps will allow us to optimise our portfolio-level decisions, help shape the debate and align our total investments with the economy of the future. To guide our actions over the coming three years, we have identified a set of targets and key performance indicators for each of the '3Es'. Recognising the importance of getting these right, in many cases we are taking a staged approach to establishing them – measuring first our exposure before committing to targets.

The selection of sub-themes, targets and KPIs described below is the result of a combination of factors. The areas we have selected are those where we believe we can have the biggest impact and apply more leverage to create change, but also where there are enough data and tools to act, monitor and report.

The level of maturity of ESG issues in terms of the understanding and the tools and metrics available vary tremendously. Some of the issues, such as poverty, have been almost untouched by the investment community outside of social-impact investment. Others, like climate adaptation, are progressing, but still far from having developed the right tools and metrics to implement on a large scale. For these issues, therefore, we have developed a set of targets that aim to either conduct the research and analysis necessary to start properly integrating the issue in a systematic way, develop a sector/issue policy, or launch an innovative project that will aim to increase our understanding for later action. We will also undertake corporate and/or policy engagements where we believe we have enough information to act.

BNP Paribas Asset Management is the source for all data in this document as of March 2019, unless otherwise specified.

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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.

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