Marketing communication - For professional investors - May 2024

BNP PARIBAS SOCIAL BOND FUND

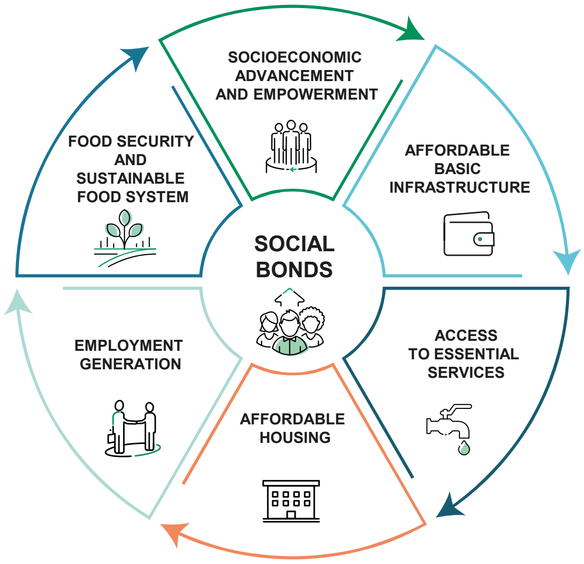
Impact Report 2023

BNP PARIBAS ASSET MANAGEMENT

The sustainable investor for a changing world

UNDERSTANDING
SOCIAL (AND SUSTAINABILITY) BONDS

A formal framework was created for social bonds with the introduction of the International Capital Markets Association Social Bond Principles in 2017. Social bonds raise money for projects, assets or activities with societal benefits. These include access to essential services, affordable housing and basic infrastructure, creating jobs, food security and socioeconomic advancement and empowerment. Sustainability bonds raise money for both social and environmental projects, assets, and activities in a single bond.



Based on our BNP Paribas Asset Management (BNPP AM) Social Bond Methodology, we believe social bonds can be differentiated in terms of ambition, specificity and integrity.

- 'Ambition' is about the issuer's determination to contribute towards particular social objectives and how it intends to develop its activities to address those objectives
- 'Specificity' concerns the identification of precise target populations and the social gaps they face, which the issuer intends to mitigate with the proceeds
- 'Integrity' is about the processes and management systems governing the proceeds, mitigating potential risks from the associated projects and measuring and reporting on the social bond programme.

The level of recommendation we give to each social (and sustainability) bond that we assess ranges between

Positive recommendation	Neutral recommendation	Negative recommendation
the social bond exceeds our minimum expectations	the social bond meets our minimum expectations	the social bond did not meet our minimum expectations

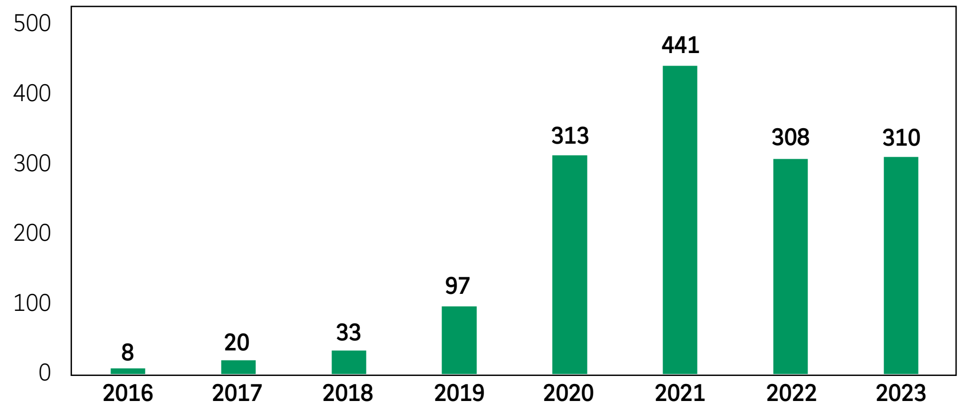
For more details of our approach to assessing social bonds, please see our Social Bond Methodology.

In our history of assessing social and sustainability bonds, we have looked at close to 580 bonds – including those which have already matured by the date of this report. Out of those bonds, slightly more than 90 have Negative recommendations, more than 200 have Neutral recommendations, and more than 280 have Positive recommendations.

This implies our inclusion rate (i.e. those with Positive or Neutral) of about 85%. However, we don't assess all social and sustainability bonds in the market; rather, we tend to assess the bonds from issuers where investment teams already have good impressions including sustainability aspects, so this inclusion rate is likely upwardly biased.

