

VOTING & ENGAGEMENT



2021 REPORT



BNP PARIBAS
ASSET MANAGEMENT

The sustainable
investor for a
changing world

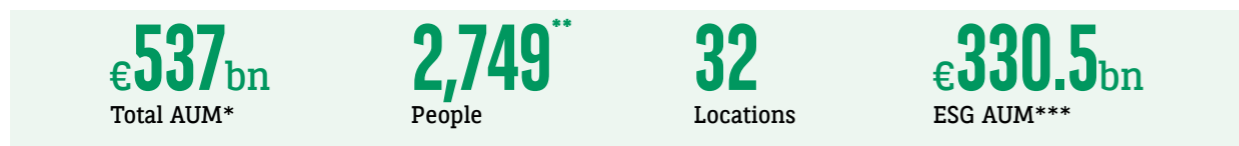
ABOUT US

BNP Paribas Asset Management (BNPP AM) is BNP Paribas Group's dedicated asset management business and employs 2,749 people in 32 countries, including a large presence in Europe and the Asia-Pacific region. Through the BNP Paribas integrated model, BNPP AM has access to a broad international client base and has close relationships with BNP Paribas' distribution networks. Ranked the 10th largest asset manager in Europe¹, BNPP AM currently manages €537 billion of assets and benefits from the expertise of around 500 investment professionals and over 400 client-servicing specialists, serving individual, corporate and institutional clients in 69 countries.

We offer investment solutions for individual investors (through internal distributors within BNP Paribas and external distributors), and corporate and institutional investors including insurance companies, pension funds, official institutions and consultants. We offer portfolio investment expertise in line with clients' long-term sustainable performance expectations, including active, conviction-based strategies, emerging markets, multi-asset investments, private assets and liquidity solutions.

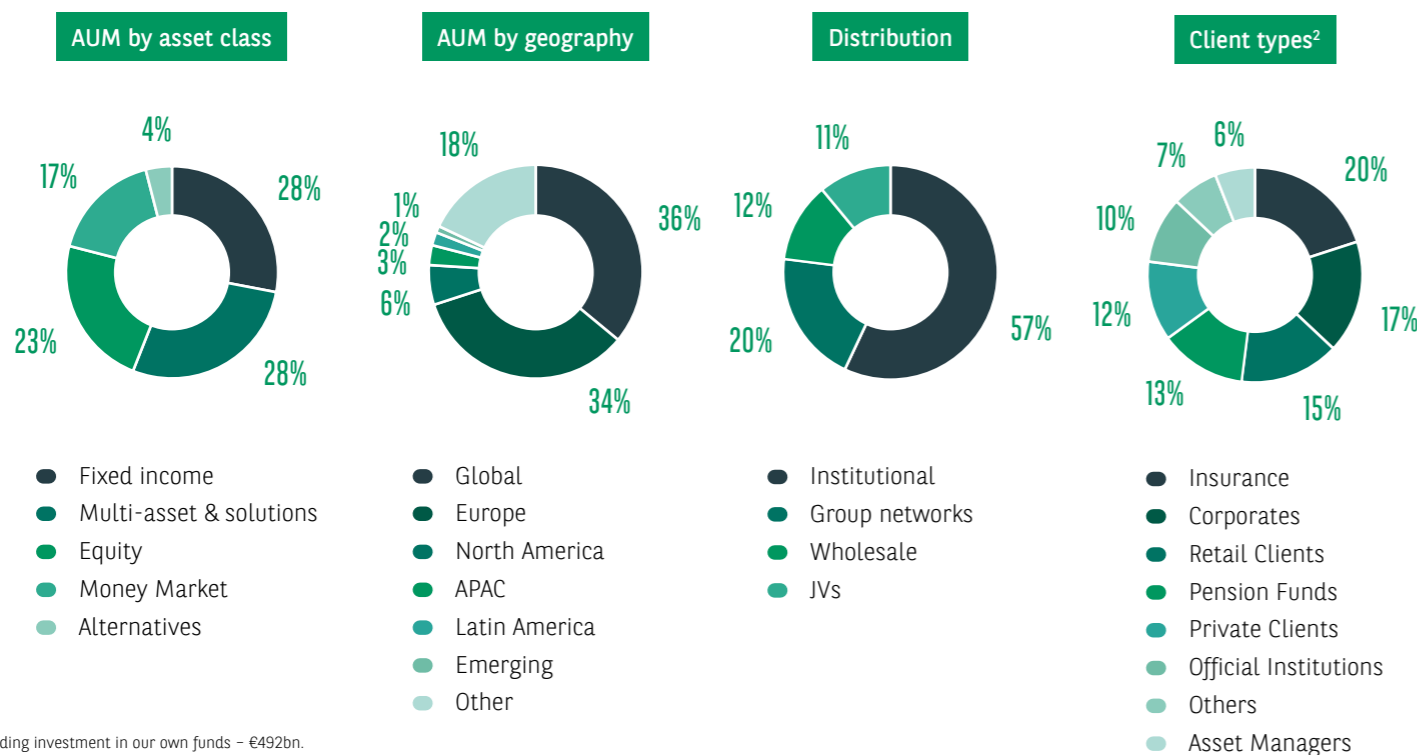
1. Source: IPE Top 500 Asset Managers 2021.

BNP Paribas Asset Management's purpose is to achieve long-term sustainable investment returns for its clients by placing sustainability at the heart of its strategy and investment decision-making.



* AUM: assets under management.
** Joint Ventures included.
*** ESG (Environmental, Social & Governance) AUM: assets under management in scope of our Global Sustainability Strategy.

A WELL-BALANCED, GLOBALLY DIVERSIFIED AND EUROPEAN-ROOTED ASSET MANAGER

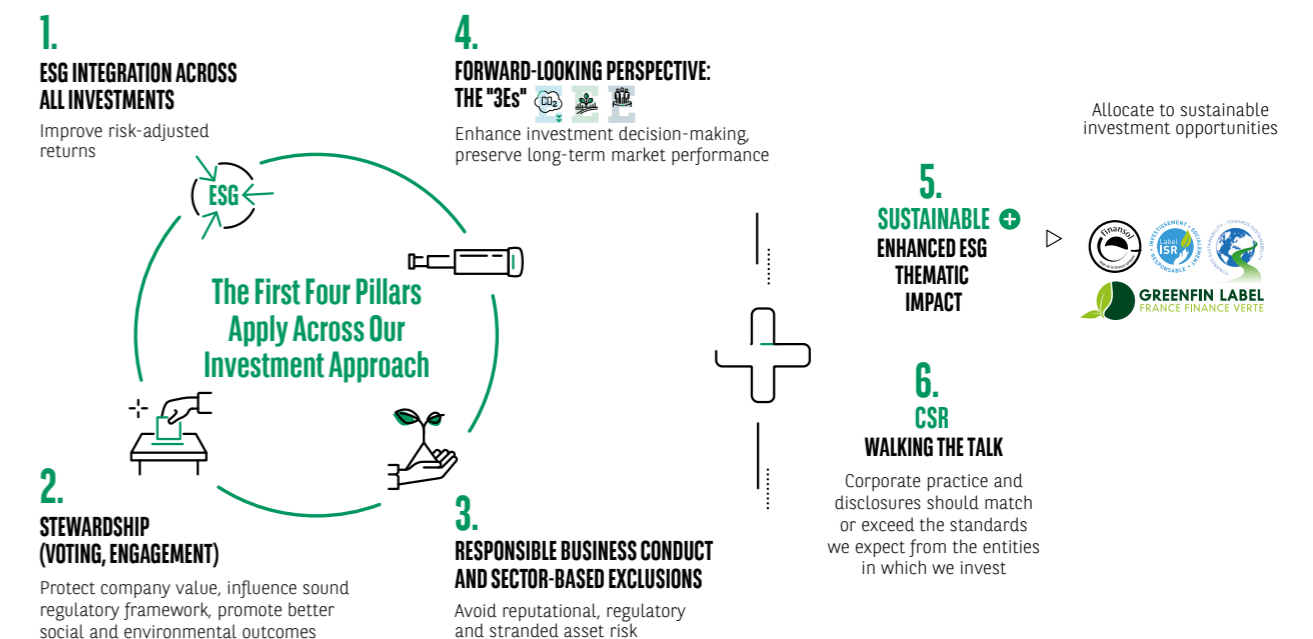


2. Excluding investment in our own funds - €492bn. Figures may not add to 100% due to rounding.

ENGAGEMENT AND VOTING ONE OF OUR 6 PILLARS OF SUSTAINABLE INVESTMENT

Our strategy to deliver sustainable investment is built on six pillars, four of which are systematically implemented across our investment strategies. Together, this approach strengthens the way we invest, including how we generate investment ideas, construct optimal portfolios, control for risk and use our influence with companies and markets. It is designed to respond to the diverse needs of our broad client base while protecting their interests.

THE 6 PILLARS OF OUR SUSTAINABLE INVESTMENT APPROACH



This report presents the engagement and voting we carried out during 2021 on behalf of our clients to deliver a sustainable future. Our 2021 Sustainability Report sets out how we delivered on all other dimensions of our sustainability strategy.

OUR APPROACH: TO BE A FUTURE MAKER

Voting and engagement form one of the six pillars of our approach to sustainable investment and are fully embedded in our **Global Sustainability Strategy (GSS)**.

