

# THE AGE OF SUSTAINABLE TRANSFORMATION

EXTRA-FINANCIAL  
REPORT



2021 SUSTAINABILITY REPORT



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable  
investor for a  
changing world

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### About this report

This report is produced annually by our Brand and Communications department and our Sustainability Centre along with contributions from various departments throughout the organisation. The management team of both departments review the report and the board of directors of BNP Paribas Asset Management France, which includes the CEO of BNP Paribas Asset Management, is responsible for approving it. BNP Paribas Asset Management is the source for all data presented in this document, presented as at 31/12/2021, unless otherwise specifically indicated. All strategies, policies and approaches described in this report apply to BNP Paribas Asset Management entities including BNP Paribas Asset Management UK (Limited). Certain Joint Ventures and Affiliated Entities may not apply all policies or may apply their own customized versions.

## EDITORIAL



**Sandro Pierri**

CEO, BNP Paribas Asset Management

When I joined BNP Paribas Asset Management in 2017, it already was amongst the leaders in sustainable investment. My time as CEO over this past year has convinced me that we need to do even more. The COP26 conference on climate change and the COP15 conference on biodiversity remind us that the challenges we face — climate change, biodiversity loss and inequality — are inextricably intertwined and demand complex, far-reaching solutions.

We are proud to be among those in the investment sector that have made strong commitments to building a more inclusive, low-carbon and environmentally sustainable economy. But this transition requires a collective effort by governments, investors, companies, their employees and society in general.

Among other things, sustainability is about a shift in capital allocation: how we deploy capital and engage with the companies and markets in which we invest on our clients' behalf is key to building a better future. Asset managers are strongly positioned to direct investment to more sustainable companies and to influence the boards and management of companies, challenge their business models and ultimately hold them accountable. Continued engagement with policy makers is also needed to accelerate the definition of a clearer regulatory framework to facilitate this transition. Increased transparency from companies, standardisation of ESG data available to asset owners and investors, and smooth implementation of the new sustainability MiFID regime in Europe in 2022 are key topics for us and the industry.

This report will provide you with more insights into our activities towards these goals, and our achievements in 2021. And while we are proud of the progress we have made in delivering more sustainable investment, we are aware that there is still a long way to go. We are working hard, alongside our clients, to continue to mobilise capital towards sustainable investment solutions that meet clients' long-term needs. Indeed, the asset management industry will undergo a period of profound change, driven by a younger generation that demands greater focus on sustainability and greater impact from the way their savings are managed.

I'd like to end by acknowledging the devastating human impact of the pandemic and the war in Ukraine. The former showed us that we can come together and adapt quickly and effectively when we needed to, and how to use our voice to champion an inclusive and sustainable recovery. As for the conflict in Europe, it will require us to overcome the challenges presented by major food insecurity, and rebuild the lives of millions of displaced people. More than ever, BNP Paribas Asset Management is determined to play a role in ensuring energy independence is linked to a net zero pathway, protecting biodiversity and supporting inclusive growth. These strong convictions permeate our 2022-2025 strategic plan and will allow us to pursue our objective: generating long-term sustainable investment returns for our clients.

# 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 10<sup>th</sup> largest asset manager in Europe<sup>1</sup>, 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.

**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.**

€537bn  
Total AUM\*

2,749\*\*  
People

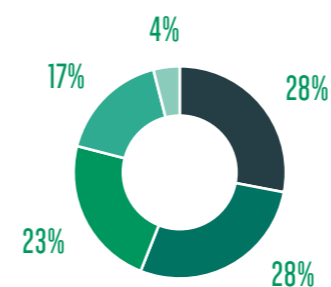
32  
Locations

€330.5bn  
ESG AUM\*\*\*

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

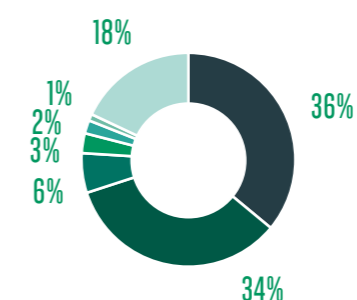
## A WELL-BALANCED, GLOBALLY DIVERSIFIED AND EUROPEAN-ROOTED ASSET MANAGER

AUM by asset class



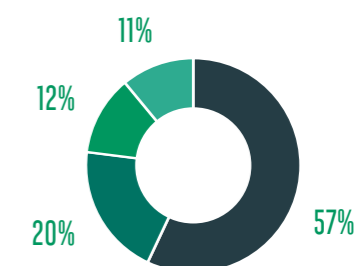
- Fixed income
- Multi-asset & solutions
- Equity
- Money Market
- Alternatives

AUM by geography



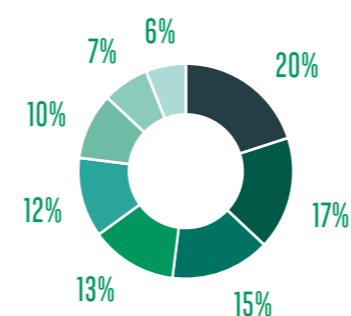
- Global
- Europe
- North America
- APAC
- Latin America
- Emerging
- Other

Distribution



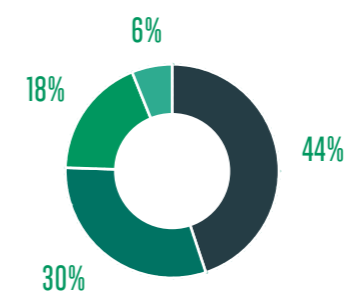
- Institutional
- Group networks
- Wholesale
- JVs

Client types<sup>2</sup>



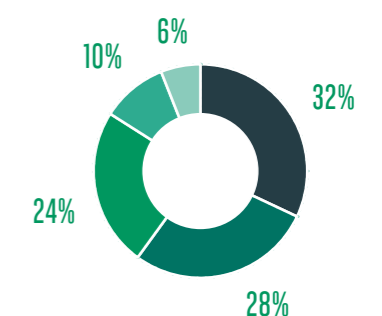
- Insurance
- Corporates
- Retail Clients
- Pension Funds
- Private Clients
- Official Institutions
- Others
- Asset Managers

Client locations



- Europe ex-France
- France
- Asia
- Americas

Staff locations<sup>3</sup>



- France
- Asia
- Europe ex-France and UK
- Americas
- UK

1. Source: IPE Top 500 Asset Managers 2021.  
2. Excluding investment in our own funds - €492bn.  
3. Joint Ventures included.  
Figures may not add to 100% due to rounding.

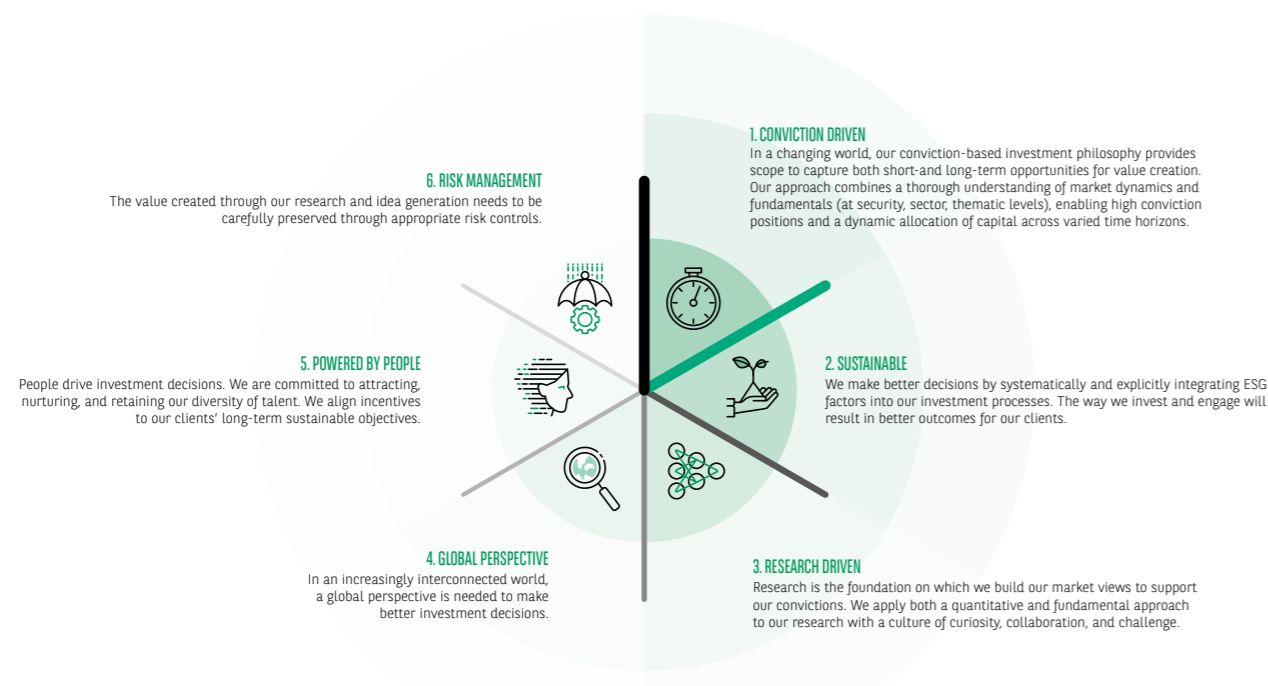


## PURPOSE, STRATEGY AND CULTURE

We are the sustainable investor for a changing world. Our vision is to make a difference in people's lives by adding sustainable value to their investments and enabling them to finance their needs. We also want to make the world a better place for future generations, through our influence over corporates, governments and international public

policy on sustainability. To achieve this, we have put sustainability at the heart of our business strategy and made it one of our core investment beliefs.

