



BNP Paribas AM's alignment with Towards Sustainability ("TS") Quality Standards

GOVERNANCE

BNP Paribas Asset Management ("BNPP AM")'s Sustainability Centre gathers all our sustainability experts together and drives our approach to sustainable investment. It provides investment teams with research, analysis and data at issuer and sector levels. It also supports investment teams in their efforts to fully integrate sustainability-related risks and opportunities into their investment strategies. Our Global Head of Sustainability who oversees our Sustainability Centre, reports to BNPP AM's Chief Investment Officer (CIO). Our sustainability governance structure is the following:

- The monthly Investment Committee has a dedicated sustainability focus and follows up on ESG integration
- The quarterly Sustainability Committee oversees and validates our approach to sustainability and is chaired by our CEO. It includes the CIO and the Chief Investments Officers by asset class, Global Head of Products and Strategic Marketing, Head of Global Client Group, Chief Marketing Officer, Head of Brand and Communication.
- The bi-annual Proxy Voting Committee reviews voting and engagement implementation, oversees voting policy evolutions. It is chaired by our Equity CIO
- BNPP AM France Board of Directors supervises and reviews the sustainability approach and proxy voting policy at least annually
- Our governance is aligned with the BNP Paribas Group sustainability strategy.

DEDICATED EXCLUSION LIST

Norm based screening:

We expect companies to meet their fundamental obligations on human and labour rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines).

We use BNPP AM's exclusion list that identifies companies in violation of UNGC principles which is a shared framework, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption. Our second approach for norm-based screening, also part of BNPP AM's exclusion list, is based on the OECD's MNE guidelines which are a similar and detailed shared framework for responsible business conduct.

We use Sustainalytics as a data provider and supplement our analysis with our ESG Analysts' qualitative research, with the final approval being made by our Sustainability Committee.

Tobacco:

Since 1 January 2019, BNPP AM ceased to invest in tobacco manufacturing companies. The policy applies to all of BNPP AM's actively managed open-ended products and became the default policy for mandates. The threshold is 5% of revenue coming from tobacco companies for the products that apply to Towards Sustainability ("TS") label.

We use Sustainalytics as a data provider and supplement their analysis with our ESG Analysts' qualitative research.

Weapons:



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The list of controversial weapons in our policy is based on international conventions and norms and includes: anti-personnel mines, cluster weapons, nuclear weapons¹, biological and chemical weapons and depleted uranium munitions. For the TS label we also exclude white phosphorus with a 5% threshold. For controversial weapons, we use Sustainalytics and BNP Paribas Group's CSR exclusion list which is reviewed annually.

Conventional weapons:

For all the products that apply the TS label, BNP Paribas Asset Management applies a filter with a threshold of 5% revenue coming from companies involved in conventional weapons.

The list of criteria we are looking at for this exclusion is as follows: military contracting weapons involvement, military contracting weapons (product related), military contracting weapons (non-product related), small arms civilian customers (assault weapons), small arms civilian customers (key components), small arms civilian customers (Retail distribution).

We use Sustainalytics as a data provider and supplement their analysis with our ESG Analysts' qualitative analysis.

Thermal coal:

To respect the TS criteria, we use Sustainalytics as a data provider and we also use the Urgewald exclusion list, we supplement this analysis with our ESG Analysts' qualitative research.

Unconventional oil and gas ("Unconventional O&G"):

Companies violating the TS's criteria on Unconventional O&G are excluded from our products that apply to Towards Sustainability ("TS") label.

We use Sustainalytics as a data provider (using screening information on oil sands, shale and arctic drillings), BNPP Paribas group exclusions list and supplement their analysis with our ESG Analysts' qualitative analysis.

Conventional oil and gas:

BNPP AM has developed a proprietary methodology to assess compliancy with TS minimum standards for conventional oil and gas producers which adheres to the following procedure depending on data availability.

- Sustainalytics provides a preliminary list of issuers that are exposed to the conventional oil and gas sector across the world
- Exclusions are applied to this list as a result of non-compliance with other criteria such as UN Global Compact or requirements linked to the sector
- Eligibility of issuers remaining in the list is pegged on requirements that include:
 - Corporations with less than 50 % revenues derived for products / services dedicated to the execution of harmful activities (using Sustainalytics data or company data)
 - Those that have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment SBTi
 - Entities with more than 15% Capex in aligned activities are identified by our research analysts (using Sustainalytics data or company data)
- An additional analysis is conducted on companies that did not qualify for eligibility above to list those that can be incorporated into the phase out margin.