To ensure that these activities are effective, consistent and supportive of our overall objectives as fiduciaries, they are not only rooted in our GSS, but are amplified in our **Stewardship Policy** and our **Governance and Voting Policy**, each reviewed annually, revised as needed, and approved by the Sustainability Committee and the Proxy Voting Committee.

Our voting and engagement activities inform our investment decisions on a day-to-day basis, within the framework of our GSS and **ESG integration guidelines**. Similarly, our engagement informs our ESG analysis and ratings of issuers.

Voting	Engagement	Public Policy Advocacy
A priority for us as part of our ongoing dialogue with the companies in which we invest is to promote good governance practices.	<ul style="list-style-type: none"> Engagement related to voting Thematic engagement Engagement linked to ESG performance. 	Active engagement with regulators helps to shape the markets in which we invest and the rules that guide and govern company behaviour.

*We use **three tools** — voting, engagement and public policy advocacy — to encourage companies to improve their performance and accountability on sustainability topics, and to urge policymakers to deliver legislation, regulation and standards that foster sustainable, equitable development. These activities help us to better manage ESG risks in the near and long term, enhance our knowledge and understanding as an investor and generate positive impact — all of which benefit our clients.*



“We have a very ambitious voting policy aiming to bring about real change within companies. In particular, we have strengthened our requirements in our climate and diversity guidelines. Beyond voting, we also engage in dialogue with companies and public authorities to improve their ESG⁴ practices. Our interactions with the boards and management of firms large and small, around the world, drive them to improve their strategies.”

Michael Herskovich
Global Head of Stewardship

→ DISCOVER HOW MICHAEL DRIVES SUSTAINABILITY

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4. Environmental, Social and Governance.

OUR CONVICTION: VOTING AND ENGAGEMENT ARE BOTH AN OBLIGATION AND AN OPPORTUNITY

- As a sustainable investor, we believe that we should use proxy voting, engagement and policy advocacy to influence companies and the world for the better.
- If done well, our voting and engagement can reduce risk, unlock value and impact the world around us in a positive way through better sustainability practices and transparency.
- We believe that engagement is generally more effective than exclusion, but divestment can be effective as a last resort.
- Appropriate and comprehensive corporate disclosure is a fundamental requirement for sound investment decision-making.
- Collaboration with other long-term investors and stakeholders can help achieve our common environmental and social aims, particularly when engaging with companies and regulatory bodies.

SCOPE OF OUR VOTING AND ENGAGEMENT ACTIVITIES

Our voting and engagement policies apply to BNP Paribas Asset Management Holding (BNPP AM Holding)⁵, the parent entity of BNP Paribas Asset Management France (BNPP AM France), which is the asset management business of BNP Paribas Group.

• As an integral element of our investment process, **we vote on behalf of our clients at the annual general meetings** of companies in which we invest. Voting rights are exercised on equities for mutual funds, UCITS⁶, AIF, foreign investment funds, mandates and for Employee Investment Funds for which voting rights are delegated to BNPP AM. We are committed to consistently exercising our voting policy across portfolios and markets, subject to technical and legal constraints. We also accommodate certain custom voting policies for specific client dedicated funds or mandates. For pooled funds, our custodian and voting providers’ platforms are not currently set up to enable this. External investment managers to whom we delegate portfolio management are required to have a proxy voting policy and to exercise voting rights in line with market practices and report regularly on results achieved. We engage with companies in the context of voting at their AGMs, coordinating such dialogue with portfolio managers, ESG analysts and stewardship analysts, so that final voting decisions feed into the qualitative elements of our ESG ratings.

• **Our engagement practices** encompass our public equity holdings — both actively and passively managed — and extend beyond them. We regularly engage with issuers of green bonds to help us understand the environmental and social risks and expected benefits of the issuance, ensure that the investment is appropriate for our clients, and to promote better sustainability practices and public reporting. We also engage with sovereigns on material ESG issues, including climate change, which may impact the value of our investments in sovereign bonds or their ability to meet their obligations to investors. Within our private debt business, we engage corporate borrowers on a wide range of ESG characteristics (including compliance with our Responsible Business Conduct policy, ESG risks and opportunities assessment at a project level, environmental and climate assessments, etc.) and apply strict environmental standards to our Real Assets portfolios.

5. All 100% owned entities of BNPP AM Holding, including BNP Paribas Asset Management UK (Limited), are subject to and adhere to BNPP AM Policies.
6. Undertakings for Collective Investment.

ESCALATION PROCESS

Investor-issuer dialogue is the foundation of good stewardship – it allows for trusting relationships to be built over time, permitting candid solution-oriented discussions about issues that might not otherwise be addressed. **Dialogue, however, is a two-way street and there are times when stronger measures are necessary to encourage a company to come to the table and discuss our concerns.**

When more robust action is required to ensure protection and enhancement of our clients' interests and shareholder value, **BNPP AM can, inter alia, make public statements, propose shareholder resolutions, call an extraordinary general meeting or intervene jointly with other institutions.** These decisions are taken on a **case-by-case basis**, to ensure that our concerns have been properly heard and dealt with. Our shareholder proposal filing strategy is approved by the Proxy Voting Committee once a year, as are specific decisions about filing each shareholder proposal.

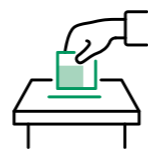
External recognition: BNPP AM a leader in engagement and voting



April 2021. In its study **"The Changing Climate on Investor Behaviour"**, the shareholder advisory firm Squarewell analysed 30 of the world's largest asset managers' investment policies and approaches to climate change through voting and engagement. BNPP AM was recognised as a leader in the following categories: voting behaviour on climate change votes, overall policies and approach to climate change and submission of shareholders' proposals on climate lobbying.



December 2021. In a **study** on investor engagement on the climate crisis, Ceres ranked BNPP AM second among the world's top asset managers in terms of supporting climate-related shareholder proposals, including 100% support of proposals flagged by Climate Action 100+.



December 2021. In its study **"Voting Matters"**, the NGO ShareAction analysed how 65 of the world's largest asset managers voted on 146 ESG resolutions. BNPP AM ranked second in terms of our support of environmental and social proposals in 2021 and was recognised as one of a small number of asset managers that filed shareholder proposals.

VOTING: EXERCISING RIGHTS AND RESPONSIBILITIES

Our approach to voting is governed by a set of principles that inform our expectations of the companies we invest in and guide us in carrying out our ownership duties. Our **Governance and Voting Policy** sets the rules we apply to proxy voting, including on ESG-related matters. We vote proxies **solely in our clients' best interests** — they are the ultimate beneficiaries of the funds for which we are responsible. We seek to develop a constructive and positive approach with the boards of companies we invest in, clearly setting out our expectations as a diligent steward of assets. However, we will not hesitate to abstain or oppose management, or support shareholder proposals, when applying our voting guidelines.

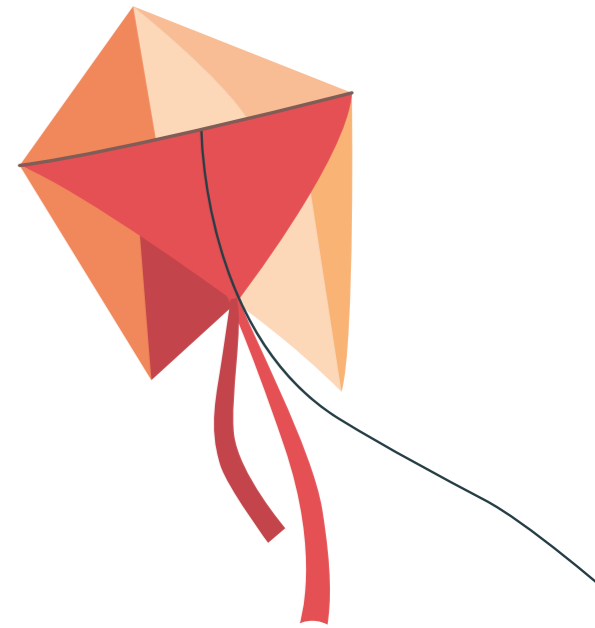
To help us implement our policies, we use the services of proxy voting providers. These include ISS, which provides global voting research and a voting platform for all companies, and Proxinvest, which provides research on French companies. However, **we do not delegate decision-making authority** to them; we make all voting decisions for every shareholders' meeting internally with no outsourcing of these decisions.

Our 2021 full proxy voting record is publicly available on our website. The following is a summary of our voting activity in 2021. Additional details on our most significant votes are available in our **2021 Voting Report**.

KEY REVISIONS TO OUR VOTING POLICY IN 2021

Our policy and guidelines for engagement and voting are reviewed annually in order to reflect the evolution of corporate governance codes and market practices. In 2021, the main amendments to our Voting Policy were:

- **Gender diversity of Boards of Directors:**
 - Vote "against" all appointments of men if the Board of Directors does not include at least 15% women (Asia/Latin America), with possible exceptions when the percentage is between 10% and 15%.
 - Apply the 30% female threshold for South Africa (the current threshold for Europe and North America).
 - Affirm our longer-term ambition to have a 40% female threshold by 2025.
- **Climate-lobbying practices:** Include this as a potential reason for opposition to financial statements, discharge of board or opposition to election of directors.
- **Combined Chair/CEO:** Introduce clarifications on when we will abstain rather than vote against the combined role.



