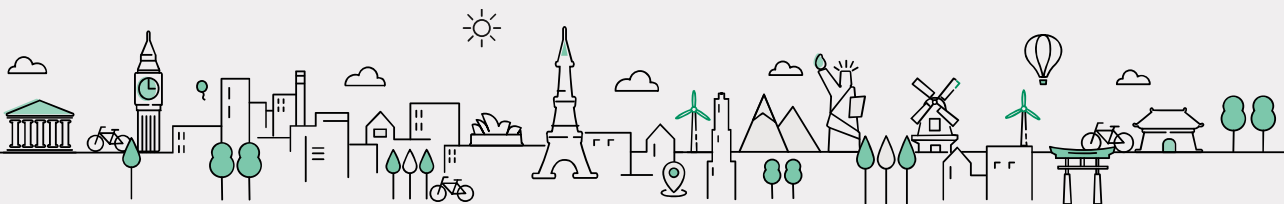


PUBLIC POLICY STEWARDSHIP STRATEGY on Sustainability 2019-2020

September 2019



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

In March 2019, BNP Paribas Asset Management (BNPP AM) published our [Global Sustainability Strategy \(GSS\)](#), outlining our vision for a sustainable future, and our implementation plan for the next three years. The GSS describes our commitment to integrate environmental, social and governance (ESG) considerations across all of our portfolios, globally. We regard **three issues as critical** pre-conditions for a more sustainable economic system – **energy transition, environmental sustainability and equality and inclusive growth** – and are aligning our investment research, portfolios, reporting and company and public policy engagements in support of each. We call these the ‘3Es’.

Our approach to sustainable investment includes a strong commitment to ‘stewardship’, which includes proactive engagement with corporate and other issuers, and engagement with public policy makers on sustainability issues.

This document describes (1) our core commitment to public policy engagement related to our sustainability goals, (2) our key public policy objectives for the sustainability agenda, and (3) our advocacy approach, governance and partners.

1. OUR COMMITMENT TO ENGAGE WITH PUBLIC POLICY MAKERS TO ADVANCE OUR SUSTAINABILITY GOALS

BNPP AM has a long-term commitment to, and successful track record of, public policy engagement to advance its sustainability goals. We advocate **both to strengthen ESG considerations within the financial sector and, more broadly, to improve sustainability-related regulation for the markets in which we invest.**

As described in the GSS, we actively engage policymakers, helping to shape the markets in which we invest and the rules that guide and govern company behaviour. Public policy can affect the ability of long-term investors to generate sustainable returns and create value. It can also affect the sustainability and stability of financial markets, as well as social, environmental and economic systems.

We have constructively and effectively engaged with policymakers over many years, with a particular focus on corporate disclosure, climate policy and corporate governance. **In 2006, we became a founding signatory of the UN-backed Principles for Responsible Investment (PRI).** The PRI’s six principles include a commitment to “be active owners and incorporate ESG issues into our ownership policies and practices.” (Principle 2) Principle 2 includes, as a possible supporting action, “Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).”¹

2. OUR SUSTAINABILITY ADVOCACY OBJECTIVES

Our sustainability advocacy is focused on advancing the objectives outlined in the Global Sustainability Strategy, especially on the “3E’s”: the energy transition to a low carbon economy, environmental sustainability and equality.

We also pursue the following objectives related to the financial industry and the markets in which we invest. In line with our role as investor:

- We **defend key shareholder rights** that impact our ability to act as responsible long-term stewards of capital, including respecting the principle of one share, one vote.
- We **promote strong corporate governance and disclosure**, consistent with our commitments and policies.
- We support **mandatory meaningful sustainability disclosures**, across markets, including the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We believe that certain information and metrics should be standardised and made compulsory for corporates to report.
- We support strong legal protection for the environment, consumers and workers, and will engage on these issues where we see a connection to our interests as investors.