### Sustainability is one of our core investment beliefs



## OUR SUSTAINABLE INVESTMENT BELIEFS

As part of the development of our Global Sustainability Strategy in 2019, we enhanced our investment philosophy with a more detailed set of investment beliefs focused on sustainability.

**A sustainable economic future relies on sustainable investment practices.** The way we invest and engage with companies and regulators can help shape the world around us. Managing ESG risks will help promote greater market stability and more sustainable long-term growth while delivering equal, or better, financial returns.

**We are long-term, forward-looking investors.** We analyse the past in order to better anticipate future developments. We believe the economic model which will best serve us in the long term is one focused on low-carbon, sustainable and inclusive growth.

**Our fiduciary duty is aligned with sustainable investment.** We have a duty to our clients to make well-informed investment decisions, taking reputational, operational and financial risks into careful consideration. ESG factors are a key element of this.

## BUILDING A CULTURE OF SUSTAINABILITY

**Context:** To deliver on our vision, purpose and strategy, we need a workforce that understands our goals and embraces them. We also believe that creating a work environment that is consistent with our investment philosophy will help keep sustainability top of mind for our employees, and enable them to more authentically incorporate sustainability principles into their day-to-day activities.

**Activity:** We have a pillar within our approach to sustainable investment on "walking the talk", which includes dedicated internal resources responsible for helping to build a culture of sustainability within our organisation. To measure our progress, in 2021, we began to include questions about our culture and strategy in our employee engagement surveys and we plan to ask these questions annually to track our progress.

**Outcomes:** The responses to the first survey were overwhelmingly positive, with 94% of respondents saying it is important to them that we become a fully sustainable asset manager and 81% believing we are making strong progress towards this objective. We found that 72% of respondents could see how their role supported our commitment to sustainable investment, and while we are pleased with this initial result, we believe we can improve this and it will be an area of focus for us. Our leading position as a sustainable investor is incredibly important to our current and prospective employees, and because of this, we have placed sustainability at the centre of our revamped Employee Value Proposition, which will be launched in 2022.

**ESG integration helps us achieve better risk-adjusted returns.** Sustainability is a long-term driver of investment risks and returns. We believe sustainability is imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure. Against this background, we will make better investment decisions if we systematically and explicitly integrate ESG factors into our investment analysis and decision-making.

**Being an active owner is an opportunity and an obligation.** As long-term investors, we believe that we should use our leverage, which encompasses proxy voting, company engagement and policy advocacy, to influence companies and the world for the better. We believe that engagement is generally more effective than exclusion, although divestment can be a last resort.

**Walking the talk is critical to achieving excellence.** As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest.

Our **Global Sustainability Strategy (GSS)** and our Sustainable Investment Roadmap guide our overall approach. They set out the path towards a low-carbon, more sustainable and equitable economic growth model. They reflect our belief that the current economic, social and environmental system is failing and must be transformed to enable financial institutions to deliver sustainable returns to their clients and shape a society that can provide them with a good quality of life.

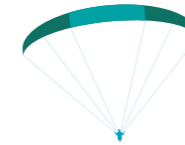
**It is in the interest of our clients, and therefore of BNPP AM, to build a sustainable and inclusive economy and is thus central to our fiduciary responsibility.**

Our willingness to take on this challenge – through our investment processes and our engagement with companies, policymakers and wider society – gives us the opportunity to be a force for a better future. This is central to our firm's strategy and our ability to deliver the best long-term returns we can for our clients. If we are to successfully address the challenges of today and secure a prosperous and sustainable economy for tomorrow, long-term investors must become "future makers," using the leverage of our investments and our voice to positively influence the world around us. We collaborate with our clients and our financial sector peers to achieve what should be a joint aim: a sustainable future. To recognise our commitment to sustainable investment, in 2021 we marked a new turning point by changing our corporate strapline to embody our values and our strategy: we are now **"The sustainable investor for a changing world."**



The emphasis on sustainability is more than a passing trend. It is a structural change that highlights a fundamental transition in the management of asset allocation, which is no longer limited to a breakdown by asset class, geographic area, or business sector. Instead, there is a transition towards a transversal thematic approach. This shift mirrors the growing enthusiasm from institutional and retail investors who are looking for their investments to combine performance with a positive impact on the world.”

**Pierre Moulin**  
Global Head of Products and Strategic Marketing,  
Executive committee member



**RECOGNISED FOR OUR EXPERTISE:  
39 RESPONSIBLE INVESTOR AWARDS WON IN 2021 INCLUDING**

- Best Fund Provider – ESG/ Sustainable Investing Award
- > Asian Private Banker – Asset Management Awards / APAC
- Best ESG Integration
- > Benchmark – Fund of Year Awards 2020 / Hong-Kong & Singapore
- Best Impact Investing Manager
- Best Application of ESG
- > Asia Asset Management – Best of the Best Awards 2021 / APAC
- Minister of the Environment’s Award
- > Japanese Ministry of Environment’s ESG Finance Awards / Japan
- ESG Asset Management Company of the Year, Asia (third consecutive win)
- > The Asset – Triple A Sustainable Investing Awards for Institutional Investors, ETF, and Asset Servicing Providers 2021 (ESG Fund Management and Investors Awards) / APAC
- Best Asset Manager
- > MainStreet Partners – “ESG Champions” Awards / UK
- Jane Ambachtsheer
- > Madame Figaro – Palmarès des femmes de la finance responsable / France
- > Financial News – Most Influential Women in Finance 2021 / UK
- “Thought Leadership (Deep Decarbonization)”
- > Pensions Age – Pension Age Awards 2021 / UK
- “Avant-Gardist Responsible Investment / Top Category”
- > RIBI – Brand Index RIBI 2020 / Worldwide
- Regional Leader Award
- > Citywire Gender Diversity Awards 2021 – 100+ managers / Worldwide

**GLOBAL  
TOP 10**



**Responsible Investment  
Brand Index 2021**

BNPP AM was ranked in the Global Top 10 Responsible Investment Brand Index (RIBI) 2021, which analyses the 500+ largest asset managers in the world. The RIBI index examines which asset managers act as responsible investors and commit to sustainable development to the extent that they put it at the very heart of who they are, i.e. their brand – and express it accordingly. The RIBI recognises the steps we’ve undertaken at all levels of the company to anchor sustainable investing at the heart of BNPP AM’s business model and culture.



**Jane Ambachtsheer**  
Global Head of Sustainability

# OUR SUSTAINABLE INVESTMENT APPROACH

I joined BNPP AM in August 2018 with a mandate to put sustainability at the heart of everything we do. The small but dynamic Sustainability Centre team – in partnership with colleagues across the business – had already begun to lay the groundwork. Two key initiatives helped to bring us from that early ambition to where we find ourselves today: *the sustainable investor for a changing world*. One initiative was internal which was the establishment of a sustainable transformation program. The second was external, the publication of our first *Global Sustainability Strategy*. Our evolution was guided by ambition, but realised through hard work and clear processes.

## Getting in shape internally: the Sustainable Transformation Program

It takes effort to change. We set up a formal transformation program to help us become the fully sustainable asset manager that we are today. The project comprised 15 work streams, each with its own leader, sponsor and working group, and covered topics such as strategy, governance and sector policies, active ownership, research, reporting, ESG integration and Corporate Social Responsibility (CSR). The transformation was overseen by our Executive Committee with direct leadership from one of our Executive Committee members, Pierre Moulin.

A critical subsidiary committee was established – the ESG Validation Committee – where portfolio managers for each investment strategy had to present their approach to ESG integration based on our newly minted ESG Integration Guidelines. The ESG Validation Committee included me, our Global Head of Investment and the relevant Chief Investment Officer. At the time, 38 ESG Validation Committee meetings were held to validate that 295 investment strategies covering 935 funds adhered to the tenets of our ESG Integration Guidelines. Today, we have built this validation step into our new product development process, resulting in €330.5 billion in ESG integrated AUM.

## Making our mark externally: the Global Sustainability Strategy

Everybody loves a good strategy, especially if it helps simplify and structure a complex topic. This is what we set out to do with our Global Sustainability Strategy, which has served as a strong reference point for us since 2019. It is divided into two parts with the first part setting out our firm-wide approach to sustainable investment, based on 6 pillars that we have structured this report around. The second part introduces what we call the '3Es' – energy transition, environmental sustainability, and equality and inclusive growth – the world's key sustainability challenges.

## What's next? Living up to our tag line

In 2021 we took the bold step of changing our strapline to be **The Sustainable Investor for a Changing World**. This was accompanied by a campaign showcasing the personal commitment so many of our colleagues embrace and apply to their day-to-day work across the business.

We have made significant progress in realising our ambition, but there is more to come. In 2022, we will publish a sequel to our Global Sustainability Strategy, looking at the next three years and articulating our vision, ambition and the concrete steps we plan to take to help achieve an inclusive, sustainable net zero economy. We look forward to sharing our progress with you and thank you – our clients – for putting your trust in us.

→ DISCOVER HOW JANE DRIVES SUSTAINABILITY

[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

## LOOKING BACK ON OUR 2019-2021 STRATEGY

### KEY ACCOMPLISHMENTS

- We embedded ESG across our investment processes through our **ESG Integration Guidelines** and expanded our proprietary ESG research from 3,000 entities to over 13,000.
- Our well-defined **Proxy Voting & Governance Principles** underpin our voting strategy, leading us to vote against management approximately 33% of the time. We supplement this with thoughtful and determined company engagement, one-to-one and through collaborative initiatives such as Climate Action 100+, which resulted in some significant changes at companies like Iberdrola, PTT, ExxonMobil and Delta Airlines.
- We made our **Responsible Business Conduct Policy**, the mechanism that governs our exclusion lists, the standard for all new client mandates, and held discussions with existing clients to encourage them to adopt our policy.