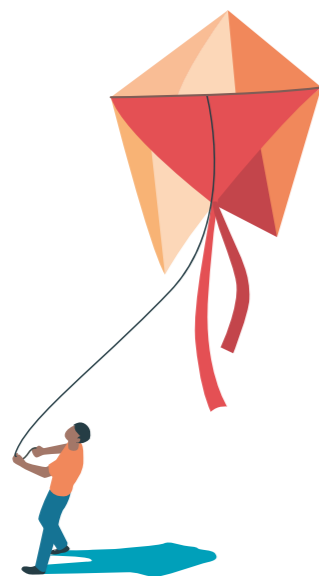
VOTING SCOPE FOR 2021

Each year, we monitor the total **votable shares of the portfolios we manage** and assess the percentage of votes exercised during the year in alignment with our voting policy. Our selection process of the shares for which we exercise voting rights aims to concentrate our efforts on **positions that are widely held** across our assets under management, and we participate in shareholder meetings of companies in which our collective investment schemes hold a significant portion of the capital.

In 2021, the total assets under management that fell within our voting scope (which is beyond UCITS with mandates) was almost €66 billion. Within this scope, we voted where our aggregated holding positions met at least one of the three following conditions:

- They represented 90% of accrued total stock positions.
- They made up 0.1% or more of the company's market capitalisation.
- Ad-hoc demand⁵.

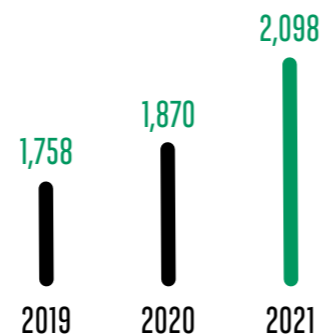
In 2021, we did not have a securities lending program in place.



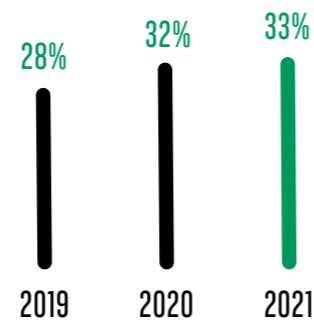
KEY VOTING STATISTICS

Our voting activity and opposition rates have increased over the past 3 years

Total AGMs voted over 3 years



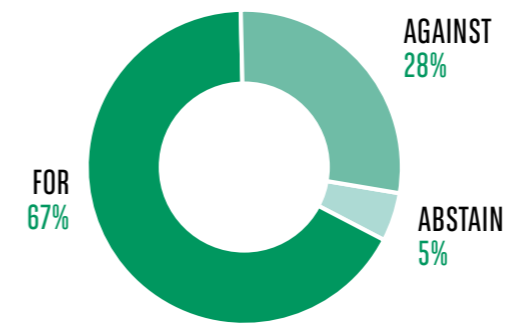
Opposition rate over 3 years



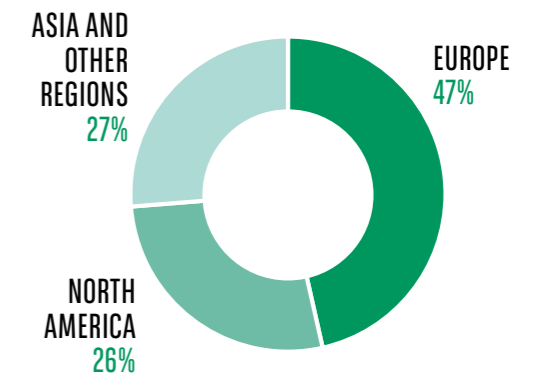
Of 28,276 resolutions we voted on, 27,450 were submitted by companies and 826 by shareholders. Among the resolutions submitted by companies, we voted in favour of 67% of management resolutions (18,304 resolutions) and opposed 33% of management proposals (we abstained on 1,328 items and voted against 7,818 items).

Within our voting scope, we voted at 2,098 general meetings in 2021, primarily in Europe

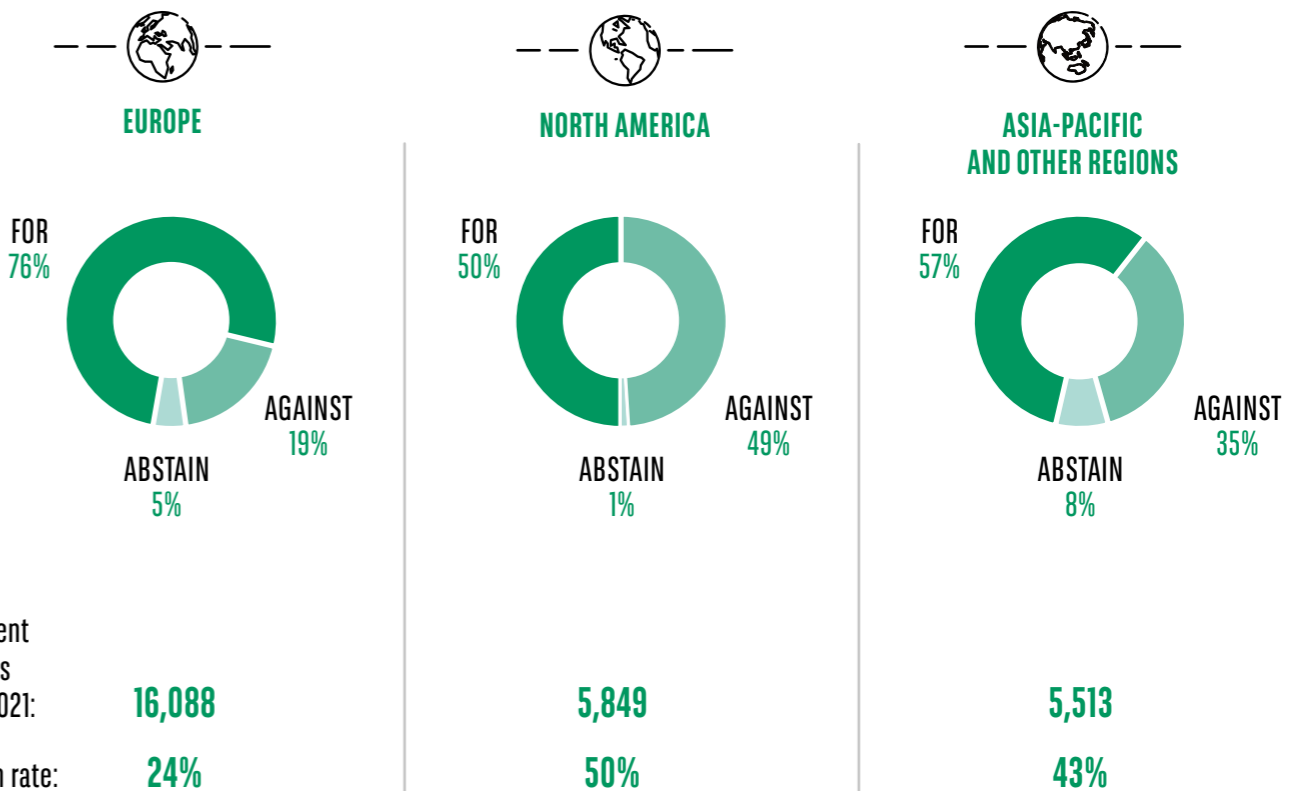
Vote on management proposals



Geographic breakdown



Focus on regions



Management resolutions voted in 2021: **16,088**
Opposition rate: **24%**

5,849
50%

5,513
43%

5. Full voting scope represented 2,098 general meetings voted out of a possible 3,916.

FOCUS ON RESOLUTIONS WHERE WE ABSTAINED OR VOTED AGAINST MANAGEMENT

	Resolutions voted	Vote for	Vote against or abstain	Percentage of opposition
EXECUTIVE COMPENSATION	3,289	1,316	1,973	60%
FINANCIAL OPERATIONS	2,671	1,632	1,039	39%
BOARD ELECTIONS	14,348	9,091	5,257	37%
OTHER RESOLUTIONS ⁶	7,142	6,265	877	12%
TOTAL	27,450	18,304	9,146	33%

The focus of our opposition, excluding shareholder proposals that are analysed below, was on three topics: executive compensation, financial operations and board elections. Similar detail on all other types of votes is available in our 2021 Voting Report.

Executive compensation (60% opposition vs 59% in 2020)

Our opposition to executive compensation plans (stock options, restricted stock plans, severance payments and “say on pay” proposals) falls into the following general categories:

- Lack of transparency on compensation policy (volume, weight, nature of the performance criteria, targets, etc.).
- Compensation practices out of line with stakeholders’ interests, with excessive or disproportionate amounts relative to the company’s performance.
- “Pay for failure” approach in place, with non-challenging performance criteria.
- Compensation not oriented toward the long term.

Financial operations (39% opposition vs 42% in 2020)

We oppose management proposals regarding financial operations, which generally request a share capital increase, for the following reasons:

- Global volume considered too high (authorisations exceed 50% of the share capital).
- Share capital authorisation without pre-emptive rights and without a specific object, leading to excessive dilution for current shareholders (more than 5% of share capital or 20% with a specific purpose).