SOCIAL AND SUSTAINABILITY BOND ISSUANCE

Annual issuance volume of social social and sustainability bonds (USD billions)



Source: Bloomberg NEF, BNP Paribas Asset Management, May 2024

Issuance of social bonds grew steadily in the first three years after 2017, but annual issuance volumes increased nearly 10-fold in 2020 after the Covid-19 pandemic. Governments, development banks, agencies and companies used the social bond format to help finance various social projects in the face of the pandemic and its associated expenditures, as well as the subsequent recovery.

Issuance volumes of social and sustainability bonds in 2022 and 2023 remained stable at around EUR 300 billion. While this may not have been the level of growth we sought, it was reassuring that the issuance volumes remained stable in the face of macroeconomic uncertainty and continued interest-rate volatility (the MOVE index – measuring US bond market volatility – 20-year average was 85.8 points, whereas in 2023 it was 118 points).

For us, this indicated the continued conviction of issuers, investors, bond structurers and other parts of the financial ecosystem in the social and sustainability bond format within issuers' bond issuance plans where it is relevant for them. In contrast to green projects, assets and activities, social projects are harder to identify in issuers' operating models. For example, a steel manufacturer is likely to have fewer large social projects to fund compared to a development bank whose mandate is to improve outcomes for society.

The European Union Platform for Sustainable Finance published a draft social taxonomy[1] in July 2021 to help assess the degree of 'social-ness' of a social bond's proceeds. While the social taxonomy can help identify activities that can be considered as contributing substantially to social objectives, the draft does not use quantitative metrics to determine the extent of the contribution of each activity towards such objectives. At the time of writing, the taxonomy remains in draft form and there are no clear timelines as to when it will be formalised as a regulation.

1 https://finance.ec.europa.eu/publications/call-feedback-draft-reports-platform-sustainable-finance-social-taxonomy-and-extended-taxonomy_en

BNP PARIBAS FUNDS SOCIAL BOND

The fund is invested in bonds issued by entities supporting projects, assets and activities that have positive social and sustainability outcomes. The sub-fund invests at least 75% of its assets in social bonds and sustainability bonds denominated in hard currencies. Social bonds and sustainability bonds are use-of-proceeds bonds issued by corporates, supranationals, central governments, agencies, local entities and local governments.

The fund size was EUR 198,118,000 at the end December 2023.

Social bonds and sustainability bonds are assessed using our Sustainability Centre's proprietary social bond and sustainability bond assessment methodology. Issuers with poor environmental, social and governance (ESG) practices and policies are excluded, as are those whose activities have led to serious ESG* controversies. Social bonds and sustainability bonds may be excluded when their use of proceeds is not aligned with our taxonomy of eligible activities or when strong negative externalities are evident (described in the first section of this report).

Table 1: Fund overview as of end December 2023

	% Weight in portfolio	Number of bonds in portfolio
Social bonds	64.7%	74
Sustainability bonds	31.8%	45
Social & sustainability bonds total	**96.5%[2]**	**119**
Bonds older than 12 months on 31st Dec 2023[3]	68.1%	81
Of which		
Bonds reported	71.1%	72
Bonds not yet reported	4.1%	9

Source: S&P Global Sustainable1 (Trucost)

The fund comprises 119 social and sustainability bonds, of which 81 were issued prior to end-December 2022. Based on the International Capital Markets Association Social Bond Principles' Harmonised Framework for Impact Reporting for Social Bonds, issuers should report on the use of Social Bond proceeds and on the expected social impacts at least annually. Therefore, we would have expected the issuers of these 81 bonds to have published an ex-post allocation and impact report by end-December 2023.

Of these 81, we have ex-post reports for 72 bonds. From the remaining nine, we expect to have ex-post reports during H1 2024 given that they were issued in the late 2022, allowing for any lag time that could be associated with data collection and assurance. We have engaged with these issuers to obtain more information on their reporting timeline as well as to ask for improvements in their impact reporting.

*ESG: Environmental, Social and Governance. ESG assessments are based on BNPP AM's proprietary methodology which integrates all 3 aspects of E, S & G.

2 Remaining 3.5% of portfolio weight is invested in technical assets such as cash and cash securities.

3 As of end Dec 2023. Based on International Capital Markets Association Social Bond Principles, issuers should report on the bonds after 12 months.