¹ Possible actions to demonstrate compliance with Principle 2 include the following:

- Develop and disclose an active ownership policy consistent with the Principles.
- Exercise voting rights or monitor compliance with voting policy (if outsourced).
- Develop an engagement capability (either directly or through outsourcing).
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions consistent with long-term ESG considerations.
- Engage with companies on ESG issues.
- Participate in collaborative engagement initiatives.
- Ask investment managers to undertake and report on ESG-related engagement.

See, <https://www.unpri.org/signatories/what-are-the-principles-for-responsible-investment>

For the financial industry, we actively advocate for **sustainable finance to become mainstream** practice for all financial actors. This will require **financial firms to take into account their clients' preferences on sustainability**.

We believe policy makers should implement ambitious policy roadmaps on sustainable finance, at the global or regional level, such as the EU Commission action plan on financing sustainable growth, including the development of a **global framework for a taxonomy of sustainable activities**, in order to finance the ecological transition.

The 3E's

A. ENERGY TRANSITION

We are signatories to the *2018 Global Investor Statement to Governments on Climate Change*.² The Statement calls on governments to achieve the Paris Agreement's goals; accelerate private sector investment in the low carbon transition, including by putting a meaningful price on carbon and phasing out fossil fuel subsidies; and improving climate-related financial reporting.

We are committed to align our portfolios with the goals of the Paris Agreement. We therefore support a political environment which is committed to the low-carbon transition and advocate for governments to:

1. **Achieve the Paris Agreement's goals.** In our Global Sustainability Strategy, we committed to use policy engagement to advocate for ambitious nationally determined contribution (NDC) alignment with the Paris Agreement.
2. **Implement long-term emission reduction strategies:** A long-term decarbonisation objective to achieve net zero emissions by 2050 at the latest for the EU and other developed countries, states and cities, and by 2070 for emerging markets, backed by a holistic decarbonisation strategy, in which all sectors, instruments and actors play a fair role.
3. **Phase out fossil fuel subsidies as well as thermal coal power worldwide by set deadlines**, in order to help accelerate private sector investment into the low carbon transition.
4. **Have a clear trajectory for the price of carbon in the future**, through a carbon tax or through carbon markets, with a high enough price to produce the GHG reductions necessary to stay well below 1.5 degrees.

We will seek to engage with G20 countries and beyond, calling for greater action on climate change, in line with the 2018 Global Investor Statement noted above.

B. ENVIRONMENTAL SUSTAINABILITY

We are examining various global and local initiatives regarding biodiversity, waste and recycling, reforestation, air and soil pollution, water and oceans. We will first concentrate our advocacy on:

- **Deforestation** – Support policy development to address deforestation and the sustainability of company practices in at-risk sectors, focusing on Latin-America and Asia.
- **Water** – Encourage the development of water stewardship policies and plans.
- **Waste and recycling** – support the banning of single use plastic, the enhancement of sustainability practices and a shift towards circular economies.

C. EQUALITY AND INCLUSIVE GROWTH

In line with the commitments made in the Global Sustainability Strategy, we will actively pursue:

- Mandatory reporting on CEO-employee pay ratio and gender pay gap.
- Greater corporate tax transparency and country-by-country mandatory tax reporting across sectors.
- More transparent and responsible corporate lobbying practices.
- Policies that promote greater diversity on corporate boards.
- The development of policy and legislation that leads to increased supply chain transparency and improved labour conditions.
- The inclusion of the "just transition"³ in regional, national and international policies as part of 2050 net-zero target strategies.

² <https://theinvestoragenda.org/areas-of-impact/policy-advocacy/> (the statement was signed by 415 investors representing more than USD \$32 trillion in AUM).

³ Please see "Investing in a Just Transition" available at <http://www.lse.ac.uk/GranthamInstitute/investing-in-a-just-transition-global-project/>

3. ADVOCACY APPROACH, PARTNERS AND GOVERNANCE

Our public advocacy efforts include a variety of approaches, such as:

- Public submissions to legislators, regulators and multilateral institutions.
- Participation in the development of policy proposals in public and private fora, such as technical advisory committees and investor associations.
- Meetings with policymakers.
- Publication of white papers and endorsement of public statements and commitments.
- Working alongside the BNP Paribas Group in common areas of interest, to increase our leverage.