We also vote systematically against all anti-take-over devices.

Board elections (37% opposition vs 36% in 2020, due mainly to our gender diversity policy)

Our votes in opposition to individual directors generally indicate our belief that there is weak corporate governance or an issue regarding the balance of power. Most votes against directors fall into the following categories:

- A non-independent director with insufficient board independence.
- Non-compliance with our rules on gender diversity.
- Directors with poor attendance or terms of mandate exceeding four years.

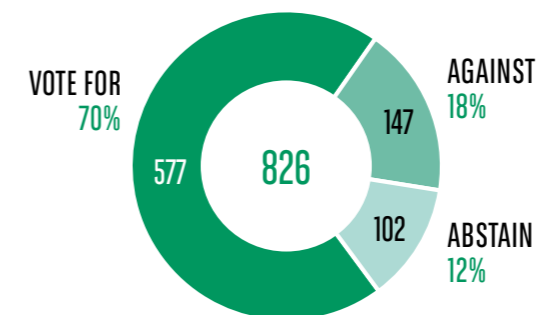
FOCUS ON SHAREHOLDER PROPOSALS

Shareholder proposals are usually opposed by management. Therefore, a vote in favour of the proposal is a vote against management’s recommendation. We voted in favour of shareholder proposals when they were in line with the long-term interests of the company and were warranted given the prevailing practices of the company. However, we abstained when we believed the proposal to be inappropriate given the company’s specific circumstances or already applied in practice.

We again demonstrated very strong support for social proposals (100%) and for environmental and climate change proposals (89%).

Our rate of support for shareholders’ proposals increased in 2021
70%
vs 63% in 2020

Shareholder proposals (global)



PROMOTION OF ENVIRONMENTAL AND SOCIAL DISCLOSURE

Promoting good corporate governance standards and encouraging businesses to improve their social and environmental practices and their disclosure, are essential components of our ownership responsibilities. Our clients benefit when the companies we invest in are managed in the best long-term interests of all their key stakeholders.

In accordance with our voting policy, we opposed management resolutions concerning the approval of financial statements, discharge of the board, or election of directors (depending on the market) due to:

- **Climate considerations** – the company did not provide sufficient information on its CO₂ emissions or did not want to communicate or constructively engage about its business strategy to mitigate and adapt to climate change.
- Our **Responsible Business Conduct (RBC) Policy** – the company is in breach of our principles. These are typically companies we hold through indexed products where we continue to use our voice through voting.

In 2021, we opposed 969 resolutions at 168 companies for these reasons (364 resolutions due to our climate-related expectations and 605 resolutions due to our RBC policy) – a substantial increase compared to 2020 (451 resolutions at 66 companies).



6. Approval of accounts, appointment and remuneration of auditors, mergers and acquisitions, anti-takeover measures, etc.

ENGAGEMENT

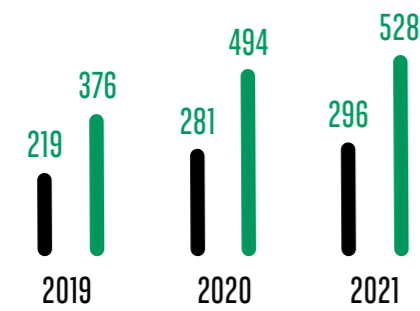
Meaningful engagement with issuers enhances our investment processes and enables us to manage long-term risk for our clients by promoting strong ESG practices in the companies in which we invest on their behalf. Notably, this commitment to engagement extends beyond our actively and passively managed equity investments, to our fixed income and private loans business, including engagements with sovereigns.

Our long-term investment horizon places a company's corporate governance arrangements and the quality of its senior management teams at the heart of our investment decisions. Sound governance is critical for the long-term operating and financial performance of a company and is therefore a centrepiece of our engagements during and outside the voting season. Given our global presence and the wide geographic scope of our clients' holdings, we endeavour to engage consistently across all regions in all priority areas.

OVERVIEW OF OUR ENGAGEMENT

The number of companies we engaged with and the volume of interactions have increased over the last 3 years

Corporate engagement over 3 years



● Number of companies engaged
● Number of interactions

We undertake three distinct types of engagement

1.

Engagement related to corporate governance and voting

Promote good governance practices among the companies we invest in, as part of our ongoing dialogue with them. The objectives vary by company, based on our analysis of their performance on governance issues.

2.

Thematic Engagement

Engaging with companies on the 3Es: Energy Transition, Environmental Sustainability and Equality and Inclusive Growth. The objectives are specific to each company based on its impact on the theme, its ESG score or analysis by external initiatives.

3.

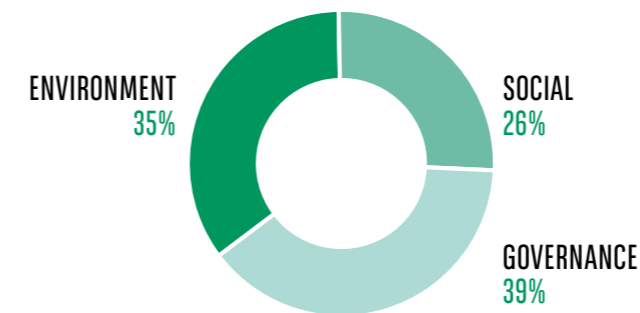
Engagement linked to ESG performance

Engage both companies and sovereigns in relation to their ESG performance. The objectives vary: they can be to clarify whether companies are in breach of our RBC policies, address a poor rating on our ESG scores or linked to specific events, like green bond issuances.

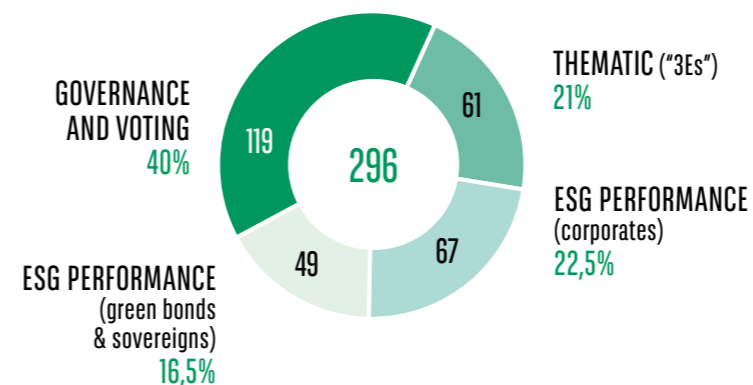
	TOTAL	Europe	North America	Asia Pacific and other regions
ENVIRONMENT	192	86	65	41
SOCIAL	142	69	52	21
GOVERNANCE	218	126	68	24
TOTAL NO. OF COMPANIES	296	188	52	86

In 2021, our stewardship team engaged with 296 companies through 528 interactions. These engagements related to environmental issues in 35% of cases, social issues in 26% of cases and governance issues in 39% of cases. Portfolio managers also engaged with companies in the course of their investment process, but that engagement is not presented here.

Corporate engagement on ESG



Proportion of our engagement related to each type in 2021



"When we meet with management teams, we don't just ask about financials, new products, or their competitive environment; through fundamental research, we carefully consider opportunities based on a range of ESG risk criteria, including their product roadmap, their supply chain, as well as their social and governance risks. We then focus on those issues and which specific metrics they can improve."

Pamela Hegarty
Senior Portfolio Manager and Equity Analyst

→ DISCOVER HOW PAMELA DRIVES SUSTAINABILITY

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CORPORATE ENGAGEMENT IN ACTION

We take two different approaches to corporate engagement:

- **Direct corporate engagement:** BNPP AM maintains an active program of direct corporate engagement on a wide range of governance, social and environmental issues. It is designed to enhance the long-term value of our shareholdings and foster best practices. Successful engagements are often based on the development of long-term relationships built on trust and mutual understanding. Every year, we hold a wide range of meetings with issuers to elicit information for investment decision-making and ESG rating. We also participate in meetings with issuers to express a point of view and advocate for a change in policy or practice.
- **Collaborative corporate engagement:** Collaboration with other long-term investors and key stakeholders helps us achieve our common aims, particularly with respect to mitigating systemic risks. We are active members of formal and informal groups and initiatives internationally that facilitate communication between shareholders and companies on ESG matters. We also engage collectively on public policy and have a class action policy in place.



SEE PAGE 68 FOR A LIST OF COLLABORATIVE INITIATIVES OF WHICH WE ARE MEMBERS AS OF 2021

In this section, we set out selected examples of our engagements to give a sense of the nature of our activities. Further details are available in our [2021 Voting Report](#).

ENGAGEMENT LINKED TO GOVERNANCE AND VOTING

During proxy season, we engage in dialogue with companies either on our own initiative or at the request of the issuer, and we generally concentrate on our largest holdings. The goals of such engagements are:

- Communicate our voting policy to promote good corporate governance and prepare for the next general meeting of the issuer.
- Obtain additional information on individual voting proposals.
- Express our concerns about any specific resolutions that go against our voting policy.

DEFINING SUCCESS

We consider a voting-related engagement to be successful if the company either withdraws the proposal we are opposing, modifies the proposal so that we can support it, or provides relevant additional information. However, a potential change of our voting decision is not the only criterion for success; some companies modify their practices the following year and are not necessarily counted in the successful engagement statistics.