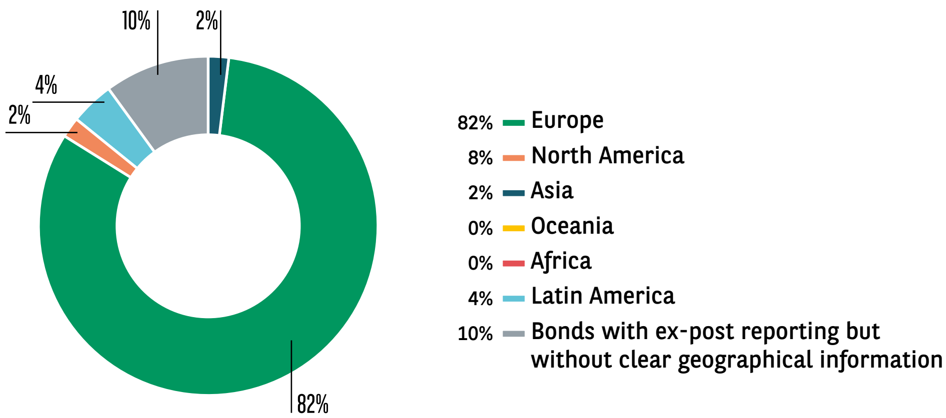
USE OF PROCEEDS (UOP)

We analysed the social and sustainability bond reports for the actual use of proceeds, the allocation across use-of-proceeds categories and the related impact information. We collected the information and split it by region, type of social and environmental category, which UN Sustainable Development Goals (SDGs) were being targeted and the impact results of the social or environmental activities financed. The social and environmental use of proceeds categories we use are:

Table 2: Use of proceeds categories

Social	Environmental
Unemployment benefits	Green buildings
Affordable housing	Clean transportation
Healthcare	Energy efficiency
Education	Renewable energy
Small & Medium-sized Enterprise (SME) financing	Pollution prevention & control
Social inclusion	Circular economy products
	Infrastructure & urban development
	Environmental management

Chart 1: Use of proceeds by geographical region (by market weight) (rebased over bonds with relevant ex-post information)

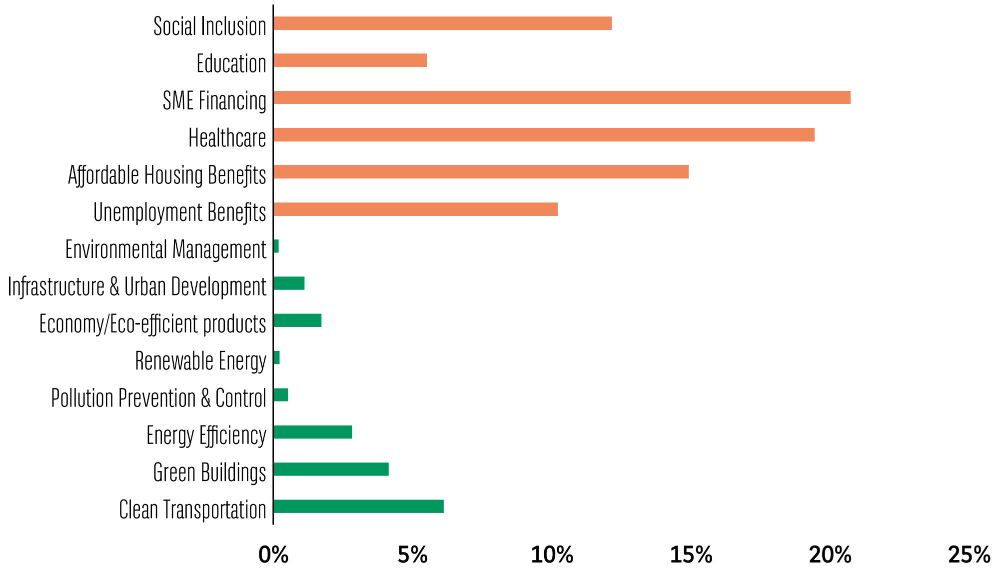


Source: BNPP AM, January 2024

Region	UoP %
Europe	81.5%
North America	2.1%
Asia	1.9%
Oceania	0.05%
Africa	0.3%
LatAm	4.3%
RoW	0.1%
Bonds with ex-post reporting but without clear geographical information	9.7%

Of the bonds with ex-post reports (71.1% of the fund by assets), we find that about 82% of the assets were deployed in Europe, 4.3% in Latin America, 2.1% in North America, with the rest deployed in other parts of the world. For eight bonds, or 9.7% of these assets, there was unclear/no information about geographical deployment in the ex-post reports.

