We do this because if not conducted properly the activities in question could cause serious social or environmental damage (such as palm oil).

We have another set of policies that commit us to exclude particular sectors or activities (tobacco, synthetic crude oil from tar sands, coal, controversial weapons or asbestos), as we deem them to be in violation of international norms, or to present unacceptable harm to society or the environment, without counterbalancing benefits. These are generally sectors where engagement makes little sense.

Our full approach is documented in our Responsible Business Conduct Policy.

4. FORWARD-LOOKING PERSPECTIVE – THE '3Es'

The most successful investors draw on the lessons of the past, while focusing on the future: particularly in a rapidly changing world. We believe the following three issues will be critical pre-conditions for a more sustainable and inclusive economic system: the energy transition, environmental sustainability and equality. We have established a set of targets and developed key performance indicators (KPIs) relating to these '3Es', addressing how we will align our investment research, portfolios, and company and regulatory engagement in support of each. These are further discussed in Part II, where we present our 2019-22 Sustainable Investment Roadmap.

STEWARDSHIP IS CENTRAL TO HOW WE INVEST

Our Stewardship Strategy includes the following categories of engagement:

1. **Public policy.** We actively engage with regulators, 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.

2. **Engagement related to voting, governance and quality of management.** A major priority for us as part of our ongoing dialogue with the companies in which we invest is to promote good governance practices. These include a focus on long-term sustainable value creation; the protection of shareholder rights; independent, effective and accountable boards; incentive structures that are aligned with the long-term interests of stakeholders; respect for society and the environment; and the disclosure of accurate, adequate and timely information.

3. **The '3Es': Energy Transition, Environmental Sustainability, Equality and Inclusive Growth.** These three areas will serve as the focus for our global sustainability engagement efforts in the next three years (see Part II of this document). We will establish an in-depth dialogue with companies, for example, encouraging them to:
   - align their strategies with the goals of the Paris Agreement
   - improve their environmental footprint (such as water efficiency)
   - provide greater opportunities for women and minorities, at all levels of the organisation
   - adopt more equitable and transparent remuneration policies, including tax strategies that ensure that wealth is distributed more fairly across the value chain, where value is created.

4. **Responsible business conduct.** We are committed to engage or exclude companies that appear on our watch list for serious controversies, including those deemed to be in violation of the UN Global Compact Principles. In addition, the Sustainability Centre identifies and engages with other companies that, in our view, face serious controversies, violate other international norms or present significant ESG risks.

Our approach to stewardship, and associated policies, including proxy voting and public policy, are further elaborated upon in BNPP AM's Stewardship Policy.

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