During the 2021 proxy season, we had 238 interactions with 151 companies related to voting issues, an increase compared to 2020 (255 interactions with 140 companies). Of these, 43 were successful (28%), a similar success rate to 2020.

Outside the annual general meeting season, we aim to conduct regular dialogue with companies covering topics such as strategy, long-term performance, risk management, ESG issues and other emerging concerns.

RENEWAL OF SHARE ISSUANCE AUTHORITIES

DIRECT ENGAGEMENT

Activity: After an initial discussion earlier in the year with the Lead Independent Director of **Jazz Pharmaceuticals** (Ireland), we had a dialogue with the CEO prior to the July 2021 AGM. We highlighted our concerns that a proposal was in violation of our limitations in terms of amount (50% overall, 20% without pre-emptive rights, while the company was requesting 392%) and duration (requesting approval every five years, while standard practice in the UK and Ireland is an annual vote).

Outcomes: As the company was not willing to modify its approach, we decided not to support the proposal, which was submitted to a vote at the AGM on July 29, 2021. The proposal was rejected (supported by 64%, but required support from 75% of votes cast). Following this rejection, the company convened an extraordinary general meeting and reduced the proposal without pre-emptive rights to 10% of the share capital, and the duration of the authorisation requirement from 60 months to 18 months. Given the lower potential share capital increase and duration, as well as this growth company's need to access capital, we supported the revised proposal at the September meeting and it was approved.

BOARD COMPOSITION AND GOVERNANCE

DIRECT ENGAGEMENT

Activity: We engaged with the CEO of **Sword Group** (Luxembourg) in 2021 to highlight some concerns regarding the company's board composition. Indeed, its Board of Directors comprised only 17% independent members (versus 50% required by our voting policy), and although the company had proposed the appointment of its first female director at the 2021 AGM, which would result in 17% female representation, this level was still below our targeted 30% threshold. During the engagement, we also highlighted the absence of nomination and remuneration committees, transparency issues, the problematic practice of combining the chair and CEO positions and the lack of clear communication about the structure and features of the CEO's remuneration.

Outcomes: After our engagement, in August 2021 the company made a public commitment to have, by June 2022, an "undisputed independence of a greater number of directors, have more women represented on the Board, and better communication on the work of the Audit, Remuneration and Appointments Committees." The company's quick public response was an important step, signalling its willingness to improve its corporate governance practices. We will continue to engage with the company to align its practices with our guidelines to the maximum extent possible.

THEMATIC ENGAGEMENT: THE 3Es

The “3Es” — **Energy Transition, Environmental Sustainability, Equality and Inclusive Growth** — serve as the focus of our global sustainability engagement efforts as future makers.

Within this framework, we establish an in-depth dialogue with companies encouraging them to:

- Align their strategies with the goals of the Paris Agreement.
- Improve their environmental footprint (such as improving their water use efficiency).
- Provide greater opportunities for women at all levels of the organisation.
- Adopt more equitable and transparent remuneration policies to ensure that wealth is distributed more fairly across the value chain, where value is created.



Energy transition: making a substantive contribution to the low-carbon energy transition

Climate Action 100+

Most of our engagement on the energy transition is undertaken through **Climate Action 100+** (CA100+). Launched in 2017, this investor-led initiative works to ensure that the world’s largest corporate greenhouse gas emitters take necessary action on climate change. It was formed in the wake of the 2015 Paris Agreement, a global accord signed by nearly 200 countries (and ratified by 170), aiming to restrict the rise in global average temperatures to well below two degrees Celsius above pre-industrial levels, and pursuing efforts to limit warming to 1.5 degrees Celsius. We are one of more than 615 investors, collectively responsible for more than \$60 trillion in assets under management, that engage collaboratively with major emitters to improve climate change governance, cut emissions and strengthen their climate-related financial disclosures.

In 2021, **we led or co-led engagements with nine companies in Europe, the US and Asia:** Iberdrola, Naturgy, Saint-Gobain, Repsol, Stellantis, Sinopec, Power Assets Holdings, PTT Pcl and ExxonMobil. We also take part in dialogues that are led by other investors in the CA100+ coalition and lend our name as supporter to all engagements undertaken in the name of this initiative. The following examples relate to our activity as the lead or co-lead investor.



RAISING EXPECTATIONS FOR CLIMATE-RELATED LOBBYING BY CORPORATIONS

We began our work on “Paris-aligned corporate climate-related lobbying” in 2018 and are witnessing **rapid uptake by institutional investors** – a good sign that investors are coming to grips with the climate crisis and beginning to focus on the importance of strong public policy and the role that corporations are playing.

The shareholder proposal we drafted has received **six majority votes** since we first submitted it in 2020 (three of these majority votes were achieved by other investors) and is helping to raise the bar for all companies. One indication of impact was provided by ISS, a leading proxy advisory firm, which surveyed its clients on its climate change policies at the end of 2021: 65% of investor respondents listed, as one of their “minimum” expectations of companies, reporting to show that “corporate and trade association lobbying activities are aligned to (or are not in contradiction with) limiting global warming in line with Paris Agreement goals.” Climate-related lobbying metrics are now also included in the CA100+ Net Zero Benchmark.

Our proposal is being **used as a template for two collaborative engagement initiatives in the US**, coordinated by Ceres on behalf of the CA100+ and by the Interfaith Center on Corporate Responsibility. We are helping to advise both initiatives.

ACHIEVING THE NET ZERO BENCHMARK



Context: During 2021 we engaged actively with all of the companies for which we are a lead or co-lead investor within CA100+ about their net-zero transition plans. Towards the end of 2021, we wrote to five CA100+ European companies requesting that they disclose specific additional information by the end of the year where they had not met the Net Zero Benchmark

(NZB) standards. This deadline was set because only disclosures made by that date were to be taken into account in the March 2022 iteration of the benchmark, being compiled by the Transition Pathway Initiative (TPI). Below are two examples of progress we made with two companies, one in Europe, one in Asia.

Iberdrola (Spain)

Activity: We continued our dialogue with Iberdrola throughout the year, focusing on the detail of its transition plan and its governance arrangements relating to climate change.

Outcomes: In early 2021, the company committed to submit its climate action plan to shareholders for an advisory vote. At its AGM, the shareholders approved the revision of the Articles of Association to place responsibility for the company’s climate strategy on the Board of Directors. Beginning in 2022, the Board will also be responsible for approving and producing annual climate management reports within the Non-Financial Information Report. The company has established the goal of achieving net zero by 2050, has set intermediate targets for reducing direct and indirect emissions and established science-based objectives aligned with the Paris agreement, aligning its strategy and investment policy with these objectives. The assignment of the new role to the Board will be submitted to shareholders for an advisory vote at the 2022 AGM as will the annual climate management report.

PTT Pcl (Thailand)

Activity: We first focused on discussing coal divestment plans as well as the need to enhance carbon reduction targets in line with climate scenarios. We then decided to structure our next engagement on the key themes and indicators of the CA100+ NZB, in order to provide a clear set of expectations and focus areas. We held a meeting with PTT Pcl to cover updates to the NZB, before discussing the need for an accelerated transition towards net zero emissions.

Outcomes: In February 2021, PTT Pcl announced that it would divest its coal mining business, which brought the company into line with the expectations we had shared related to our coal policy. The company also enhanced its carbon emissions reduction targets, which now exceed Thailand’s National Determined Contributions (NDCs) but remain insufficient to align with the objectives of the Paris Agreement. We expect the increasing number of net-zero pledges and enhanced National Determined Contributions taken by countries in Asia in 2021 to help facilitate progress towards ambitious climate targets in 2022.

CLIMATE-RELATED LOBBYING BY CORPORATIONS



Activity: In 2021, we continued our leadership on the topic of corporate climate-related lobbying, encouraging companies to align their direct and indirect lobbying efforts to the goals of the Paris Agreement. As an escalation measure, we filed two shareholder proposals seeking a Board-led evaluation of each company’s lobbying efforts measured against the temperature target set by the Paris Agreement:

Outcomes:

- **ExxonMobil (US) – 64%:** For the second consecutive year, ExxonMobil sought permission from the Securities & Exchange Commission (SEC) to omit our proposal. In 2021, we successfully defended the proposal at the SEC and it went on to receive a strong majority vote at the company’s annual meeting.
- **Delta Airlines (US) – 63%:** Our proposal received another strong majority vote, after a 46% vote in 2020.

Both **ExxonMobil and Delta Airlines** are undertaking the assessment requested and intend to publish reports in 2022.