Chart 2: Use of proceeds by type of social and environmental category (by market weight) (rebased over bonds with relevant ex-post information)



Source: BNPP AM, January 2024

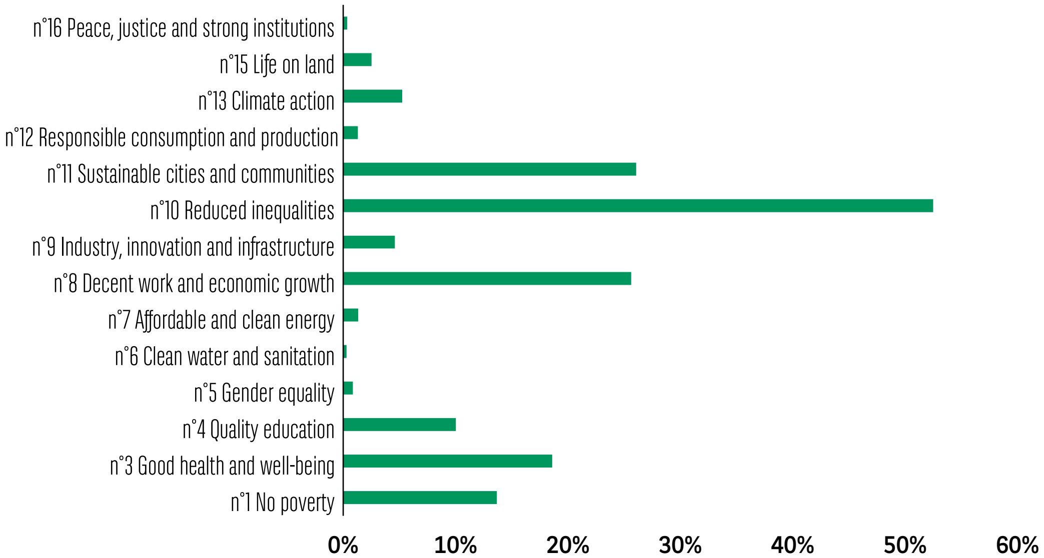
Among the 71 bonds with ex-post report and use-of-proceeds information, we found that 20.8% of proceeds (by relative weight among these assets) contributed towards SME financing, 19.5% to healthcare and 14.9% towards affordable housing. These were the three largest categories of use of proceeds. Examples of bonds contributing to these categories are those issued from AIB Group, La Poste, Region Ile de France.

Another 12.2% supported social inclusion and 5.5% contributed towards education purposes. In total, 83.1% of proceeds supported social projects, assets or activities. This is in line with the social objective of the fund.

La Poste SA issued a EUR 600 million sustainability bond in September 2022. About 53% of the bond's proceeds was focused on education and social inclusion. The projects mainly target disadvantaged people under 30 years old, senior people above 55, and people with disabilities, addressing major challenges in terms of career development and training as well as providing employment opportunities.

The above mentioned securities are for illustrative purpose only and do not constitute any investment recommendation.

Chart 3: Contribution to the UN's Sustainable Development Goals (by market weight) (rebased over fund ex-technical assets)



Source: BNPP AM, January 2024

Chart 3 shows the split of the fund's contributions towards the UN's SDGs. We associate the entire bond's weight in the fund to that two SDGs, then calculate the maximum weight of bonds in the fund associated with each SDG. Hence the sum of market weight associated across SDGs can exceed 100%.

- 52.5% of the fund (ex-cash and cash securities) contributed towards SDG 10 – Reducing inequalities – through funding unemployment benefits or affordable housing construction, among others. Examples of bonds contributing to these categories are from the EU, Agence France Locale, and Chile.
- 26.1% contributed towards SDG 11 – Sustainable cities and communities – through funding affordable housing construction or affordable housing mortgages. Examples of bonds contributing to these categories are from La Banque Postale, Action Logement, Community of Basque.

La Banque Postale's social bond issued in 2021 funded loans related to affordable housing. They support landlords who provide housing to individuals or families in France whose resources are too limited to afford a home in the private sector, or for people who are at risk or in situations of extreme vulnerability. These loans contribute to SDG 11 Sustainable cities and communities in providing access to affordable housing for all.

- 25.6% contributed towards SDG 8 – Decent work and economic growth – primarily through funding SME financing with loans. Examples of bonds contributing to these categories are from AIB Group, Community of Madrid, Region Ile de France

Chile's social bond issued in 2021 funded fiscal budget items related to their social goals. Part of the eligible budget items relate to unemployment support and retirement support in the form of pensions for elderly people, and people with special needs. Chile reported that about 1.1 million elderly people, and about 79 000 people with special needs benefited from pension contributions and solidarity pension aid. These expenditures contribute towards SDG 10, Reducing inequalities.

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IMPACT FROM SOCIAL USE OF PROCEEDS

In this section, we look at each social use-of-proceeds category, the number of bonds associated with it and how much of the fund is deployed to each category. We show our measures of the main social impact indicator for that category. However, our measures unfortunately cannot capture every reported social impact from the bonds because of the wide range of indicators and methodologies used by issuers in their impact reports. With that in mind, we identified some of the common indicators used by issuers with respect to each social use-of-proceeds category and sought to aggregate these as best as we could across the relevant bonds.