We conduct some public policy engagements individually, but also undertake engagements in partnership with other investors, in formal or informal networks. A list of the key organisations and networks that help us advance our policy objectives is included as Appendix I.

Our reputation and credibility depends, in part, on our ability to ensure consistency between the policy positions we are taking in different regions and the positions taken by the organisations and networks we belong to. This statement of our public policy positions is part of our efforts to avoid such conflicts.

As a firm, we aim to set an example:

- We engage in public policy as responsible fiduciaries, on behalf of our clients. It is therefore incumbent upon us to promote legal interpretations of fiduciary duty consistent with our investment beliefs.
- Consistent with the expectations we set for issuers, we will pursue our public policy objectives in a transparent manner, with a sufficient degree of specificity to inform our clients and relevant stakeholders of the positions we are taking.

All of our public policy work will be undertaken in compliance with BNP Paribas' Charter for Responsible Representation with respect to the Public Authorities, available at: <https://group.bnpparibas/en/charter-responsible-representation-respect-public-authorities>

We will review our public policy and corporate engagement strategies once a year, and we publish additional information on our website and in regulatory filings.

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Paris, September 2019

APPENDIX I: MAIN PARTNER ORGANISATIONS AND FORUMS

BNPP AM maintains formal membership or informal affiliation with a wide range of investor networks and working groups around the world, which are key to our public policy engagement related to our sustainability goals:

Asian Corporate Governance Association (ACGA)

- An independent, non-profit organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices.
- BNPP AM is a member
- Our Head of Stewardship -- Asia is a participant in the working groups for China and Japan.
- <https://www.acga-asia.org/>

Asia Investor Group on Climate Change (AIGCC)

- An initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC is exploring the possibility of doing some work on policy mainly in China and Japan.
- BNPP AM is a member.
- <https://www.aigcc.net/>

Association Française de la Gestion financière (AFG)

- The French Asset Management Association is the professional body representing the asset management industry. AFG's members are French asset managers: either boutique entrepreneurial houses or subsidiaries of banking, insurance or money management groups.
- French asset managers, the largest in continental Europe, manage assets worth EUR 4 trillion.
- The AFG represents its members and makes an active contribution to new regulations in France and the European Union.
- BNPP AM is a member
- Co-chair of the ESG/Corporate Governance Committee
- www.afg.asso.fr

Ceres

- Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and inequitable workplaces.
- The Ceres Investor Network includes over 160 institutional investors, managing more than USD 26 trillion in assets. Ceres also maintains Company, Nonprofit and Policy Networks.
- BNPP AM is a member of the Investor Network.
- www.ceres.org

Council of Institutional Investors

- Nonprofit, nonpartisan association of asset owners, asset managers and other service providers representing approximately USD 40 trillion in AUM. CII's voting members include pension funds, corporate funds, other employee benefit funds, endowments and foundations with approximately USD 4 trillion in assets. CII's non-voting members include asset management firms with more than USD 35 trillion in assets. CII is a leading voice for effective corporate governance, strong shareowner rights and vibrant, transparent and fair capital markets. CII promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries.
- BNPP AM is a non-voting member
- <https://www.cii.org/>

EFAMA

- The European investment management industry body, representing 28 member associations, 60 corporate members and 23 associate members. At end 2018, total net assets of European investment funds reached EUR 15.2 trillion.
- BNPP AM is a member
- Our Global Head of Stewardship and Policy is a member of the ESG/Stewardship Committee
- www.efama.org