We use Sustainalytics as a data provider, company data and/or Bloomberg and we supplement this analysis with our ESG Analysts qualitative analysis.

Electricity generation

At BNPP AM we have developed our own methodology to assess compliancy with TS minimum standards for electricity producers which adheres to the following procedure depending on data availability.

We use information on specific CO2 intensity (gCO2/kWh) available from public sources such as company disclosures and other available sources, if the carbon intensity is > 374 gCO2/kWh the company is excluded. For companies that do not disclose their power carbon intensity, we developed a Machine Learning model to estimate the probability of a power producer being above a defined power generation carbon intensity threshold. This model is based on a random tree model.

We use data from Sustainalytics, Trucost, Bloomberg, CDP, Benchmarking Air Emissions, Companies' reports, Transition Pathway Initiative, GCEL from Urgewald and we supplement this analysis with our ESG Analysts' qualitative analysis.

¹ BNP Paribas makes an exception for government controlled nuclear weapon programs in NATO countries that are authorised to possess nuclear weapons under the Nuclear Non-Proliferation Treaty". It means that the policy doesn't exclude Thales, Boeing, Airbus for example, even if they are involved in the manufacture of components of nuclear missiles.

OTHER ESG ISSUES

Corporate Taxation:

Our proprietary ESG scoring methodology assesses companies' governance issues, including tax-related issues. Our 'Governance' assessment includes a category dedicated to 'Business Ethics Preparedness'. This theme seeks to evaluate a company's approach to promoting and supporting ethical business conduct for both internal operations and interactions with external stakeholders. Within this theme, depending on the sector, we look at specific indicators. If we assess taxation as a material issue to the sector, we will use specific metrics such as 'Tax Disclosure' that is included in our ESG scoring framework. This indicator provides an assessment of corporate transparency with regard to taxes paid and the possible use of tax shelters.

Corporate tax is covered in our Stewardship activities. In our Proxy Voting policy, we also consider taxation when voting on 'Corporate Restructuring' items. We could vote against or abstain considering potential tax and regulatory advantages. Votes concerning corporate restructuring are considered non-routine and evaluated on a case-by-case basis. Issues that will be taken into account include spin-offs with potential tax and regulatory advantages. In our engagement with companies, we will raise this topic when relevant.

Oppressive regimes:

To quantify the level of oppression in countries we look to the Freedom House classification to be found [here](#). In the context of the Towards Sustainability label, we will exclude the countries classified as "Not Free", and/or when they have not ratified at least half of the 18 International Human Rights Treaties ([OHCHR Dashboard](#))

Death Penalty

To investigate whether countries have and/or apply the death penalty we look at Amnesty International's Death Penalty Paper that comes out annually. The most recent one being [this one](#) from 2020. In the document we can also see whether countries who do not have a death penalty as a legal form of ultimate punishment for crimes actually do resort to capital punishment. It is worthy of note that a majority of the countries that apply the death penalty are in fact excluded from TS products due to the criteria that is mandatory for the label.

Biodiversity:

According to the world's leading scientists, the natural world is in crisis. We are losing biodiversity – the very fabric of life on Earth – at an alarming rate. According to the most comprehensive scientific assessment, 'the diversity of nature maintains humanity's ability to choose alternatives in the face of an uncertain future'. Biodiversity loss threatens the achievement of 80% of the United Nations' Sustainable Development Goals sub-targets related to poverty, hunger, health, water, cities, climate, oceans and land (IPBES, 2019). More details on our plan to embed biodiversity considerations across all the pillars of our sustainable investment approach are to be found in:

[Sustainable by Nature](#) : Our roadmap for Biodiversity (including Water, Waste)

Palm oil: [Responsible Business Conduct Policy](#) page 9 – 13

Wood Pulp: [Responsible Business Conduct Policy](#) page 14 – 18

Water use:

Water is a more complex environmental theme to capture than carbon, due to its local and temporal dimensions. The effects of water over-use and pollution vary depending on the time of the year and the vulnerability of ecosystems, local populations and businesses. For more information, please refer to our biodiversity roadmap:

[Sustainable by Nature](#) & our [Global Sustainable Strategy](#) page 28

Pollution & waste (e.g. plastics)

In our ESG rating model a theme we cover in all sectors and for which the criteria will vary from sector to sector is the use of natural resources, emissions and waste. We have also set a series of internal sub-targets including waste to support our environmental sustainability objective. These are areas we are already working on, but the sub-targets will help us improve our understanding of what our contribution should be across our investments, e.g. biodiversity or adaptation; to improve our current assessment of companies' performance on plastics waste or sustainable fisheries; or to enhance information availability and quality from companies and policymakers in order to start assessing and comparing companies' performance in these areas.

We are also part of the New Plastics Economy Global Commitment, endorsed by companies representing 20% of all plastic packaging produced globally, as well as governments, NGOs, universities, industry associations, investors, and other organisations. For more information please refer to our biodiversity roadmap: [Sustainable by Nature](#)

Gender & diversity:

Inequality of opportunity occurs when people's place of birth, gender, ethnicity or parental background determine to a significant degree their access to education and the qualifications they obtain, their access to work and the type of job they get; and, ultimately, their level of income. There is significant inequality of opportunity across world populations. Through our voting policy we target companies that lack diversity on their board and we apply criteria around diversity in the social pillar of our ESG methodology. For more information, please refer to [Global Sustainable Strategy](#) page 30

Forward contracts on agricultural commodities:

With 6% of the world's GDP and 30% of the employment, agriculture is a key sector in today's economies. Its importance is going to grow in the next decades: the global demand for agricultural commodities and food will increase as the world population is expecting to approach 9 billion by 2050, with a major contribution of developing countries. In addition, the supply of agricultural goods could be threatened by the adverse impacts of climate change. In terms of soft commodity derivatives, we have banned the investment in agricultural commodities since June 2015.

DATA PROVIDERS

- Trucost for power generation mix and carbon emissions
- Sustainalytics for UNGC, weapons, tobacco, unconventional oil and gas, tar sands, shale and arctic drilling and Thermal Coal Power Generation-Standard Analysis (data used for getting the list of companies involved in power generation)
- BNP Paribas AM's Sustainability Centre Research
- BNP Paribas SA's exclusion lists
- Companies' disclosures
- Bloomberg
- Transition pathway initiative and Urgewald GCEL for power generation and coal activities.
- Science base Target initiatives
- CDP
- Benchmarking Air Emissions

OTHER DISCLOSURE OF POLICIES

- BNPP AMs "Global Sustainable Strategy" (page 25-30) addresses how climate change and Paris alignment are taking into account, as well as gender, diversity and water use principles.
- BNPP AM's "Responsible Business Conduct Policy" 2021 (English version) further discloses our company's policies in multiple domains.
- Our Biodiversity Roadmap 'Sustainable by Nature' provides BNP Paribas Asset Management's principles on water use, pollution and waste (e.g. plastics) and details our plan to embed biodiversity considerations across all the pillars of our sustainable investment approach.

The documents mentioned above are regularly updated and made available at <https://www.bnpparibas-am.com/en/sustainability/as-an-investor/>

IMPLEMENTATION OF THE EXCLUSION LIST IN THE FRONT OFFICE TOOL

In 2019, BNPP AM implemented Aladdin a front-to-back office operations tools. Aladdin is BNPP AM's unique solution for trading, compliance and risks controls. ESG and carbon related information are also integrated into this tool. Thanks to this tool, ESG and carbon information at portfolio level are monitored more efficiently. In addition, BNPP AM's TS exclusion list is implemented in Aladdin systems and our investment compliance team are able to control TS portfolio's compliance (pre and post trade). In the case of a breach, portfolio managers will have to sell the stock, this will be done in the best interest of clients.

DISCLAIMER

BNP PARIBAS ASSET MANAGEMENT Belgium is a management company of investment funds and manager of alternative investment funds registered with the Financial Services and Markets Authority, incorporated as a société anonyme/naamloze vennootschap and with registered office at Rue du Progrès 55, 1210 Brussels, Belgium.

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