We have not stated the magnitude of social impact *pro rata* to the size of bond we hold in relation to the total outstanding of the bond. This is mainly because we are not confident that the original impact numbers reported by issuers relate strictly to the specific bond we hold; rather, for some, the issuers may not have given the pro rata impact on their side and reporting numbers may from time to time reflect the issuer's entire portfolio of relevant social assets, projects and activities against which they issue bonds. The bonds themselves also fund a portion of the entire portfolio of those relevant social assets, but we could not consistently identify that portion relevant to the bonds.

We thus think that if we try to *pro rata* the impact numbers, it would give a false outcome. What we are confident in is that the bonds we hold have contributed to the impact numbers reported by the issuers, and that we can use these in our own associated social impact data. We believe the market will improve in terms of reporting standards, as the green bonds market did, and that we should be able to report more precisely in the future. But we believe the tables below represent a best effort indication of how our fund has contributed towards social impact.

UNEMPLOYMENT BENEFITS

Number of bonds	**10**
Weight of portfolio*	**10.2%**
Number of beneficiaries who received support	**56 059 647**

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the data, collected by BNPP AM, corresponding to 10 bonds in the portfolio that had use of proceeds allocated to the unemployment benefits category. These unemployment benefits can range from employment promotion programmes to furloughing schemes.

One example is the European Union SURE social bond. Issued in December 2022, it is a financing instrument to support EU member states in alleviating unemployment stemming from socioeconomic crises through SME financing and microfinance and to improve access to essential services such as healthcare. These loans finance or refinance short-time schemes or similar measures by member states, and health-related measures, in particular in the workplace. The target populations are employees or self-employed who face a sudden risk of income loss. The issuer reported that in 2022, the programme is estimated to have supported almost 350 000 people and more than 40 000 firms. Moreover, the policy support measures adopted, including SURE, effectively prevented an estimated 1.5 million people from becoming unemployed between 2019 and 2020.

Another example is UNEDIC, France's National Professional Union for Employment in Industry and Trade. UNEDIC established its social bond programme in May 2020 and issued EUR 17 billion of social bonds that year. Proceeds from the social bonds finance the company's programmes and the operation of the unemployment benefit network (Pôle Emploi). The proceeds aim to:

I. Protect people against the vagaries of the job market (dismissals, unemployment, reductions in activity, insecure employment contracts and 'atypical' forms of employment (i.e., short-term and part-time contracts)) by ensuring economic and financial security (replacement income)
II. Assist individuals with their professional (re)integration, notably by developing skills and qualifications or supporting entrepreneurial projects or career changes.

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The target population is first identified through the unemployment insurance system in France. UNEDIC reports that in 2021, it helped 3.8 million people on furloughing schemes and 2.6 million people with unemployment insurance. In its 2020 report, UNEDIC quotes from a study by INSEE (the National Institute of Statistics and Economic Studies) that: “Inequalities in living standards would level off in 2020. Whereas the massive use of the furloughing scheme [...] has limited job losses and partially or totally compensated for the loss of salary of furloughed workers, without the furloughing scheme [...] the monetary poverty rate would increase by 0.6 percentage points and the Gini index by 0.007 points in 2020.” However, INSEE also states that there are caveats since ‘it is impossible to assess the extent of business failures and job losses that would have occurred’ without this unemployment support.