- Our focus on products that go further, meaning they have enhanced ESG traits, thematic or impact, resulted in €229bn of our AUM being classified as Sustainable Finance Disclosure Regulation (SFDR) Article 8 and Article 9, including 81% of our open-ended funds. We now have a total of 145 labelled funds, adding up to €133bn in assets under management.
- Internally, we implemented a CSR approach with ambitious goals for a more gender-balanced business, encouraging our employees to volunteer, reducing our emissions and creating no waste. In addition, we tackled employee training and engagement on sustainability, and better linked sustainability to employee remuneration.

# TOP 100 WOMEN



in European finance

For the third consecutive year, Jane Ambachtsheer is among **the top 100 women in European finance according to the Financial Times**. Jane was also featured in the inaugural Palmarès Madame Figaro, **"10 women who are revolutionising finance for a more responsible world."**



## FOCUSING ON THE THINGS THAT MATTER THE MOST

It's not possible to tackle all sustainability-related challenges, so we focused on three key themes: energy transition, environmental sustainability, and equality and inclusive growth. These themes guide our strategic research, stewardship and thematic investing. In our GSS we included a number of targets for ourselves. The highlights of what we set out to achieve are shown here, along with our results.

### PROGRESS ON THE METRICS LINKED TO OUR 3Es

**Energy transition:** We have taken several steps to align our investment portfolios with the goals of the Paris Agreement. We recently strengthened this commitment by signing up to the **Net Zero Asset Managers initiative** (NZAM). Energy transition is thoroughly integrated into our investments via our ESG scoring framework and our exclusion policy covers the most sensitive sectors related to climate change. We are also using our leverage to encour-

age our investee companies, countries and policymakers to align with the goals of the Paris Agreement. We supported almost 90% of climate-related shareholder resolutions over the most recent voting period and we have been engaging with companies on the energy transition both one-to-one and at the collaborative level through coalitions such as Climate Action 100+.

KPI	Achievement
<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions per portfolio</li> </ul>	<ul style="list-style-type: none"> <li>We developed carbon footprint reporting for our portfolios.</li> </ul>
<ul style="list-style-type: none"> <li>Primary energy mix &amp; electricity energy mix vs. IEA SDS</li> </ul>	<ul style="list-style-type: none"> <li>We made it our goal to have lower carbon footprints at the portfolio level than the relevant benchmark or investment universe.</li> </ul>
<ul style="list-style-type: none"> <li>Carbon intensity (gCO<sub>2</sub>/kWh) vs. carbon intensity IEA SDS</li> </ul>	<ul style="list-style-type: none"> <li>We are disclosing carbon KPIs as part of the standard factsheets available to investors.</li> </ul>
<ul style="list-style-type: none"> <li>Green share % AUM or total green investments</li> </ul>	<ul style="list-style-type: none"> <li>We developed and implemented a leading coal policy with exclusion criteria based on the carbon intensity threshold of the International Energy Agency (IEA) Sustainable Development Scenario. We have tightened the thresholds every year and we now exclude more than 1,000 power generators and/or companies involved in the mining of thermal coal.</li> <li>As part of the BNP Paribas Group's strategic planning process, we have established a reporting process with a baseline for assets under management related to the energy transition, the circular economy, social inclusion, biodiversity and sustainable mobility.</li> </ul>

**Environmental sustainability:** In 2021, we launched our **Biodiversity Roadmap**, which details our plan to embed biodiversity considerations across all of the pillars of our sustainable investment approach. This includes funding a project with the CDP to develop common biodiversity corporate reporting metrics, helping investors to better assess biodiversity impacts. Our proxy voting, individual and collaborative engagement as well as our public policy

supports our high-level expectations regarding environmental sustainability with a specific focus on deforestation and water efficiency. We are also working with a number of industry experts and collaborative initiatives such as the Ceres Working Group on Land Use and Climate and the Taskforce on Nature-related Financial Disclosures to advance this important topic.

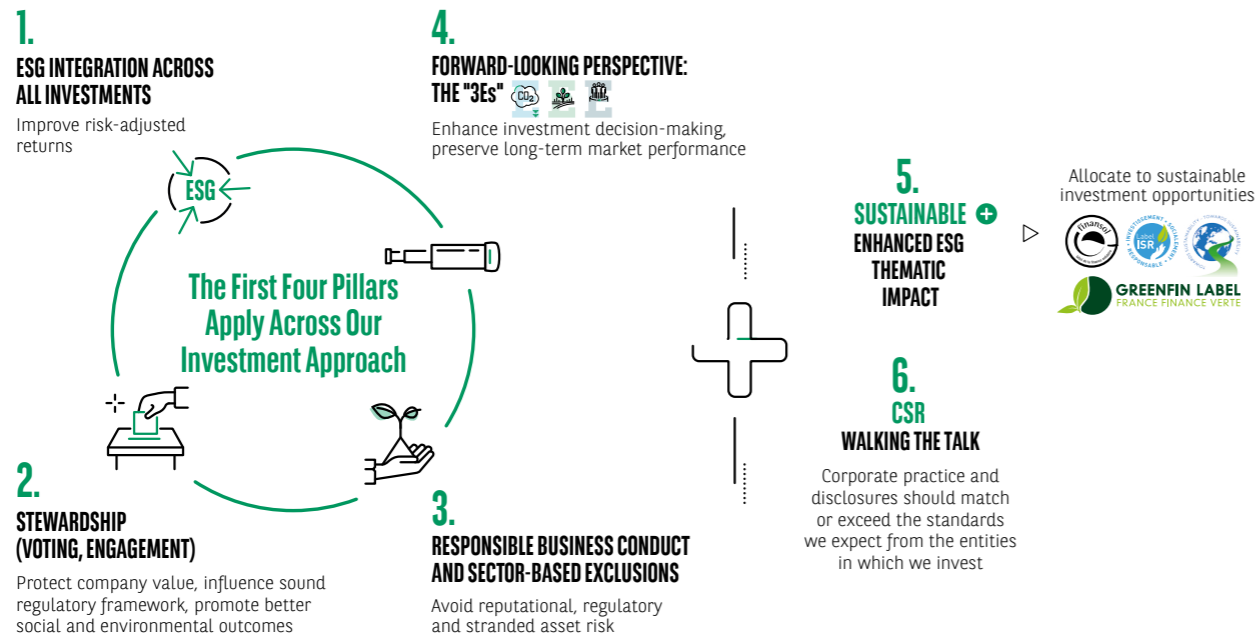
KPI	Achievement
Water footprint of our portfolios	<ul style="list-style-type: none"> <li>We measured the water footprint of our AUM invested in corporates and sovereigns where data was available.</li> </ul>
Number or % of companies below sector water efficiency levels operating in water-stressed areas	<ul style="list-style-type: none"> <li>Both water stress exposure and direct water intensity data are available for 17% of our AUM invested in corporates. On average, these companies withdraw 6% of their water from water-stressed areas. Out of the 432 companies in which we are invested that report to CDP Water on at least one facility at risk from water stress, 20 declare having sites with water risks in the Yongding He river basin, China, the most water-stressed in the world.</li> </ul>
Number of companies that commit to/have a policy on No Deforestation, No Peat, No Exploitation (NDPE)	<ul style="list-style-type: none"> <li>We developed a rating system for corporate deforestation policies and traceability systems. Through this, we have found that a large proportion of companies in relevant sectors do not satisfy our criteria to earn a 'strong' rating. Most notably, more than 30% of our AUM in relevant sectors is invested in companies with 'weak' or no policies. These companies form the focus for potential engagement activities.</li> </ul>
Number of companies that trace and monitor commodity sourcing	<ul style="list-style-type: none"> <li>70% of our sovereign AUM is invested in countries that have endorsed the 2014 New York Declaration on Forests (NYDF).</li> </ul>

**Equality and inclusive growth:** Our growing level of opposition to the appointment of directors mainly due to diversity issues, from 20% in 2018 to 37% in 2021, shows our strong expectations from companies regarding women on boards. In addition to voting, we also engaged in a number of initiatives raising our concern regarding exacerbated inequality during the COVID-19 crisis. Our proprietary ESG scoring

framework includes an assessment of equality and inclusive growth factors and we also developed a proprietary data model to incorporate an inclusive growth assessment in investment strategies. We launched an Inclusive Growth strategy that focuses on investing in companies with a proactive approach to reducing inequalities.

KPI	Achievement
% of female board members	<ul style="list-style-type: none"> <li>Women make up an average of 25% of the boards of the companies in which we invest, compared to 18% for the broader universe of listed companies.</li> <li>We increased the number of women on BNP Paribas Asset Management operating company and fund boards from 21% in 2018 to 44% in 2021.</li> </ul>

## THE 6 PILLARS OF OUR SUSTAINABLE INVESTMENT APPROACH



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.

	FUNDS	MANDATES	THEMATIC, SRI AND IMPACT FUNDS	INDEX FUNDS AND ETFs
ESG INTEGRATION	✓	✓	✓	✗*
STEWARDSHIP	✓	✓	✓	✓
RESPONSIBLE BUSINESS CONDUCT	✓	Client Opt-Out optional	✓	✗*
FORWARD-LOOKING PERSPECTIVE: THE "3Es"	✓	✓	✓	✓

\*For those index funds and ETFs using full replication and tracking non-ESG-related indices. Exceptions may apply for funds tracking ESG-related indices.