Environmental sustainability: reducing the negative environmental impact of our investments and stimulating positive impact

In April 2021, we launched our **Roadmap for Biodiversity "Sustainable by Nature"** which includes a dedicated Stewardship section outlining our high-level expectations of corporations and our plans to make nature loss a core topic of our corporate engagements. Much of our engagement on the environmental sustainability theme is driven by

this roadmap, building on our years of engagement on deforestation. During 2021, we worked with a group of approximately 10 institutional investors to develop a **collaborative engagement initiative focused on reversing biodiversity loss.**

DEFORESTATION DRIVEN BY SOY PRODUCTION



Activity: Through structured stakeholder engagements, Ceres helps businesses work with a wide range of constituency groups to identify challenges, discuss emerging trends, set goals and targets, develop solutions and then publicly and transparently disclose their actions. These invitation-only dialogues are held under Chatham House rules in order to ensure trust and may continue for years. In 2021, we joined a small group of investors convened by Ceres to engage in a focused 12-month dialogue with **Bunge** (US) about how to improve its policies and disclosures regarding

deforestation in its soy supply chain. The primary focus of our dialogue is the Cerrado region of Brazil, a savannah rich in biodiversity that is gradually being converted to soy and cattle production. This dialogue presents an important opportunity to improve the practices of a key player in the region with a long-standing commitment to end deforestation in its supply chain.

Outcomes: We believe our comments were well received by the company and we will continue the discussions in 2022.

ENVIRONMENTAL IMPACT OF SYSTEMIC PESTICIDES



Activity: We have been engaged in a long-term dialogue with **PepsiCo** (US) about the use of systemic pesticides in the company's global supply chain, and its impact on a range of ecosystems and the organisms they support.

Outcomes: The discussions have been constructive, resulting in improvements in how the company oversees

the use of certain particularly harmful pesticides in its global agricultural supply chain. During the second part of 2021, the company announced a new firm-wide commitment to regenerative agriculture and reached out to us for our feedback. We will be expanding the scope of this discussion in 2022 to other companies and industries with agricultural supply chains in the US.

COMPANIES' OPERATIONAL IMPACTS ON FORESTS AND FRESHWATER



Activity: We engaged directly with nine Asian portfolio companies to stress our focus on biodiversity and encourage them to submit data to **CDP Forests and/or Water** ahead of the disclosure deadline of the end of July. We did an in-depth review of its sustainability disclosure and CDP report, and shared potential enhancements to its approach and best practices from international peers. The company is committed to the Science Based Targets initiative (SBTi), and we agreed that its net zero objective and SBT could be a good starting point for engagement with suppliers on eliminating deforestation.

Outcomes: Our meeting with **Yum China** (China) was particularly fruitful. The company has committed to implement a Zero Deforestation Strategy. Three of the nine companies started disclosing this year: **Yum China** (China), **Dabur India** (India) and **Li Ning** (China). As Asian companies have up to now often focused mainly on climate risks, it is encouraging to see more of them expand their focus to include the identification, management and mitigation of deforestation and water-related risks, including those in their supply chain. We will continue to press non-disclosing companies and to engage on water security and deforestation risks during 2022.

THREAT TO THE SURVIVAL OF HORSESHOE CRABS



Activity: Towards the end of 2021, we introduced a new thematic focus that touches on the intersection of public health and nature loss – the protection of the horseshoe crab, an ancient species whose blood is used for laboratory safety testing. Globally, virtually every vaccine, injectable drug and medical device implanted in the human body relies upon a component of horseshoe crab blood to test for "endotoxin" contamination. These tests are critically important to protect human health. Horseshoe crab populations, however, are declining due to a range of pressures, including from the biomedical industry. This decline also threatens other species that depend upon their eggs for food, like migratory birds. Ultimately, if horseshoe crab populations cannot be sustained, human health

is at risk. Thankfully, there is a synthetic alternative on the market that has proven to be just as effective as horseshoe crab blood.

We wrote to **14 pharmaceutical companies based in the United States, Europe and Asia**, to encourage them to transition to the widely approved synthetic alternative.

Outcomes: We aim to secure commitments from the companies concerned to phase out the use of horseshoe crabs and replace the relevant testing protocols with the synthetic alternative. We will continue to pursue this engagement during 2022.

REVISED BUSINESS CALL FOR A UN TREATY ON PLASTIC POLLUTION



We signed the revised **business statement for a Global Treaty on plastic pollution**. It calls on governments to ensure that international negotiations effectively help drive the transition to a circular economy for plastics globally and at scale. That statement urges UN member states to establish an Intergovernmental Negotiating Committee at UNEA 5.2 to **develop an ambitious international, legally binding instrument on plastic pollution**. This is a natural next step after BNPP AM's endorsement of the New Plastics Economy Global Commitment, the EPR Statement for packaging extended producer responsibility and the Business Call for a UN treaty on plastic pollution.

INVESTOR STATEMENT ON THE BANGLADESH ACCORD ON FIRE AND BUILDING SAFETY

In April 2021, we signed an investor statement to express support for **renewal of the Bangladesh Accord on Fire and Building Safety**, created in the wake of the tragic Rana Plaza factory collapse in 2013. We also supported the original 2013 Investor Statement following the Rana Plaza disaster that led to the establishment of the Accord. We are pleased to report that the Accord has been renewed (effective September 2021) and expanded for two years as the International Accord for Health and

Safety in the Textile and Garment Industry. Like its predecessor agreement, the new International Accord is a **legally binding agreement** between companies and trade unions that aims to **make ready-made garment (RMG) and textile factories safe**. The new Accord aims to expand these safety standards and worker protections to other countries and labour markets based on the Bangladesh Accord model.



Equality and inclusive growth: promoting a more equitable and sustainable distribution of value to ensure the long-term stability and resilience of societies and ecosystems

Investors can play an important role by incorporating a 'social equity' bottom line into their investment analysis and practices, and by encouraging companies to take account of and manage their labour and employment practices and impacts well. Our work in this area is guided by three targets.

First, to ensure that senior corporate management teams are appropriately incentivised to prioritise the success and long-term sustainability of their businesses through reform of executive compensation and the mitigation of excessive CEO-to-median employee pay ratios. Second, to encourage companies to promote all forms of diversity, and provide greater opportunities for women and minorities, at all levels of the organisation. Third, to encourage companies to adopt more transparent tax strategies.

BOARD DIVERSITY



Activity: Since 2019, our voting policy has contained an explicit provision on gender diversity. For Europe, North America, Australia, New Zealand and South Africa, our threshold is for there to be at least **30% of women on corporate boards**, and in other regions like Asia and Latin America, **15%**. Under certain conditions, we support boards that have a ratio just below this, for example if the company has made significant improvements in recent years or commits to reaching our threshold within two years. In 2021, we continued engaging with

a target list of companies whose performance was not in line with our new policy and to which we had important exposure.

Outcomes: Our target list comprised **36 companies** (14 in Europe, 11 in North America and 11 in Asia) held in our active portfolios. We contacted them to explain our new voting policy and ask for a discussion. We had a 36% success rate overall, with 13 companies adopting changes in line with our voting policy.

POSITIVE OUTCOME	13	36%	We managed to achieve a positive outcome with improvement of gender diversity and therefore a vote in favour of board elections.
PENDING OUTCOME	5	14%	We have pending cases where we had some positive feedback and will continue the engagement in 2022.
NEGATIVE OUTCOME	18	50%	We had a negative outcome and so were opposed to board election, either due to lack of improvement on diversity or other reasons, like lack of independence.

HEALTH AND SAFETY



Activity: Several of our engagements covered worker health and safety issues, including an in-person meeting at the headquarters of **Amazon** (US) in Seattle to update investors on a range of topics, from worker safety issues and human rights to packaging and Artificial Intelligence. Earlier in the year, we raised concerns about the company's response to a widely publicised union-organising effort in Alabama. We also signed investor letters to **Hilton Worldwide, Park Hotels & Resorts** (US) and **Xenia Hotels & Resorts** (US)

to encourage the incorporation of indicators of worker well-being into executive compensation. Our continuing engagement with **Pemex** (Mexico), the state oil company, focuses on the company's concerning record of serious industrial accidents, as well as its response to the COVID-19 pandemic.

Outcomes: We will keep monitoring the implementation of better health and safety standards at these companies.

HEALTH AND SAFETY / UN GLOBAL COMPACT PRINCIPLE 1



Activity: In 2021, we engaged with **Atlantia** (Italy) over the controversies surrounding safety in relation to its 88%-owned subsidiary, Autostrade per l'Italia. A bridge managed by the company collapsed, which led to the deaths of at least 43 people in 2018. Warnings about the bridge's safety had been raised for several years by experts in Parliament, as well as by industry and academic experts. We considered the company at risk of violating Principle 1 of the UN Global Compact.

Outcomes: The company held a general meeting and decided to sell Autostrade to CDC Italia (following a settlement signed with the authority in 2020). Liabilities associated with the incident will not be carried by Atlantia. As the deal will remove liability for the incident from shareholders, and in light of the settlement, we decided not to exclude the company from our portfolios.

ENGAGEMENT LINKED TO ESG PERFORMANCE

As well as engaging with issuers in relation to voting and the priority 3E topics, we also engage with companies in support of our ESG integration across our investment portfolios. This dialogue targets priority companies identified for their poor ESG performance against internal or international ESG standards, including the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises (OECD MNEs Guidelines). Our **ESG Integration Guidelines** are available on our website.

BNPP AM expects companies:

- To meet their fundamental obligations in human and labour rights, protection of the environment and ensuring anti-corruption safeguards wherever they operate, in accordance with the **UN Global Compact Principles** and **OECD MNEs Guidelines**.
- To comply with a series of **Sector Policies** (e.g. coal policy) established to set out the conditions for investing in particular sensitive sectors.
- To maintain good **ESG performance** in order to mitigate ESG risks across portfolios.