Global Network Initiative

- The GNI is a multi-stakeholder human rights organization addressing government threats to freedom of expression and privacy in the digital sphere, representing corporate, investor, academic and human rights constituencies. GNI engages in public policy advocacy on related issues.
- BNPP AM is a member of the GNI's investor constituency
- Our Head of Stewardship - Americas is a member of the board
- <https://globalnetworkinitiative.org/>

Human Capital Management Coalition

- A cooperative effort among a diverse group of influential institutional investors to further elevate human capital management as a critical component in company performance. The Coalition engages companies and other market participants with the aim of understanding and improving how human capital management contributes to the creation of long-term shareholder value. The HCMC is led by the UAW Retiree Medical Benefits Trust and includes 26 institutional investors representing over USD 3 trillion in assets.
- HCMC has submitted a rulemaking petition to the SEC on human capital management disclosures.
- BNPP AM is a member
- <http://uawtrust.org/hcmc>

Hong Kong Green Finance Association (HKGFA)

- HKGFA is a multi-stakeholder organization that aims to enhance the development of green finance in Hong Kong.
- BNPP AM is a member
- Our Head of Stewardship Asia is a participant in the ESG Disclosure and Integration working group.
- <http://www.hkgreenfinance.org/>

The Institutional Investors Group on Climate Change (IIGCC)

- Over 170 investor members with EU23 trillion in assets; the European membership body for investor collaboration on climate change.
- BNPP AM is a member
- Our Global Head of Stewardship and Policy is a member of the board and of the policy group
- <https://www.iigcc.org/>

Interfaith Center on Corporate Responsibility

- Leading organization of faith-based investment institutions focused on corporate engagement on sustainability issues.
- Our Head of Stewardship – Americas serves on ICCR's Human Rights Advisory Committee but BNPP AM is not currently a member.
- <https://www.iccr.org/>

International Corporate Governance Network (ICGN)

- An investor-led organisation, dedicated to the promotion of effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide.
- BNPP AM is a member
- <https://www.icgn.org/>

Investor Alliance for Human Rights

- Provides investors with a platform to engage companies on salient human rights issues, as well as states and standard-setting bodies to ensure these create policies and standards to prevent and remedy corporate human rights abuses (launched by ICCR).
- Our Head of Stewardship - Americas serves on Steering Committee, but BNPP AM is not currently a member.
- <https://investorsforhumanrights.org/>

Principles for Responsible Investment

- The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole. Signatories manage more than US\$70 trillion.
- Founding signatory
- BNPP AM is a member of the Global Policy Reference Group
- <https://www.unpri.org/>

Task Force on Climate-related Financial Disclosures (TCFD)

- The FSB TCFD developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The TCFD has received significant support from leading companies and organizations around the world since its voluntary Recommendations were released in June 2017, including BNP Paribas and the European Commission.
- Our Global Head of Sustainability and Global Head of Sustainability Research are members of the TCFD, and BNP Paribas has endorsed the TCFD recommendations.
- www.fsb-tcdf.org

Technical Expert Group on Sustainable Finance at the European Commission

- The Commission set up a Technical expert group on sustainable finance (TEG) to assist it in developing, in line with the Commission's legislative proposals of May 2018:
 - an EU classification system – the so-called taxonomy – to determine whether an economic activity is environmentally sustainable;
 - an EU Green Bond Standard;
 - benchmarks for low-carbon investment strategies; and
 - guidance to improve corporate disclosure of climate-related information (including alignment with the TCFD recommendations).
- The TEG commenced its work in July 2018, and will operate until year-end 2019.
- Its 35 members from civil society, academia, business and the finance sector, as well as additional members and observers from EU and international public bodies work both through formal plenaries and sub group meetings for each work stream.
- Our Global Head of Stewardship and Policy is a member of the TEG
- https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en

Climate Bonds Initiative (CBI)

- CBI is an international, investor-focused not-for-profit, working solely on mobilising the USD 100 trillion bond market for climate change solutions.
- BNPP AM is a member of CBI, and a member of its working group
- www.climatebonds.net

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