## OUR APPROACH IN PRACTICE

Our sustainable investment approach begins with an investment philosophy, a set of underlying beliefs that inform investment teams when they are managing their funds. Relevant ESG considerations are systematically integrated into investment philosophies across BNPP AM to ensure consistency.

At the idea generation stage, investment teams think broadly about future investment opportunities. Integrating ESG factors allows them to include or discard opportunities based on ESG considerations. For example, some strategies identify the highest-rated ESG names in an investment universe as a priority for additional financial analysis.

During portfolio construction, ESG factors can be used to screen companies, overweight or underweight positions, or tilt portfolios. For example, our multi-factor portfolios have a systematic tilt away from carbon-intensive names and towards high ESG performers.

Regarding risk management, we have a fiduciary duty to our clients to take all risks into consideration, including ESG and sustainability risks.

Our proxy voting activity is led by our stewardship team, which liaises with portfolio managers to seek input on strategic votes. Engagement on governance and sustainability topics is typically also led by our stewardship team, while investment teams include ESG topics in their ongoing company meetings.

Per our **ESG Integration Guidelines**, we monitor the ESG score and carbon footprint of investments against their benchmarks with the aim of outperforming on each. We report on these two KPIs to clients so that they can better understand the impact of their portfolios.

We believe our approach provides a strong framework for embedding and managing sustainability risks and opportunities into the investment process. We have further strengthened our approach by urging our portfolio teams to systematically engage with lower scoring companies held in their portfolios. This will encourage portfolio managers to think about why they are holding weakly scored companies, ensure more consistent engagement with these companies and influence them to change their practices.

## COMMON ESG INTEGRATION GUIDELINES

PHILOSOPHY	RESEARCH	STEWARDSHIP & ENGAGEMENT	KPIs & REPORTING
Some common principles for ESG integration will apply across all asset classes, while others are asset class or strategy specific	We will avoid investing in a public entity without an ESG score, performing qualitative ESG analysis in the absence of a quantitative ESG rating	We will avoid investing in a private entity without performing ESG due diligence	We aim to hold portfolios with more positive ESG characteristics than their respective (invested) benchmarks
		We will avoid investing in a weakly-rated entity (in active portfolios) without actively engaging particularly on the key issues identified	We aim to hold portfolios with a lower carbon footprint than their respective (invested) benchmarks
		As a last resort, we may disinvest from weakly-rated entities which do not respond to engagement	
		Holdings of weakly-rated public entities (in active portfolios) will need to be justified by additional documented qualitative analysis integrating ESG factors	



## SUSTAINABILITY GOVERNANCE AND RESOURCES

We expect high standards of governance from the companies in which we invest, including on all sustainability matters, and we hold ourselves to the same standards. Our approach to sustainable investing is managed by a company-wide governance framework. This framework ensures that our sustainable investment policies and practices are embedded and implemented appropriately throughout our business, and that all new initiatives are well-conceived, properly structured and delivered effectively. It also means that the knowledge and unique perspectives of different investment teams and functions can be leveraged and

deployed appropriately. The ultimate purpose of this framework is to deliver on our commitments and ensure that clients' best interests are served.

Our governance system ensures board- and executive-level oversight of the implementation of the GSS and our business strategy. On an operational level, it is an effective mechanism to ensure that our policies and processes are aligned with our purpose and that continuous communication among stakeholders takes place.

## OUR SUSTAINABILITY CENTRE

The Sustainability Centre is a well-resourced team of sustainability specialists who drive our approach to embedding sustainability in all our investments. 2021 saw the addition of new roles in the team, including an ESG Integration Lead, a Sustainable Fixed Income Lead (EMEA), a Head of Stewardship for Europe and several new analyst and specialist roles.

The Sustainability Centre is responsible for developing and implementing the firm's GSS, ESG Integration Guidelines and Policy, Stewardship Policy and Responsible Business Conduct Policy, as well as our ambitious targets on the energy transition, the environment and equality. It plays

a crucial role in measuring, tracking and reporting on BNPP AM's impact and progress on sustainability.

The ESG research team within the Sustainability Centre provides investment teams with research, analysis and data at company and sectoral levels, and also supports those teams in their efforts to fully integrate sustainability-related risks and opportunities into investment strategies. Our ESG research analysts' insights are informed by a variety of external data and research sources. They also deliver a range of educational opportunities to colleagues across the organisation.

### Our Sustainability Governance

#### BNPP AM EXECUTIVE COMMITTEE

CEO (Chair), Global Head of Investments, Head of Global Client Group, Global Head of HR, Global Head of Finance, Strategy and Participations, Global Head of Product and Strategic Marketing, COO

Strategic oversight of sustainability approach

#### BNPP AM FRANCE BOARD

BNPP AM management and an independent director

Approves Proxy Voting Policy and Sustainability Report

SUSTAINABILITY COMMITTEE	INVESTMENT COMMITTEE	PROXY VOTING COMMITTEE	EXECUTIVE CSR COMMITTEE
<p><b>CEO (Chair)</b>, Investment Committee members, Global Head of Sustainability Research, Head of Stewardship, Head of Global Client Group, Global Chief Marketing Officer, Head of Brand and Communication</p>	<p><b>Global Head of Investments (Chair)</b>, CIOs of each Investment division, Head of Sustainability, Head of Global Trading Function, Head of Macro Research, Chief of Staff to the Global Head of Investments</p>	<p>CEO, Global Head of Investments, <b>Equities CIO (Chair)</b>, MAQS CIO, Global Head of Sustainability, Head of Global Client Group, Head of Compliance, Global and Regional Heads of Stewardship</p>	<p>CMO, COO, Global Head of HR, Head of Brand and Communication, <b>Head of Corporate Social Responsibility (Chair)</b></p>

Oversees and validates our approach to sustainability

Approves sustainability methodologies and monitors ESG integration

Reviews voting and engagement implementation

Oversees the implementation of our approach to Corporate Social Responsibility

#### Investment teams

- Report to CIOs
- Implement ESG Integration Guidelines in investment processes including our beat the benchmark goals for ESG score and carbon footprints
  - Engage with companies on sustainability issues

#### Sustainability Centre

- Reports to Global Head of Investments
- Develops and implements Global Sustainability Strategy and related policies
  - Develops and maintains various sustainability scoring/assessment methodologies, working closely with the Quantitative Research Group
  - Leads on voting and engagement
  - Leads on CSR



#### ESG Investment Champions

- Every investment team has at least one ESG Champion
- Ensure ESG integration within their team
  - Analyse sustainability performance of issuers in their portfolios
  - Keep current on regulatory and market developments

#### ESG GCG Champions

- Ultimately report to Head of Global Client Group (GCG)
- Act as a centre of knowledge on sustainability topics in Client Relationship Management teams
  - Support Client Relationship Managers with sustainability communications and reporting to clients
  - Keep current on regulatory and market developments

FUNCTIONS

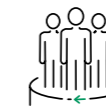
- Implementation is monitored by our internal control systems
- Integrated into BNP Paribas Group Sustainability Governance

#### A strong ESG team with diverse backgrounds...

- Consulting
- Advocacy & policy
- NGO
- Intergovernmental organisation
- Rating agency
- Mainstream investments
- Sell-side analysis
- Sales & marketing
- Industry experience

... and a network of 170+ ESG Champions

#### 27 ESG experts



Across 3 continents, including 3 in Asia

#### 12+ years



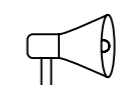
Average professional experience

#### 19 new positions



Since 2017

#### 9 languages spoken



French, English, German, Italian, Chinese, Dutch, Spanish, Hungarian, Russian



→ DISCOVER HOW DENIS DRIVES SUSTAINABILITY

[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

“Today, we have more interaction with our Sustainability Centre and more exchanges with our clients on ESG issues. Sustainable investment is a fundamental aspect of the culture of BNPP AM, and also of the BNP Paribas Group. In our investment teams, we have what we call “ESG Champions” who relay information about emerging research and insights to be integrated into portfolio management. In addition, a Sustainability Committee is convened every three months to guide our sustainability strategy and policies, monitor numerous projects and integrate BNPP AM's ESG criteria into all our investment strategies. Together, we are building a truly sustainable investment organisation.”

**Denis Panel**  
Head of MAQS

## ESG CHAMPIONS

Our network of over 170 ESG Champions plays a vital role in linking our investment and sales teams with our Sustainability Centre. The network is supported by leaders in our Sustainability and Product and Strategic Marketing teams. They are subject matter experts within their investment or sales teams, pursue specialised education and have performance objectives related to their responsibilities.

They meet monthly and are provided with training and briefings to keep their knowledge current on relevant ESG market developments, and on our ESG research methodology, exclusion policies and stewardship activities. Topics covered in 2021 include:

- Updates to our ESG scoring methodology.
- Upcoming regulatory changes, including the SFDR.
- Net Zero and Implied Temperature Rise Metric Update.
- Outcomes of UNFCCC (Climate) COP26 and UNCBD (Biodiversity) COP 15.

- Overview of our 2021 voting strategy, outcomes from the 2020 voting season and updates from the proxy voting committee.
- Review of our inclusive growth model.
- Review of our ESG data strategy.
- Primer on biodiversity metrics and our biodiversity roadmap.
- Qualitative review process and process for low-scoring issuers.
- Forest and water metrics and their impact on investments.