AFFORDABLE HOUSING

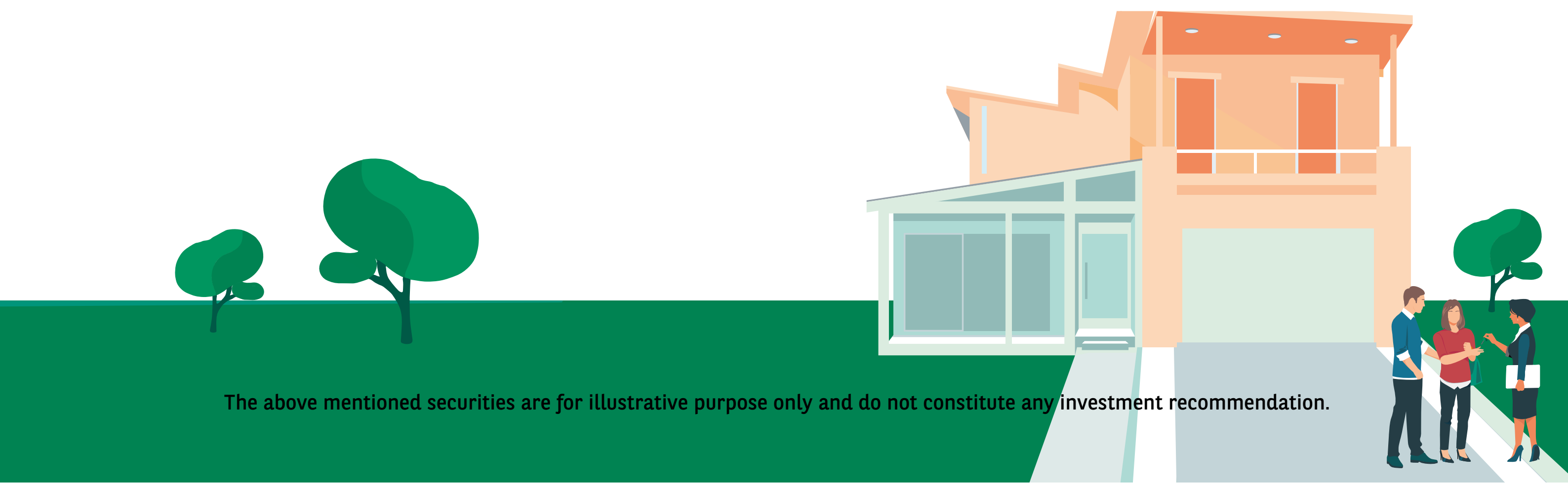
Number of bonds	28
Weight of portfolio*	14.0%
Number of affordable housing units constructed, renovated or acquired	379 674
Number of beneficiaries	634 430

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the data, collected by BNPP AM, concerning 28 bonds in the portfolio that had use of proceeds allocated to affordable housing projects. The two chosen impact metrics were calculated using issuers’ impact reports to show the total number of housing units financed and the number of people benefiting from the bond’s allocated UoP. Beneficiaries of the affordable housing units include individuals, families and households.

The Republic of Chile issued a social bond in July 2021 to promote access to affordable housing, specifically financing the acquisition, repair and improvement of housing. The issuer’s aim is to reduce inequality and homelessness as well as to guarantee access to affordable housing for vulnerable populations. For instance, the bond targets families in the population with low incomes. In 2021, the bond contributed an annual USD 48 691 915 to the solidarity fund for housing, of which there were 17 823 beneficiaries.

La Banque Postale’s social bond, issued in June 2021, financed loans dedicated to the financing and refinancing of the construction, acquisition, installation and maintenance of affordable housing. Rents from such housing projects are capped per square metre, and eligibility to rent is also subject to an income cap. The projects target underprivileged and vulnerable people such as senior citizens, disabled people or those on low incomes. The issuer reported that proceeds from this bond financed 239 projects, comprising newly built and rehabilitated sites, totalling 1 ,432 social dwellings benefiting 22 012 residents collectively.



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HEALTHCARE

Number of bonds	39
Weight of portfolio*	19.5%
Number of beds / spaces financed	555 965
Number of beneficiaries	51 491 555

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the data, collected by BNPP AM, on 39 bonds in the portfolio that had use of proceeds allocated to healthcare projects. The number of beneficiaries metric has been chosen as it allows us to combine the total number of people benefiting from the financing of healthcare facilities in the surrounding area. This could be number of hospital stays, number of user and patient visits or number of people benefiting from improved healthcare access.

AIB's social bond, issued in March 2022, was designed to finance loans to healthcare and residential care facilities. The proceeds contributed to increasing the quality and accessibility of public healthcare and specialised medical treatment, targeting the general public, elderly people and individuals in need of rehabilitation services. In 2022, facilities supported by the loans provided 6 555 beds.

Caisse Francaise De Financement Local (CAFFIL)'s social bonds, issued in September 2020, aimed to finance and refinance the Health Loan Portfolio which consists of all public hospital loans financed by SFIL Group since 2013. The net proceeds specifically contributed to the public hospital sector, enhancing access to public health services, funding research to improve care, as well as financing the training of healthcare professionals. These public hospitals target vulnerable people such as the elderly, the poor, the homeless, those without health insurance cover, and people in isolated areas around France. In 2020, hospitals supported by these loans provided 191 742 hospital beds and spaces, 60% of which were dedicated to medicine, surgery and obstetrics. Overall, establishments in the health loan portfolio recorded 8 558 467 stays in 2020.

SME FINANCING

Number of bonds	18
Weight of portfolio*	20.8%
Number of jobs created / retained**	2 769 694
Number of companies financed**	204 315

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the impact data, collected by BNPP AM, on 18 bonds in the portfolio that had use of proceeds allocated to SME financing projects. The two impact metrics were chosen because they were widely used by issuers in their impact reports.