BNPP AM either engages with or excludes companies that are subject to serious controversies, as set out in its **Responsible Business Conduct (RBC) policy**. In 2021, we engaged with several companies on this basis. Engagement with **three companies** did not lead to enough progress and we decided to exclude them from our portfolios as an **escalation measure**.

Further, we avoid investing through **active portfolios** in entities with a low ESG rating, without actively engaging or planning to actively engage with them in the near future. In relation to our **passive investments**, where the RBC policy cannot be fully applied, we manage ESG risks through active corporate engagement and voting. As a last resort, we may divest entities with the worst ratings if they do not respond to engagement and demonstrate that they intend to place greater emphasis on sustainability in future.

Activity: We initiated our engagement with **CLP Holdings** (Hong Kong) in our co-lead role within the Asia Investor Group on Climate Change (AIGCC) Asian utilities engagement program because we believed the company may be in breach of our Coal Policy.

Outcomes: Our engagement with CLP Holdings was particularly fruitful. It is a power utility with businesses across the Asia-Pacific region, operating several coal-fired power generation assets. We have been actively engaging with the company since 2019. During Q3, as CLP was working on new climate targets for Board approval, we held no fewer than four meetings with the company's sustainability, investor relations and

board representatives responsible for climate issues. Among our asks of the company was a clear initial focus on committing to net zero by 2050 and coal exit by 2040 for non-OECD operations. In September 2021, CLP Holdings announced its **commitment to net-zero emissions by 2050 and coal exit by 2040**, setting new science-based targets to align with the goal of limiting global warming to well below 2°C. The company also announced its ambition to further strengthen its approach to align with 1.5°C, demonstrating leadership in the transition away from coal and towards net zero power generation. Following those announcements we decided that the company would remain eligible for investment and to continue our engagement via AIGCC.

ENGAGEMENT WITH FIXED INCOME ASSET ISSUERS

Thematic bond issuers

We aim to participate in ex-ante (prior-issuance) investor meetings with thematic bond issuers. These investor calls could be during the specific bond's roadshow, or a "non-deal roadshow" where issuers sound out investors' comments and expectations. During these ex-ante meetings, we aim to accomplish either or both of two objectives: gather more information that is not yet expressed in documentation to help us form a more complete assessment of the (potential) thematic bond; and encourage improvements in the structure of the thematic bond that could lead to greener assets being selected, or dropping of less desirable assets from the portfolio.

- An example of information discovery was confirming with a particular issuer that they intended to allocate 100% of proceeds raised to acquire renewable power purchase agreements rather than to capital expenditures to improve the energy efficiency of their buildings (also eligible under their framework). Given this information, we formed a negative view of the bond, since operating expenditures that do not prolong the useful life of a green asset are not considered valid under the EU Green Bond Standard.
- An example of encouraging improvement was providing an opinion to an issuer that loans to hydroelectric facilities larger than 20MW would not meet the EU's "Do No Significant Harm"

principles and would therefore not likely be considered to substantially contribute to climate mitigation. We explained the reasoning behind this and our firm's position. The issuer said that it would consider our view in its future issuances.

Sovereign issuers

Similarly, we engage in dialogue with sovereign bond issuers about the terms of their bonds and their countries' policies and performance on key ESG issues, which might influence their ability to service their debts. We had such dialogues with representatives of several governments in 2021, including those of the UK, Spain and Chile. The following is one example of this activity.

GREEN BOND IN CHILE

In 2021, we engaged with the Public Debt Office and Ministry of Finance of Chile, to provide feedback on a Green Bond framework issuance proposed in relation to Chile's sustainable development strategy. This issuance aims to be a critical tool to meet Chile's 30% CO₂ reduction per unit of GDP by 2030 set under the Paris Agreement, which the country signed in 2017. It follows a paradigm shift in the life cycle management of public works and aligns with the recently approved Climate Change Mitigation and Adaptation Plan for Infrastructure Services. We focused in particular on the alignment of the use of proceeds with the country's environmental policies.

PUBLIC POLICY ADVOCACY

We have a long-standing commitment to public policy engagement to **advance sustainability goals, contribute to a well-functioning financial system and mitigate systemic risks**. We actively engage with policymakers, helping them to shape the markets in which we invest and the rules that guide and govern company behaviour. We have constructively and effectively engaged with policymakers over many years, often at their request, with a particular focus on **corporate disclosure, climate policy and corporate governance**.

We view public policy engagement as integral to the fulfilment of our fiduciary duties to our clients and to our commitment to the Principles for Responsible Investment, which recommend participation "in the development of policy, regulation and standard setting (such as promoting and protecting shareholder rights)." Our **Public Policy Stewardship strategy** is available on our website.

Our public policy efforts include a variety of approaches, including:

- Public submissions to legislators, regulators and multilateral institutions (e.g., responding to public consultations).
- Participation in the development of policy proposals in public and private forums, such as technical advisory committees and investor associations.
- Meetings with policymakers.
- Publication of white papers and endorsements of public statements and commitments.

We may conduct public policy engagements individually, but whenever possible we favour engagements that are taken in partnership with other investors, in formal or informal networks.

In this section, we present selected examples of our public policy engagements at the international, regional and national levels.

INTERNATIONAL

INDEPENDENT OVERSIGHT COMMITTEE OF THE BEST PRACTICE PRINCIPLES GROUP

The **Best Practice Principles Group (BPPG)** comprises all major proxy advisor firms and was formed to promote greater understanding of the corporate governance and ESG research and support services provided to professional investors. This framework was instigated by European Securities and Markets Authority, which opted for monitored self-regulation as a remedial approach. The **Independent Oversight Committee (IOC)**, comprising investors, corporation representatives and experts, scrutinizes proxy firm reporting against agreed principles, addresses complaints, presses for improvement and convenes open stakeholder forums on the industry. Our Global Head of Stewardship is a member of the IOC.

The annual report of the IOC was published early in the year, and its focus during this first year was largely on developing constitutional and procedural precedents for the future, monitored through independent annual assessments of how well proxy advisory services meet best practices. Late 2021, IOC sponsored a stakeholder survey together with a virtual open forum to gather market opinion on the industry and the efficacy, applicability and suitability of the Best Practice Principles. In November in the US, the Securities & Exchange Commission reversed restrictions on proxy advisors and **proposed amendments to the Federal proxy rules governing proxy voting advice**, in light of proxy firm adherence to an industry code of best practices and the oversight of the IOC.

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engagements with thematic bond issuers during 2021

GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

We signed this statement, led by **Investor Agenda**, to encourage all countries to significantly strengthen their **Nationally Determined Contributions (NDCs)** under the Paris Agreement in relation to 2030, and to ensure a planned transition to net-zero emissions by 2050 or sooner. This statement asks governments to commit to a domestic mid-century net-zero emissions target and to outline a pathway with ambitious interim targets, including clear sectoral decarbonisation roadmaps. It directs them to implement domestic policies to deliver these targets, incentivise private investments in zero-emissions solutions and ensure ambitious pre-2030 action. We also asked governments to ensure that COVID-19 economic recovery plans **support the transition to net-zero emissions and enhance resilience** (which is consistent with the green recovery plan), and to commit to implementing mandatory climate risk disclosure requirements aligned with the Taskforce on Climate-related Financial Disclosures (TCFD).



INVESTOR STATEMENT ISSUED AHEAD OF COP15 ON BIODIVERSITY

We endorsed an investor call to global leaders during the 15th meeting of the Conference of the Parties (COP15) to support the establishment of an ambitious and transformational **post-2020 Global Biodiversity Framework (GBF)**. We welcomed the vision of “living in harmony with nature by 2050” through the recovery of natural ecosystems with net improvements by 2050. The statement calls on governments to agree to the following: an ambitious and transformational post-2020 GBF that requires the alignment of financial flows with global biodiversity goals and strengthens **national biodiversity strategy and action plans (NBSAPs)** to ensure successful implementation of the GBF; enforce domestic policies to deliver biodiversity targets; establish a regulatory environment that enables financial institutions to address biodiversity-related risks and opportunities, including consistent and decision-useful corporate disclosure; and remove all harmful subsidies and reverse them into subsidies aligned to bring about change in the real economy and reduce market failures. **The statement** was ultimately endorsed by **78 financial institutions managing more than US\$10 trillion**. Our role was to help convince Ceres to issue the statement, co-author the Finance for Biodiversity Foundation and provide comments and edits to the final text.

AMERICAS

U.S. SECURITIES & EXCHANGE COMMISSION (SEC): MANDATORY CORPORATE CLIMATE CHANGE DISCLOSURES

In 2021, the SEC worked to issue new rules that, for the first time, will **require publicly traded corporations to disclose information related to climate change**. We participated in three calls with the SEC to discuss corporate climate change disclosures – a one-on-one call with the interim Director of Corporation Finance and two group “listening sessions” with Gary Gensler, the SEC Chair, during which we presented our views on climate disclosure and financial materiality.

In close coordination with BNPP AM, the BNP Paribas Group sent **a letter to the SEC supporting mandatory “TCFD +” reporting**, including scope 1, 2, and 3 corporate emissions disclosures, as well as a number of other recommendations.