In 2022, ESG certification training, like the CFA's Certificate in ESG Investing, the European Federation of Financial Analysts Societies' Certified ESG Analyst designation and the Sustainability Accounting Standards Board (SASB) FSA Credential, will be mandatory for all ESG Champions. We believe this will provide a uniform foundation of sustainable investment knowledge to the ESG Champion community and enable them to better contextualize and put into action the knowledge shared with them during our monthly meetings.

## PROFESSIONAL DEVELOPMENT: INVESTING IN OUR PEOPLE

**Context:** We recognise that the sustainable investing space and ESG issues are rapidly evolving, and it is critical that our employees keep up to date if they are to be successful in achieving their objectives.

**Activity:** We are investing significantly in ensuring that our investment staff and other key employees have the most current knowledge on sustainability issues and sustainable investment:

- 88 employees have passed a sustainable finance certification program, such as the CFA Certificate in ESG Investing.
- Sustainability was the central theme of our annual three-day Investment Symposium, which focused on how it can be further integrated and used within our portfolios. A host of external experts held discussions with our investment and sales teams on the transition to a new economic model, identifying trends that contribute to a more sustainable and inclusive world
- We have embedded sustainability into our FAME (Financial & Asset Management Expertise) training curriculum and our Demystification series designed for a wide range of employees.
- We continued to roll out our online training videos on sustainable investment, available to all staff. The videos, or micro nuggets, range from six to ten minutes in length so they can be readily watched, and employees have so far completed more than 2,390 hours of this training.
- 17 employees have completed an internal certification program developed by BNP Paribas with the

University of Cambridge's Institute for Sustainable Leadership (CISL). The CISL Positive Impact Business Certified Training is a 7.5-day course, delivered online in 2021, over a three-month period and tailored to sustainability and finance. On completion, graduates became Positive Impact Pioneers, a community of internal sustainability experts who develop projects that drive positive impact within the organisation.

- We held several internal sessions for employees on a wide range of sustainability topics, including regulatory changes, the circular economy, climate change, and impact investing. Activities included workshops with experts, conferences with scientists and the Group's We Engage platform.

**Outcomes:** In a survey of our ESG Champions, we found four areas we need to continue to push in our training efforts: deeper dives into thematic issues, more guidance on sector-specific ESG issues, keeping pace with evolving regulatory changes, and more portfolio analysis tools such as tools to measure climate-alignment. While we provide a wide range of training that employees have enthusiastically embraced, it has been a somewhat unstructured approach to date outside of our ESG Champions community. In 2022, we will develop a Sustainability Education Strategy that will more comprehensively address our employees' professional development needs through prescribed learning paths based on predefined employee population groups and, in certain cases, built into employee objectives.



**The role of the ESG Champion is three-fold: to act as the ESG Integration Lead within their team, ensuring processes to integrate ESG are embedded in their investment strategies; be the ESG expert within their teams, analysing the ESG performance of issuers within their portfolios, encouraging the sustainable allocation of capital and participating in engagements with issuers; and ensuring their team is up to date on key regulatory and market developments."**

**Sheila ter Laag**  
Global Head of ESG Specialists

## INCENTIVES

We have significantly tightened the alignment of our **Remuneration Policy** with our sustainability goals over the past few years, integrating sustainability with performance assessments, financial rewards and the professional development of our employees.

Our rewards strategy is designed to achieve a sound, responsible and effective remuneration policy and practice. In particular, it is designed to avoid conflicts of interest, protect clients' interests and ensure that excessive risk-taking is discouraged.

We use objectives to align an employee's activities with the company's goals. Sustainability-related roles and responsibilities are defined for a set of key internal functions most closely involved in delivering our GSS. Within these roles, specific sustainability-related objectives are assigned and cascaded down to teams and individuals. At the end of the year, the fulfilment of these objectives is assessed during annual performance reviews, which are a key input in the determination of the annual variable remuneration awards. In addition, many roles, such as our ESG Champions, have compulsory ESG training incorporated into their annual objectives.

In 2021, we held individual meetings with key members of our executive committee to jointly draft sustainability-related goals that were then communicated down their hierarchies. We presented these goals at department town hall meetings so that they could be discussed in team settings. Finally, we emphasised certain goals to key employee groups. This multi-pronged approach was

successful in normalising the inclusion of sustainability goals in a large percentage of our employees' performance assessments. For 2022, we plan on taking a more formal approach to professional development as it relates to sustainability and we will build training requirements into certain employee groups' objectives.

**Specific sustainability objectives were assigned to the following teams:**

**Executive Committee:** Where relevant, Executive Committee members have goals related to the successful implementation of BNPP AM's Global Sustainability Strategy and the integration of sustainability risks throughout our investment processes and stewardship activities.

**The Sustainability Centre:** This team drives our approach to sustainable investment and is responsible for developing and implementing the firm's GSS, ESG Integration Guidelines and various policies, including the Stewardship Policy.

**Investment teams:** Analysts and portfolio managers integrate ESG factors into their company, asset and sovereign evaluations and investment decision-making processes. This is at the core of all our investment processes. Successfully implementing our ESG Integration Guidelines, including the objective to beat the related universe or benchmark on ESG scores and carbon footprint objectives, is a key goal of our Chief Investment Officers and is disseminated to their investment teams.

**ESG Champions:** ESG Champions have been appointed within Investments and the Global Client Group and, liaising with the Sustainability Centre, help promote sustainable investment and integrate sustainability risks within each team. Each investment team has at least one ESG Champion responsible for communicating issues related to sustainability risks to team members. ESG Champions' objectives reflect this, including additional goals specific to their Champion role.

**Quantitative Research Group (QRG):** Members of this team co-develop ESG Scoring Research and monitor the link between ESG integration and investment performance. This is reflected in the objectives of this department, and communicated to its members, where relevant.

**Product and Strategic Marketing:** This team leads on the alignment of BNPP AM products with sustainable regulation and labels, which is reflected in its objectives.

**Risk function:** Sustainability risks are included in the risk function's controls. This is reflected in the objectives of this group and communicated to its members, where relevant.

## CONFLICTS OF INTEREST

### OUR APPROACH TO MANAGING POTENTIAL BUSINESS-WIDE CONFLICTS OF INTEREST

We have fiduciary duties to our clients and beneficiaries, and we believe that by putting our clients' interests above ours or our employees', we can assure stakeholders of our integrity.

All employees of BNPP AM are bound by the **BNP Paribas Group Code of Conduct**, which imposes obligations to work in clients' best interests by:

- Providing clients with the most suitable products and services, consistent with their aims, resources, knowledge and experience.
- Giving clients clear, honest and non-misleading information and, when requested, an opinion related to expected performance, associated risks and pricing.
- Providing quality service that promotes the client's best interests.
- Treating clients fairly, without giving any client (or other counterparty) undue preferential treatment.
- Behaving transparently, notably by making available, at the client's request, any information related to the execution of their transactions.

Our executive team has embedded a culture throughout our business where clients' interests must be given priority and no client will be disadvantaged. To ensure this:

- BNPP AM is appropriately segregated from other businesses within BNP Paribas Group. We use ring-fenced IT systems to conduct our business.
- Decisions within BNPP AM must be taken in the interests of its clients, even if such decisions may be detrimental to, or conflict with, the interests of a client of another business area or a proprietary interest of BNP Paribas.

- Staff working for BNPP AM must remain independent and neutral in the performance of their duties and responsibilities.
- The governance arrangements for the asset management activities of BNPP AM also function independently from the BNP Paribas group. This includes BNPP AM's hierarchical reporting line, which is separate from those of other BNP Paribas businesses and converge only at the level of the Executive Management Committee of BNP Paribas Group.

### MANAGEMENT SYSTEMS

Employees are reminded of applicable policies and procedures during mandatory annual training and other training sessions during the year, and by regular communications of regulatory changes. In addition, as a matter of policy, procedures (including those related to conflict management) are regularly reviewed and updated as required.

If a conflict of interest arises and the implemented policies and procedures are not sufficient to ensure with reasonable confidence that the interests of a client will be protected, BNPP AM must clearly disclose the general nature and sources of the conflict to the client before undertaking business for the client and such disclosure must be approved by Compliance. Under BNPP AM's policy, over-reliance on disclosure without adequate consideration of how conflicts may be managed appropriately is not permitted.

A mapping exercise to identify potential conflicts of interest is conducted periodically by the BNPP Group and the results have been used to create Conflicts Registers for BNPP AM, which are maintained by our local Compliance teams. They contain details of actual or potential conflicts that may arise between BNPP AM and its clients (or between clients of BNPP AM) and is an essential tool for the management of actual or potential conflicts of interest. Senior management of BNPP AM receive written reports at least annually on the situations contained in the conflicts of interest records. Moreover, senior managers must take appropriate steps in their oversight of the business and are required to demonstrate their accountability, including conflicts of interest management.

### OUR APPROACH TO MANAGING POTENTIAL CONFLICTS OF INTEREST IN RELATION TO VOTING

On voting matters, BNPP AM, as an asset manager owned by a large financial institution, can sometimes be faced with potential conflicts between its clients' interests and its own. These include, for example:

- Employees linked personally or professionally with a company whose securities are submitted to vote.
- Existing business relations between the company whose shares are being voted on and BNP Paribas Group.
- Exercising voting rights in relation to shares of BNP Paribas Group or of significant participation by, or holdings of, the Group.

BNPP AM has implemented several principles, mechanisms and decision processes to ensure that conflicts of interest do not influence our votes, such as:

- BNPP AM's Voting Policy stresses that voting rights are exercised in the best interests of clients in order to protect and enhance the long-term value of their shareholdings.
- These Governance and Voting Principles determine the decision-making process for the exercise of voting rights and are approved by our Board of Directors, which includes independent directors.