One example is Cassa Depositie Prestiti. Its social bond was issued in 2020 in the sum of EUR 750 million, 100% of which was allocated to job creation including through SME financing and microfinance. Overall, 67 Italian companies in difficulty due to the pandemic emergency were supported by the funds both in their current liquidity needs and promoting their subsequent economic recovery.

Instituto De Credito Official's social bond, issued in 2022 in the sum of EUR 500 million, funded loans for SME financing and employment generation, with about 81% being put to this use. Loans were made available to small and medium-sized enterprises in economically underperforming regions of Spain to help create and safeguard jobs and prevent depopulation. In total, 3 870 SMEs were financed in regions whose GDP was below the national average. In addition, the bank published a methodology document explaining how employment benefits from their social bonds are estimated based on an input-output model.

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EDUCATION

Number of bonds	24
Weight of portfolio*	5.5%
Number of student beneficiaries**	16 237 773

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the data, collected by BNPP AM, on 24 bonds in the portfolio that had use of proceeds allocated to education projects. The number of student beneficiaries was chosen as the metric as it allowed for the aggregation of social impacts across the bonds. The figure in the table includes students who received funding, were granted places in institutions or benefited from the construction/renovation of education infrastructure.

As an example, Cassa Depositi e Prestiti issued a EUR 750 million social bond in March 2019, of which 75% was allocated towards education. This encompassed a financing initiative in support of school buildings at all educational levels. The proceeds of the bond financed a total of 2 103 interventions, helping to create safe school and university buildings for 587 282 students.

Another example is the EUR 2.4 billion sustainability bond from the State of North Rhine Westphalia (NRW) issued in October 2020. One of its eligible use of proceeds is loans related to education. This encompassed loans financing education and sustainability research as well as loans designed to finance additional student capacities, reward universities for graduates or to reduce the number of dropouts. Other investments in this category facilitate the training of geriatric nurses and teachers for special education. The bond helped to fund 62 000 graduates, of which 29 000 were first-year students and 10 600 were master students in NRW. Furthermore, the bond financed the professional education of geriatric nurses resulting in 20 000 training positions as well as 2 300 training positions for special education teachers. Also, the bond financed an EU school programme which benefited approximately 47 000 pupils.

SOCIAL INCLUSION

Number of bonds	34
Weight of portfolio*	12.2%
Number of beneficiaries**	490 430 510

* Portfolio weighting % has been rebased over coverage of impact reports, see chart 2

The table above shows the impact data, collected by BNPP AM, on 34 bonds in the portfolio that had use of proceeds allocated to social inclusion projects. The chosen metric is extremely broad, but it allows us to combine the positive social impacts from a range of projects that promote social inclusion, each with different reported impact metrics. For example, benefits range across families who received permanent support, underserved populations who received loans related to better access to financial services, and people benefiting from digital inclusion projects.

La Poste SA issued a EUR 600 million sustainability bond in September 2022. About 53% of its use of proceeds was focused on education and social inclusion. La Poste SA's policies mainly target disadvantaged young people under 30, seniors older than 55 and people with disabilities, addressing major challenges in terms of career development and training as well as providing employment opportunities. EUR 430 million covered socioeconomic advancement and empowerment for young employees and disabled people. The number of young people employed on work-study contracts was 2 621 and the number of disabled employed by La Poste totalled 9 714.

Motability's social bond, issued in January 2021, is another bond contributing to social inclusion. It finances schemes that provide a range of vehicles (e.g., small, medium, large and estate cars/ powered wheelchairs and scooters) to eligible customers. These customers must be designated by the UK government as being disabled and receiving a disability benefit. Therefore, the aim is to improve the mobility of this group with the help of vehicles leased by Motability. The impact of the eligible social projects is measured by customer satisfaction scores, retention rates and affordability. In 2021, 45 986 vehicles were provided to customers that new to Mobility's scheme. Furthermore, 88 583 vehicles were provided to customers renewing their lease. Motability reports an overall customer satisfaction score of 98% with regards to customer experience of their time on the Motability Scheme.

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ENGAGEMENT IN 2023

We aim to participate in ex-ante investor meetings with thematic bond issuers either via the roadshow related to a specific issuance or 'non-deal roadshows' where issuers sound out investors' comments or expectations.

Our engagement can focus on:

- information discovery – gathering information that is not expressed in documentation that can help us form a more complete assessment of the proposed thematic bond
- encouraging improvements in the structure of the thematic bond that could lead to more social assets being selected, or 'less desirable' assets being dropped from the eligible portfolio.

In 2023, we had 11 meetings with social and sustainability bond issuers.