EUROPE

We participate actively within trade associations through their dedicated committees and working groups on sustainable finance and stewardship. We have long-established memberships in many national associations such as AFG (France), ALFI (Luxembourg), BEAMA (Belgium) and Assogestioni (Italy), and also at the European level in EFAMA and AMIC. The key topics in recent months have embraced the SFDR, the Taxonomy Regulation and the sustainable preferences under MiFID 2.

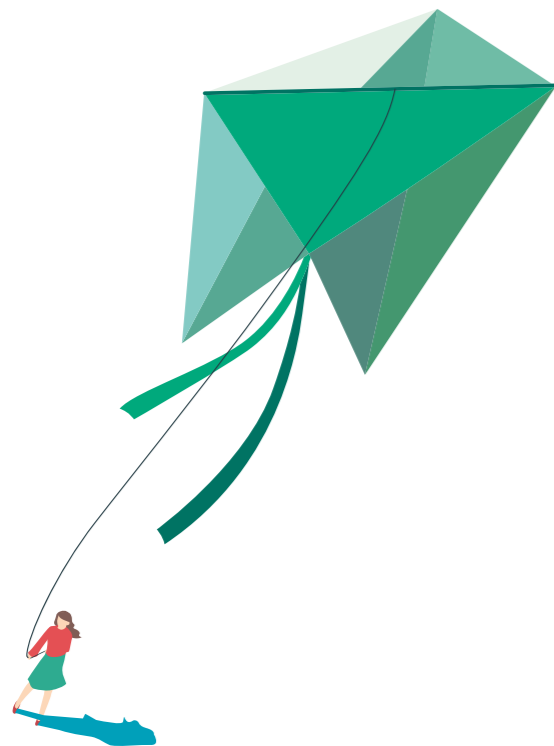
More recently we became a member of Finance for Tomorrow (F4T), the initiative launched by Paris Europlace and the financial institutions of the Place de Paris to promote sustainable finance in France and build a strong ecosystem to facilitate international cooperation. Through this new membership, we can contribute to discussions between public, private and institutional players.

EU SUSTAINABLE CORPORATE GOVERNANCE CONSULTATION

We responded to the **EU Sustainable Corporate Governance consultation** by contributing to the formal responses of several organisations of which we are a member (including AFG, EFAMA and ICGN). We applaud the EU for its global leadership in promoting sustainable finance as a matter of good corporate governance and investor stewardship. Given the great diversity of listed companies, we urged a soft-law approach and noted the importance of dialogue between investors and listed companies. We also highlighted to the commission that the EY study that served as background for the consultation was the subject of severe criticism by several credible academic commentators citing inappropriate evidence, biased use of research and other factors, and expressed our concern that the EU is considering regulatory changes based on insufficient evidence.

LEGAL HIGH COMMITTEE FOR FINANCIAL MARKETS OF PARIS (HCJP): WORKING GROUP ON ADAPTING APPROACHES TO GOVERNANCE IN FRANCE

We participated in a working group that will propose **legal reforms in relation to adapting corporate governance in times of crisis**. This follows the exceptional measures adopted by many companies in response to the COVID-19 pandemic. Similar circumstances may well arise in the future, requiring the adoption of such exceptional measures once again. Thus, the focus of the report developed by the working group was the digitalisation of communication. The working group modified the text of the Commercial Code in respect of certain measures related to the functioning of governance bodies, boards of directors and supervisory boards. We also backed the idea of hybrid AGMs and stated our view that investors should have the same rights whether they vote remotely or directly at the AGM. Investors clearly prefer hybrid meetings to virtual-only, because they confer many of the benefits of virtual-only meetings while avoiding many of the shortcomings.



APAC

HONG KONG SECURITIES AND FUTURES COMMISSION (HK SFC): ESG FUND RULES AND MANAGEMENT AND DISCLOSURE OF CLIMATE-RELATED RISKS BY FUND MANAGERS

As members of the **HK SFC Technical Expert Group on climate-related risks**, we participated in two calls on April 8 and May 20, 2021 with the **HK SFC Investment Product Division** to discuss enhancements to its **2019 Circular on green or ESG funds**. This was in response to local and international market and regulatory developments such as the Sustainable Finance Disclosure Regulation (SFDR) in Europe.

Following its soft consultation process, on June 29 the HK SFC issued the "Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds." The circular refines some of the requirements for SFC-authorized ESG funds, defined as funds incorporating ESG factors as their key investment focus and reflecting them in their investment objective or strategy.

After releasing its updated circular on ESG funds in June, in August the HK SFC issued the conclusions of its consultation on the **Management and Disclosure of Climate-related Risks by Fund Managers**. This is another regulation we contributed to through our membership in the SFC's Technical Expert Group. The SFC will amend the Fund Manager Code of Conduct (FMCC) to require fund managers to take climate-related risks into consideration across their governance, investment management, risk management and disclosures.

PARTICIPATION IN ADDITIONAL REGULATORY AND MARKET-SHAPING INITIATIVES

We engage with policymakers, regulators and other market participants in various market-shaping initiatives to better align regulations and policies related to the functioning of financial markets, corporate governance and other topics related to the 3Es.

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. 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.

Our 2021 memberships and pledges

MEMBERSHIPS	SUPPORTER SINCE	ENERGY TRANSITION	ENVIRONMENTAL SUSTAINABILITY	EQUALITY AND INCLUSIVE GROWTH	OTHER
Asia Investor Group on Climate Change (AIGCC)	2018	X			
Association Française de la Gestion financière (AFG)	10+ years				X
CDP	2012	X	X		
Ceres	2019	X	X		
Council of Institutional Investors (CII)	2018				X
European Fund and Asset Management Association (EFAMA)	10+ years				X
Eumedion	2018				X
Farm Animal Investment Risk and Return Initiative (FAIRR)	2021	X	X		
Forum pour l'Investissement Responsable (FIR)	10+ years				X
Global Network Initiative (GNI)	2018			X	
International Corporate Governance Network (ICGN)	10+ years				X
Institutional Investors Group on Climate Change (IIGCC)	10+ years	X			
Partnership for Biodiversity Accounting Financials (PBAF)	2021		X		
UN Environment Program Finance Initiative (UNEP-FI)	10+ years	X	X		
INVESTOR STATEMENTS AND OTHER INITIATIVES					
Align (European Commission, WCMC Europe, Capitals Coalition, Arcadis, ICF, UNEP-WCMC)	2021		X		
Business CaII for a UN Plastics Treaty	2021		X		
Climate Action 100+	2017	X			
Financial Institution Statement ahead of the Convention on Biological Diversity COP15 (Ceres/Finance for Biodiversity Foundation)	2021		X		
GNI Principles on Freedom of Expression and Privacy (GNI)	2018			X	
Global Investor Statement to Governments on the Climate Crisis (Investor Agenda)	2021	X			
Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to COVID-19 (Access to Medicine Index)	2021			X	
Global Investor Statement on Farm Animal Welfare (Business Benchmark for Farm Animal Welfare)	2016				X
Green Bond Principles (International Capital Markets Association)	2017	X	X		
Hong Kong Principles of Responsible Ownership (Hong Kong Securities and Futures Commission)	2019				X
Inevitable Policy Response (PRI)	2021	X			
Investor Agenda (AIGCC, CDP, Ceres, IICC, IIGCC, UNPRI, UNEP-FI)	2018	X			
Investor Expectations on Deforestation in Soybean Supply Chains (PRI, Ceres)	2019		X		
Investor Expectations on Deforestation in Cattle Supply chains (PRI, Ceres)	2019		X		
Investor Expectations on Corporate Lobbying on Climate Change (IIGCC, AP7, CEPB, PRI)	2018	X			
Investor Expectations on Nutrition, Diets and Health (Access to Nutrition Initiative)	2014				X
Investor Position Statement on Corporate Net Zero Transition Plans (IIGCC)	2021	X			
Investor Statement (Access to Medicine Index)	2016				X
Investor Statement on the Bangladesh Accord on Fire and Building Safety (ICCR)	2014			X	
Investor Statement (FAIRR)	2021		X		
Investor Statement on Forced Labour in Global Supply Chains (Know The Chain, Investor Alliance for Human Rights)	2019			X	
Malaysian Code for Institutional Investors (Securities Commission Malaysia)	2019				X
Methane risk in oil & gas sector (PRI)	2017	X			
Montréal Carbon Pledge (PRI, UNEP-FI)	2015	X			
Net Zero Asset Managers initiative	2021	X			
New Plastics Economy Global Commitment (Ellen McArthur Foundation, UNEP)	2018		X		
Operating principles for impact management (International Finance Corporation)	2019	X	X	X	
Principles for Responsible Investment (PRI)	Founding Member				X
SPOTT Palm oil, Timber, Pulp and Paper (Zoological Society of London)	2018		X		
Statement of Support for Extended Producer Responsibility Schemes for Packaging (Ellen MacArthur Foundation)	2021		X		
Task Force on Climate-related Financial Disclosures	2017	X			
Tobacco-Free Finance Pledge (Tobacco Free Portfolios)	2018			X	
Transition Pathway Initiative	2018	X			

BNP PARIBAS ASSET MANAGEMENT France, “the investment management company,” is a simplified joint stock company with its registered office at 1 boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832, registered with the “Autorité des marchés financiers” under number GP 96002.

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