- Employees must comply with BNPP AM's Code of Ethics and declare any outside business activity. All employees receive annual training on these policies and must complete annual certifications of compliance.

- All employees are required to identify any potential conflict of interest and report it to their manager and to Compliance.

- Records of all potential conflicts of interest and their resolutions are kept as part of the Proxy Voting Committee minutes. Material conflicts of interest that are identified trigger an escalation process involving top management, including:
  - The relevant CIO.
  - The head of Compliance and senior managers of other control functions involved.
  - The CEO at each level.

The "best interest of clients" principle is paramount in the decision outcome. When a conflict of interest is identified, it is disclosed to the concerned clients in accordance with applicable laws.

## ASSURANCE

Delivery of our business strategy, including our sustainable investment activities, is subject to a set of internal controls comprising three lines of defence, per BNP Paribas Group's Internal Control charter.

**Our first line of defence:** Our core philosophy is that internal control is a matter for every BNPP AM employee, whatever their hierarchical position or responsibilities. The managers and their respective staff constitute the first line of defence. They are accountable, at each level of the organisation, for achieving the objectives and monitoring the risks of the businesses or services they operate or deliver.

**Our second line of defence:** The second line of defence is provided by entities exercising second level controls, namely, risk, compliance, legal (integrated control function), group tax and group finance. They are responsible for defining and implementing the management framework of accounting and financial information risk (non-integrated control functions).

**Our third line of defence:** The third line of defence is provided by the Inspection Générale of BNP Paribas Group, an independent and hierarchically integrated internal audit function, which reports directly to the Chief Executive Officer of BNP Paribas Group.

Finally, we seek external assurance in certain areas of our business to provide third-party verification and validation of our approach and outcomes:

- EY provides an independent assurance report on the alignment of BNP Paribas Asset Management's impact management systems with the Operating Principles for Impact Management.
- EY also audits our SRI labelled funds marketed in France.

We are currently assessing the feasibility of having future years' Sustainability Report externally assured.



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### STRIVING FOR CONTINUOUS IMPROVEMENT

During 2020-2021, the Sustainability Centre benefitted from a review of our processes by Inspection Générale, BNP Paribas Group's internal audit department, which identified several areas for potential process improvement:

- Enhancement of the monitoring framework of the sustainability-related pledges and initiatives we have supported.
- Strengthening of the monitoring framework for our UN Global Compact (UNGC)-related exclusions, including a review of the service provider that furnishes the data we use as a starting point.
- Reinforcement of the monitoring of external communications and publications of the Sustainability Centre.
- Review of the procedural framework and first-level control plan of the Sustainability Centre.

We have implemented all the recommendations and our strengthened procedures have been validated by Inspection Générale.

**"Clients want us to do more than manage their money; today, they want to engage with us and learn from us, whether they are a central bank or another type of investor. Clients are very impressed with our dedication to sustainability, which goes far beyond just a product offering. We have a real opportunity to make a difference, engage with our clients and help them be part of the future of their company, organisation and country. That's rewarding and important. Momentum is building and being the sustainable investor for a changing world will help us be the go-to asset manager in the US."**

**Johanna Lasker**

CEO North America & Head of Official Institutions

## REFLECTING OUR CLIENTS' NEEDS IN OUR INVESTMENT SOLUTIONS

We have several touchpoints with our clients to ensure that we are responding to their needs and that our investment solutions are aligned with their objectives:

- Client Relationship Managers have a deep and detailed knowledge of their clients' businesses, understanding both the challenges they face now and those they are likely to face in the future.
- Dedicated Client Account Managers are responsible for the day-to-day management of client business.
- Third-party consultants conduct annual studies based on in-depth interviews with investment decision-makers.

Following a structured approach to engagement and contact management, sales teams meet with clients regularly to seek their views and ensure that we are being as effective as possible. Through our client management system, managers can track any key themes emerging from these meetings, including those related to investment needs. These themes are then discussed internally on a quarterly basis. Once a meeting has taken place, Client Relationship Managers are tasked with following up with clients on their specific challenges or needs.

We also connect with our clients through the training we provide them via our Investment Academy. Created in 2009 with the purpose of sharing knowledge and expertise with our clients, classes have been delivered online and in-person, with over 15,000 people attending since its inception. We cover a number of technical and regulatory topics affecting the asset management industry and we have always had a focus on sustainability topics. Some of the topics we included in the 2021 curriculum were:

- The basics of Sustainable Investing: The importance of sustainable investing, types of ESG products, introduction to regulation and sustainable investment stakeholders.
- Stewardship: Introduction to stewardship and proxy voting.
- ESG implementation: A custom training covering the fundamentals of integrating ESG within portfolios.

We also provided our clients with resources to help them understand the SFDR. Alongside our live technical trainings, in 2022, we are developing an extensive ESG certified training accessible to our clients.

### GAINING BETTER INSIGHTS INTO CLIENT NEEDS

We partner with Greenwich Associates to survey investment decision-makers around the globe to help us better understand their needs and ultimately improve client satisfaction.

Nearly half of the interview revolves around the interviewee's forward-looking investment goals and perceptions of the quality of the investment managers they work with. The interview also includes a section on sustainability-themed issues. We share the insights from the survey with our investment teams so that they better understand client needs and preferences.

We are implementing a number of processes in response to the survey results. First, we are developing an action plan formalising everything we learned and describing what we plan to do about it. Second, the feedback from the survey is being presented across our organisation. While senior leadership follow the results most closely, we also communicate them to teams more widely to reinforce the importance of their own contribution to the client experience.

In 2022, we will launch an internal project aimed at better understanding our clients' feedback related to sustainability, parsed across various demographic factors such as country, client type, investment strategies and size of mandate. We will use the findings of this initiative to better tailor our sustainability offering to meet client expectations in specific market segments.

## HOW WE COMMUNICATE WITH AND REPORT TO OUR CLIENTS

We are committed to providing a high level of transparency to all our stakeholders, including clients. Our goal is to provide our clients with information that can help them better understand how we have implemented what they've asked of us and the impacts of their investments.

**On an annual basis:** We publish our Sustainability report, Stewardship report, Voting report and Principles for Responsible Investment (PRI) Transparency report to provide readers with an overview of our sustainability-related activities for the year. We also repackage this content into more digestible pieces that are shared with clients throughout the year.

**On a semi-annual basis:** We produce a **Solidarity Investment Report** for our clients who invest in funds that finance the development of the social economy. The report outlines the outcomes and impacts of these investments along with case studies of various individual investments.

**On a quarterly basis:** We produce bespoke reports for our institutional clients and hold meetings with them to discuss the reports. Portfolio managers join the meetings and go through performance in detail. Sustainability topics are covered in these meetings.

**On a monthly basis:** We generate fund reports and factsheets that include ESG metrics such as the carbon footprint, the ESG score and the ESG contribution of their portfolios versus their respective benchmarks.



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### On an ongoing basis:

- We release thought leadership to our clients on sustainability topics throughout the year, and publish shorter pieces, podcasts and videos on sustainability topics in our [Investors' Corner blog](#).
- We publish key policies, guidelines and annual reports covering stewardship, voting, compliance and assurance, on a dedicated [page on our corporate website](#).
- We send ad hoc updates on new developments related to our Responsible Business Conduct, ESG scoring methodology, the Sustainable Finance Disclosure Regulation (SFDR) and other policy matters.

The dialogue established by our sales teams with our clients on sustainable investing is essential. To do this efficiently, it is important to provide our sales representatives with the right tools, in a variety of formats and for educational purposes, to ensure a relevant and useful dialogue with our clients. The marketing and communication teams have long been committed to reporting on our actions and producing multiple media (brochures, videos, client events, podcasts, articles, infographics) allowing our customers to understand the challenges and opportunities offered by sustainability. To improve the effectiveness of our client communications, a sustainability coordination committee meets monthly with members of the sales, marketing, communications and Sustainability Centre teams to ensure activations and share best practices. The head of the coordination committee also contributes information at each meeting of ESG champions on the activations and tools made available to them.

In 2021, dedicated campaigns were carried out aimed at informing our clients via our commercial relations managers on the SFDR regulations, our stewardship activities and our biodiversity roadmap. A position of client communication officer has also been created with a scope covering sustainable investment topics. Nearly ten sustainable communication kits have been created and distributed to sales teams for communication with customers.

In 2022, we plan to further strengthen our communication system with our clients and all parties concerned: educational materials, section dedicated to our stewardship activities on our corporate website, sustainable investment educational kit for our clients and enhanced reporting.

**"It is up to us to prove the impact of our investment decisions. We owe it to our clients who have chosen to invest with us and expect sustainable investment returns and a positive social and environmental impact. It is up to us to make all this clear and understandable so that everyone can appreciate the true value of our actions. This duty to transparency is essential for the future of sustainable finance."**

**Sonia Liman**  
Head of CSR communication



# ESG integration

Our analysts and portfolio managers integrate relevant ESG factors into their company, asset and sovereign evaluations and investment decisions. This is at the core of our investment processes, and allows them to identify and assess areas of risk or opportunity that may not be understood by all market participants, providing them with a relative advantage.

We believe that analysing investments using environmental, social and governance (ESG) criteria helps us account for a wider set of risks and opportunities, which in turn helps us make better-informed investment decisions; in other words, our fiduciary duty is aligned with sustainable investment. Sustainability is imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure. Against this background, ESG

integration helps us achieve better risk-adjusted returns, because we systematically and explicitly integrate ESG factors into our investment analysis and decision-making.