One example is with Korea Housing Finance Corporation (KHFC), with which we engaged to better understand the use of proceeds of its Social Bond Framework. Proceeds from KHFC's social bonds fund loans designed to support moderate to low-income households, single-parent households, households with disabled members, and other groups in South Korea to purchase affordable housing. In our engagement with KHFC, we focused on the social benefits of these loans from the borrowers' perspective. KHFC explained that in South Korea, the prevalence of floating rate bullet loans places borrowers in a riskier financial situation when the loans reach maturity. The loans funded by KHFC's social bond are fixed rate amortizing loans which make the financial risks more balanced for borrowers. Another social benefit from these loans is that their rates may be slightly cheaper than commercial equivalents (by 0.4 to 0.8 percentage points), and in the current interest-rate environment, such benefits are material. Overall, we are convinced that KHFC's social bond meets our expectations.

Another example is Community of Madrid, an organisation we met to discuss their new 2024 sustainable finance framework. The objective was to better understand the framework, especially the nature of the Use of Proceeds (UoP) categories, target population and the alignment of the green UoP with the EU Taxonomy. We also discussed how the expenditures were selected by a committee to be eligible to receive funding by their sustainability bonds, given that expenditures are quite varied. The issuer explained that its committee is becoming more educated in sustainability and can make informed decisions about the environmental and social benefits of expenditures. There is also close communication among different ministries in the Community to decide on eligible spending. In addition, we discussed the EU Taxonomy alignment and eligibility and the development of the Do No Significant Harm analysis which is vital for the EU Taxonomy alignment. We discussed the importance of taking all three indicators – Technical Screening Criteria, Do No Significant Harm and Minimum Social Safeguards – into account to demonstrate the alignment. We all agreed that the EUGBS (European green bond standard) looks set to be a significant, although challenging, achievement by sovereign and sub-sovereign issuers.

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CONCLUSION

Arnaud-Guilhem Lamy,
Portfolio Manager of the fund

"With the social bond fund, we want to offer investors the opportunity to fund social projects. The social projects we have funded lead, for example, to reducing poverty by granting unemployment benefits, providing access to education to low-income households, and helping low-income households secure a home via social and affordable housing projects.

This year again, the report will provide the results of the projects across six main topics: unemployment benefits, education, affordable housing, SME funding/ employment creation, social inclusion and healthcare. As we continue to try to improve the insights provided by this report, we have this year added some examples of engagement with social bond issuers. We trust you will find these useful."

RISKS MATERIALLY RELEVANT TO THE PRODUCT

- **Capital risk**: The investments are subject to market fluctuations and the risks inherent in investments in securities. 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.

- **Interest rate risk**: The value of an investment may be affected by interest rate fluctuations. Interest rates may be influenced by several elements or events, such as monetary policy, the discount rate, inflation, etc.

- **Credit risk**: This is the risk that may derive from the rating downgrade of a bond issuer to which the sub-funds are exposed, which may therefore cause the value of the investments to go down. Sub-funds investing in high-yield bonds present a higher-than-average risk due to the greater fluctuation of their currency or the quality of the issuer.

- **Liquidity risk**: There is a risk that investments made in sub-funds may become illiquid due to an over-restricted market (often reflected by a very broad bid-ask spread or by substantial price movements), or if their "rating" declines or their economic situation deteriorates.

- **Derivatives risks**: Risks include the lack of secondary market liquidity, valuation risks, the lack of standardisation and regulation, the risk of leverage, the risk of the counterparty.

- **Counterparty risk**: this risk relates to the quality of the counterparty with whom the funds do business or enter into various transactions. This risk reflects the counterparty's ability to honour its commitments (payment, delivery, repayment, etc).

- **Operational and Custody Risk**: Some markets are less regulated than most of the international markets; hence, the services related to custody and liquidation for the subfund on such markets could be more risky.

- **Environmental, Social and Governance (ESG) Investment Risk**: The lack of common or harmonized definitions and labels integrating ESG and sustainability criteria at EU level may result in different approaches by managers when setting ESG objectives. This also means that it may be difficult to compare strategies integrating ESG and sustainability criteria to the extent that the selection and weightings applied to select investments may be based on metrics that may share the same name but have different underlying meanings. In evaluating a security based on the ESG and sustainability criteria, the Investment Manager may also use data sources provided by external ESG research providers. Given the evolving nature of ESG, these data sources may for the time being be incomplete, inaccurate or unavailable. Applying responsible business conduct standards in the investment process may lead to the exclusion of securities of certain issuers. Consequently, the Sub-Fund's performance may at times be better or worse than the performance of relatable funds that do not apply such standards.

For additional details regarding the risks, please refer to the prospectus.

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https://www.bnpparibas-am.lu/intermediary-fund-selector/contacts-2/

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VIEWPOINT

BNP PARIBAS ASSET MANAGEMENT

The sustainable investor for a changing world