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PRESS RELEASE

BNP Paribas Asset Management announces tighter exclusion policy on coal companies

BNP Paribas Asset Management ('BNPP AM') announces its plan to implement an enhanced coal-exclusion policy, accelerating its commitment to tackle climate change by divesting from the single largest source of carbon emissions. The tighter exclusion policy on companies engaged in mining thermal coal[1] and generating electricity from coal will come into effect at the start of 2020. It will apply to all of BNPP AM's actively managed open-ended funds, as well as becoming the default policy for segregated mandates.

The policy represents a significant step towards BNPP AM's 2025 target of aligning its portfolios with the Paris Agreement goal of keeping temperature rises well below 2°C above pre-industrial levels. It will also reduce the economic risk in portfolios as coal becomes increasingly uncompetitive as a fuel for power generation.

BNPP AM will exclude companies that derive more than 10% of their revenue from mining thermal coal and/or account for 1% or more of total global production. The global production limit will capture those companies whose share of revenue from coal is below 10%, but which nonetheless account for a meaningful level of production on an absolute basis.

Power generators whose carbon intensity is above the 2017 global average of 491 gCO_2/kWh will also be excluded, with BNPP AM subsequently following the Paris-compliant trajectory for the sector as determined by the International Energy Agency ('IEA') in its Sustainable Development Scenario ('SDS').[2] The IEA's SDS requires power generators' carbon intensity to fall to 327 gCO_2/kWh by 2025, and BNPP AM will therefore demand that companies reduce their carbon intensity between 2020 and 2025 at a rate consistent with this, excluding those that fail to do so.

BNPP AM acknowledges the importance of encouraging companies to reduce their dependence on coal mining and coal-fired power generation in order to align their activities with the Paris Agreement. It will therefore consider exceptions for those miners and power generators that make credible commitments to reducing their coal-based activities to levels consistent with the Paris Agreement within the required time frame. The credibility of commitments will be determined using quantitative and qualitative criteria, including disposal plans for coal assets or acquisition plans for lower-carbon generation capacity, and the extent to which management are prioritising a lower-carbon business model. Exemptions will be granted

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[1] The new policy does not cover metallurgical coal as there are currently no viable alternatives to metallurgical coal in the steel-making process. By contrast, there are many cleaner alternatives to thermal coal for producing electricity.

[2] See IEA, Power: Tracking Clean Energy Progress, © 2019 OECD/IEA. Note that the Paris Agreement (Article 2a) commits its signatories to: *"Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."* The IEA's 2018 World Energy Outlook states (p.89): *"The CO2 emissions trajectory to 2040 in the Sustainable Development Scenario is lower than most published decarbonisation scenarios based on limiting the long-term global average temperature rise to 1.7-1.8°C above pre-industrial levels."* Ideally, we would like to see the IEA publish and regularly update a 1.5°C scenario and to adopt a more precautionary stance with regard to negative emissions technologies in its modelling, but the SDS is without doubt the most widely referenced Paris-compliant scenario for the global energy industry, and as such the clearest reference point for governments, companies, and investors concerned with aligning energy emissions with the Paris Agreement.

on a half-yearly basis, with those companies demonstrating their commitment to the policy expected to comply within two years.

Coal combustion is the largest single source of global warming, while the power sector itself is the largest single source of coal combustion. Reducing emissions from coal is therefore the most effective way of moving towards an energy system consistent with the Paris Agreement. According to the IEA's SDS, almost all of the emissions reductions from the energy sector required by 2025 to align the global emissions pathway with the Paris Agreement - 2.8Gt out of a total 3Gt - come from cutting back on the use of coal in power generation.[3]

Since 2015, BNP Paribas has committed to ensuring that its financing and investment activities in the energy sector would evolve in line with the objectives of the Paris Agreement to keep global warming significantly below the 2 ° C threshold. BNPP AM's new coal policy is fully in line with this Group initiative.

Mark Lewis, Global Head of Sustainability Research at BNP Paribas Asset Management, comments: *"From an investment perspective the outlook for the coal industry looks increasingly uncertain as less carbon-intensive fuel sources, in particular renewables, become ever more competitive. The main renewable technologies already compete favourably with fossil fuel power generation,[4] and in the best locations for wind and solar globally, new build costs are actually below those of existing fossil-fuel plants. The trend will continue as costs for all renewable technologies continue to fall."*

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About BNP Paribas Asset Management

[3] According to the most recent iteration of the SDS set out in the IEA's 2018 World Energy Outlook, CO_2 emissions from energy need to fall by 3.1Gt by 2025 versus 2017 levels, and all of this 3.1Gt reduction comes from lower emissions from coal (emissions from natural gas are slightly higher in 2025 versus 2017 levels, and emissions from oil only slightly lower). Moreover, nearly all of this reduction in coal emissions - 2.83Gt of the total 3.1Gt required, or 93% - comes from the power sector.

[4] On a levelised cost of energy ('LCOE') basis. LCOE enables the comparative measure of different methods of electricity generation on a consistent basis. It is calculated by dividing the total cost of building and operating a power-generating asset over its lifetime by the total energy output of the asset over its lifetime.