We accomplish this primarily in two ways: through our **ESG Integration Guidelines** and through ESG research which manifests itself through our proprietary **ESG Scoring Framework**.

ESG Integration Guidelines	ESG Scoring Framework
<p>Our ESG Integration Guidelines shape how our analysts and portfolio managers incorporate relevant ESG factors into their company or asset evaluation and investment decision-making processes.</p> <p>We believe that we should apply these principles to all asset classes, to the extent possible.</p> <p>We actively promote these guidelines to our existing delegated managers and managers we partner with, and we will not delegate to new external managers that do not incorporate sustainable investment policies and practices.</p> <p>For client mandates, we will apply as many of these principles as we can and promote increased incorporation of sustainability principles, while respecting the wishes of our clients.</p>	<p>We chose to build our own proprietary ESG scoring framework to ensure that ESG scores are tailored to our needs. We believe in the merits of looking beyond a headline ESG score to evaluate individual metrics and components that can be valuable sources of insight into investment risk and opportunities. We apply an additional layer of data quality and control to the underlying metrics we source from third parties to narrow our focus to the indicators that we deem to have sufficient coverage, quality and insight.</p> <p>We also use qualitative overlays to correct data, update it or infuse it with our first-hand knowledge and insights. We used the complementary expertise of our Sustainability, Investment and Quantitative Research teams to enhance our ESG scoring framework. Covering more than 13,000 issuers of securities, it helps our portfolio managers pinpoint a company's performance on material ESG issues and integrate these into their investment decisions. Compared to other frameworks, our methodology is markedly differentiated, with a more focused number of ESG metrics and a clear preference for "performance" over "policy" indicators.</p>

We invested heavily in our infrastructure and other resources in 2021 to ensure that our ESG Integration Guidelines are deeply embedded in our business and that our ESG Scoring Framework provides the insights we need to make enhanced investment decisions:

- Established an ESG Integration Steering Committee that brings together members of the Sustainability Centre, Investments and our Quantitative Research Group. The aim of the committee is to manage the scoring evolution process and ensure deepening implementation of our ESG Integration Guidelines. In addition, weekly meetings are held among heads of the investment teams, our Quantitative Research Group and our Product Strategy Marketing Group to manage ESG integration-related projects (for example, implementation of SFDR and other regulatory requirements, evolution of product labels, etc.).
- Integrated ESG scores, carbon footprint scores, coverage data and better-than-benchmark alerts that directly feed into our investment management systems.

- Formalised our process for low-scoring entities and unrated issuers. Portfolio managers are now required to outline the business case and risks for any holdings in low-scoring entities that are then evaluated by our ESG Analysts. They must also do this for unrated issuers within their portfolios, which we address through a qualitative ESG assessment.
- Implemented our better-than-benchmark rule, whereby we aim to construct portfolios with more positive ESG characteristics and lower carbon footprints than their respective (invested) benchmarks. Performance is tracked and reported quarterly on a consolidated basis to the Investment Committee and is part of investment teams' performance objectives.
- Partnered with an ESG data fintech firm on the development of a methodology to measure SDG alignment for corporate issuers. Our approach will track alignment at SDG target level and we will pilot it within certain portfolios in 2022.

## OUR PROPRIETARY ESG RATINGS

Our Proprietary ESG scoring system benefits from the combined knowledge and expertise of three teams, helping to generate robust ESG insights for better-informed decisions.

Powered by the expertise of our sustainability, investment and quantitative teams



### Sustainability Centre

- Selects data providers, and assigns metrics and weights to sectors
- Assesses data quality and coverage (with the Quantitative Research Group)
- Manages data corrections and qualitative overlays
- Regularly reviews sectors to identify key trends, and update data models and overlays accordingly



### Quantitative Research Group

- Analyses data quality, bias and metric correlations to inform and enhance the selection of metrics
- Normalises the distribution of metrics scores
- Provides technical expertise and solutions to build and maintain a robust scoring framework



### Investment teams

- Involved in every step of the ESG scoring development process and related enhancements
- Provide inputs for data corrections and overlays
- Utilise scoring to support investment decision-making



BNPP AM's proprietary ESG scoring framework is:

- **Comprehensive:** Covering more than 13,000 issuers
- **Focused on materiality:** Using a limited number of material, insightful metrics for each sector
- **Investment insight-driven:** built with and for investment professionals
- **Robust:** With a statistically rigorous model developed with our Quantitative Research Group
- **Dynamic and forward-looking:** Integrating unique insights through qualitative overlays
- **Managed by the Sustainability Centre:** to ensure the integrity and consistency of the framework

Thanks to these features, we believe our ESG scoring is a powerful tool to help investment teams **generate long-term sustainable investment returns for investors.**

Our ESG research analysis and findings are independent and based on a wide variety of sources not limited to ESG data providers. They include the knowledge we gain from participating in various investment forums and communities, our relationships with academic institutions and other aspects of civil society.

We select our market data providers using a two-step due diligence process. Our Quantitative Research Group begins by analysing providers' data sets. This includes examining the coverage of data and its quality, and a statistical review of estimation methodologies, among other items. At the same time, the Sustainability Centre performs a qualitative review of methodologies used and the relevance of selection criteria.

Once we have selected a provider, the data sets are usually automatically uploaded into our IT systems. Our market data team oversees governance related to the relationship with the provider and as part of this process, we perform an annual review of our market data contracts. ESG brokers are selected, monitored and assessed through a formal process organised by our External Brokers department and formalised once a year during the Global Brokers Committee.

**Our external specialised providers**

- **Sustainalytics** provides us with raw data metrics that we use selectively to feed our ESG scoring model. We also use this provider for UNGC analysis and controversies offering.
- **Trucost, CDP, 427, TPI and SBTi**: we use these data providers for our climate change and physical risk analysis. Trucost also provides us with scope 1, 2 and 3 carbon emissions data.
- **CDP, Trucost, Forest 500, TRASE, SPOTT, FAIRR, and Iceberg Data Lab**: these providers provide us with water, deforestation and biodiversity metrics we use to assess and report on the biodiversity footprints of our portfolios and holdings.
- **ISS and Proxinvest** provide us with their governance research and data to feed our ESG scoring model.
- **Beyond Ratings** provides us with data and research used in our ESG sovereign research and scoring framework.
- ESG and mainstream brokers provide us with research papers and other market information.



Gathering and assimilating the growing array of ESG data entering the marketplace represents a tremendous challenge. It also represents one of the biggest opportunities the investment management industry has seen for decades to drive value for clients while promoting positive real economy outcomes. Our proprietary scoring framework provides portfolio managers with our differentiated views on the ESG characteristics of investees and our industry-leading ESG Integration Guidelines help client portfolios realise better-than-benchmark ESG performance.”

**Alex Bernhardt**  
Global Head of Sustainability Research

**ESG DATA PROGRAM**

Our approach to investment research benefits from the insights of sustainability experts, our investment teams and third-party research providers. While we have developed a proprietary ESG research model, we also draw on a wide range of third-party research agencies' data and analysis to supplement our research and provide complementary insights.

In 2021, we continued to develop our ESG scores and our know-how in processing ESG data by launching our ESG Data Program, which helps to industrialise our processes and prepare us for future client reporting and regulatory changes. During the year, we invested significant time and effort into ingesting multiple data sources and methodologies linked to measuring net zero and implied temperature rise for portfolio companies. We also worked on a revenue-based methodology for identifying alignment with the Sustainable Development Goals. Effectively developing and deploying these research methodologies depends not only on access to data, but also on having the internal capabilities to clean and manipulate that data to develop robust research that can be used to support investment analysis, portfolio construction and measurement and reporting. The functional relationship between our Sustainability Centre, Quantitative Research Group, digital and IT teams is critical to our ability to develop and maintain these proprietary ESG datasets and deliver the results to our investment teams.

2022 will see an ambitious continuation of our ESG Data Program, with improved data, analytics and reporting for investment teams as well as clients and regulators.



“It helps very much to have the expert team at BNPP AM provide structure and guidance. Our platform is unique as we have sustainability-focused sector specialists who help us navigate the many questions that arise as we square ESG scores with underlying activities at the company and in the industry. I think this provides a differentiated lens for us, enhancing the dialogue with companies and, in some cases, providing a basis for challenging our investment theses.”

**Whitney Jiraneck**  
Senior Research Analyst, US & Global Thematic Equities

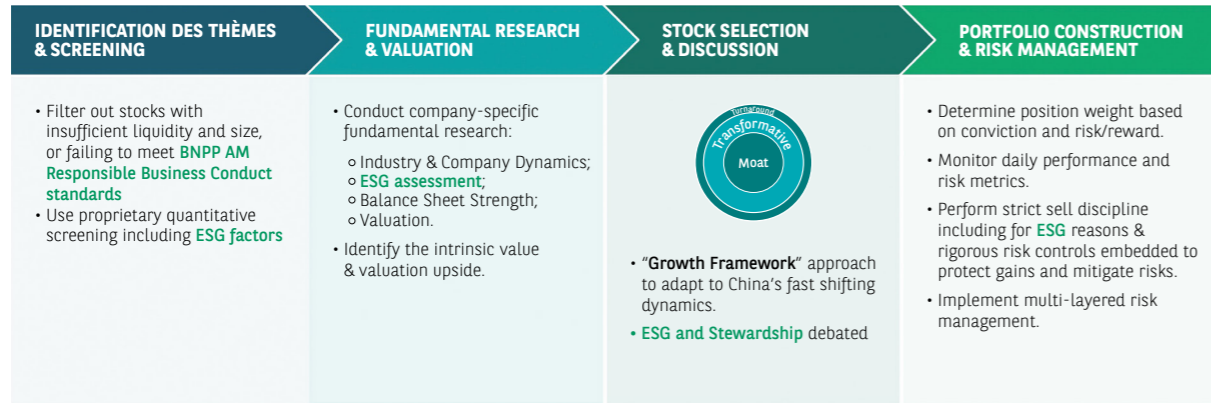
**INNOVATION AND SUSTAINABILITY**

Our aim is to create a work environment that allows for innovation through experimentation and promotion of a culture that encourages positive disruption to our work practices. In 2021, our Innovation team worked with the Sustainability Centre on a number of projects, using methodologies such as design thinking. For example, we worked with a client to reorient one of their dedicated funds to include a strong focus on the physical risks associated with climate change. Our hope is to integrate this kind of thinking more broadly across our range of funds. We also used an open innovation approach to bring together the Sustainability Centre and the Quantitative Research Group so that they could collaborate with a start-up using alternative unstructured data to identify and review controversies.

→ DISCOVER HOW WHITNEY DRIVES SUSTAINABILITY

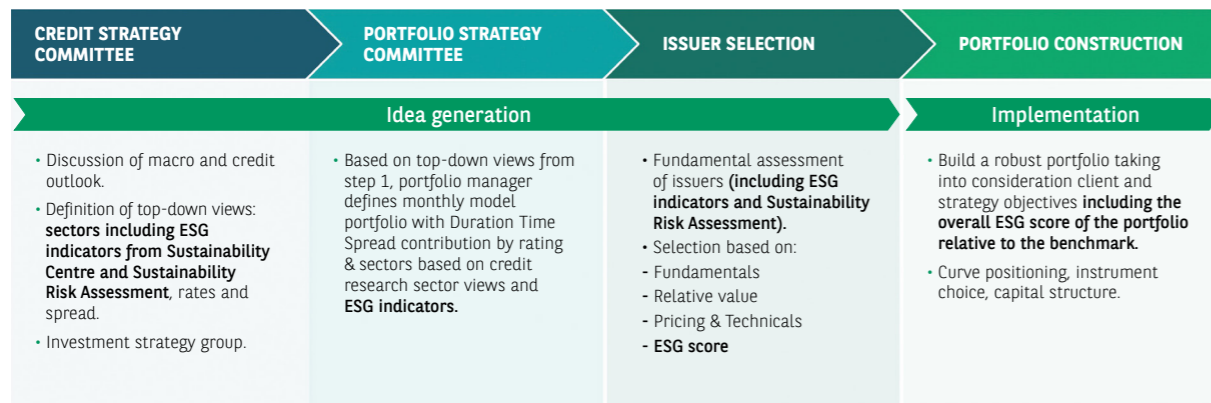
[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

Example of ESG Integration in Equities (Greater China Equities)



Generating high-conviction ideas through a disciplined and repeatable approach

Example of ESG Integration in Fixed Income (Euro High Yield Bond Fund)



Continuous risk monitoring

ESG INTEGRATION IN ETFs

**Context:** Passive investment strategies are a growing part of our product mix, and at the same time, they have historically lacked the same level of ESG integration as active investments, potentially resulting in a gap in our offering.

**Activity:** Since mid-2017, all of our ETF launches have focused on sustainable indices. In 2021, we worked with index providers to shift 18 of our existing ETFs to ESG – and Paris-aligned benchmark indices in order to strengthen the sustainability characteristics of our flagship BNP Paribas Easy Index range.

**Outcomes:** By changing these indices, 83% of the BNPP AM index range, representing €16.4 billion in AUM, is now classified as Article 8 or Article 9 according to SFDR regulations. This will deliver real results: as an example, the MSCI SRI S-Series 5% Capped range will aim to reduce the carbon intensity of its seven indices by an initial 50%, followed by annual decreases of 7%, in line with the 1.5°C trajectory of the Paris Agreement. In addition, our Blue Economy and Circular Economy strategies have been reclassified from Article 8 to Article 9 funds under SFDR. Our goal in 2022 is to convert the remaining range of ETF funds to be "fully sustainable," meaning that our ESG index solutions will cover all equity and bond markets, a range of geographic areas and multiple ESG thematic investments.

SCORING SOVEREIGNS

**Context:** Rating the ESG performance of sovereigns is fundamentally different than for corporate issuers.

**Activity:** We adapted our ESG scoring methodology to provide a view of the ESG performance of a country and enable us to compare countries with different levels of economic development. In addition, we assess countries' commitments concerning climate change thus informing our engagement with them on this issue. We also apply the BNP Paribas Group's sensitive countries framework, which includes risk mitigation measures on certain countries or activities that are considered particularly exposed to money laundering or terrorism financing. And finally, as with our company scoring model, we incorporate qualitative inputs from investment teams' in-depth knowledge, and from dialogue and engagement with debt management officials and policymakers. Our Sovereign

ESG data model has equal weighting for each of the E-pillar (14 themes), S-pillar (12 themes) and G-pillar (7 themes), comprising a total of 225 KPIs structured around 33 key themes.

**Outcomes:** We have developed a robust scoring system that covers more than 175 countries. We have also supplemented our scoring with direct engagements with sovereigns, including discussions with the Indonesian and Dutch governments about their green bond issuance that clarified their strategy on climate change, the actions they are taking, progress and constraints. In 2022, we will focus on enriching our model by enhancing the materiality element to understand if ESG factors vary in their importance and begin to pilot data on physical risks due to climate change.

ACADEMIC RESEARCH WITH GRASFI

We have established an academic partnership with the **Global Research Alliance for Sustainable Finance and Investment** (GRASFI) to ensure our ESG Research Analysts and investment and QRG teams remain on the leading edge of the rapidly evolving sustainable investment space. This year, we sponsored their fourth annual conference where researchers from around the world presented their academic findings on a range of topics related to sustainable investment. Each year, prizes are awarded for the best work in several categories. The study that won first prize at the 2021 Annual Conference is entitled "**The Effects of Mandatory ESG Disclosure around the World.**" It was produced by four professors and lecturers – Philipp Krueger, Zacharias Sautner, Dragon Yongjun Tang and

Rui Zhong – from the university of Geneva, the Frankfurt School of Finance, and the universities of Perth and Hong Kong. They analysed a global data set based on ESG information regulations introduced in 25 countries between 2000 and 2017. Their research has shown that mandatory disclosure of extra-financial information has a positive impact on the quality and transparency of the information available to market participants in the assessment of enterprises. Members of our investment and sales teams attended the conference, and we later summarised the conference papers for our ESG Champions and other investment staff so that they could efficiently incorporate relevant findings into their work.



**THE INEVITABLE POLICY RESPONSE**

**Context:** The **PRI's Inevitable Policy Response** (IPR) initiative aims to prepare institutional investors for the portfolio risks and opportunities associated with a forecast acceleration of policy response to climate change. It postulates that markets have not yet priced in (an inevitable) forceful policy response to climate change and that governments will be forced to act more decisively to address climate change than they have done so far, exposing investor portfolios to significant risk. The longer this response is delayed, the more abrupt, disorderly, and disruptive it will be.

**Activity:** During 2021 we contributed as a strategic partner to the IPR, which is run under the umbrella of the PRI. The primary aim of the IPR is to produce climate change forecast scenarios which are:

1. **For and by investors** thus producing outputs which are more readily actionable in investor risk and valuation modelling than typical scenarios which are driven by academic or policymaker purposes.
2. **As politically and scientifically feasible as possible** based on bottom-up analysis of country-level policy considerations since many climate scenarios are top-down only or produce obviously unrealistic results at sector or regional levels.

In its latest iteration, IPR finalised a Forecast Policy Scenario, which predicts policy changes over the coming decade that will limit emissions to a level giving a 50% chance of staying below 1.8C. They also produced a Required Policy Scenario, which sets out the additional measures required to keep us below 1.5C, the so-called 'safe' level roughly aligned with net zero total economy CO<sub>2</sub> emissions by 2050.

**Outcomes:** In addition to IPR's climate scenarios, we are also absorbing 1.5C scenario data from the IPCC IAMC, the NGFS and the IEA. These scenarios will serve as important building blocks for our forthcoming climate research which we intend to leverage in various ways over the coming years:

- **Responsible Business Conduct Policy:** As we have committed to decarbonizing our portfolios, a key component of our strategy will be measuring progress against this science-based goal. Climate scenarios may be a useful benchmark for refining our coal policy or policies for other high-emitting sectors.
- **Scenario Analysis:** Climate scenarios can be used to inform a variety of scenario analysis techniques, both top-down (e.g. macroeconomic; asset allocation) and bottom-up (e.g. discounted cash flow or credit risk analysis). While not in our short-term research agenda, we believe that scenario analysis will be an increasingly valuable tool in integrating our sustainability views into security selection and portfolio construction over time.
- **Thematic Investment Funds:** IPR scenarios may provide an endorsement or roadmap for existing and potential new environmental thematic investment strategies.
- **Sovereign Engagement:** One of the IPR outputs includes a detailed assessment of country-level climate policies up for consideration and their relative importance and likelihood of enactment. This information will be a useful guide as we look to build our public policy engagement strategy around this important issue.



# Voting and engagement

As long-term investors, we use voting, engagement and policy advocacy to influence companies and the world for the better. Promoting good ESG standards is an essential part of our ownership responsibilities.

# 2

# OUR APPROACH: TO BE A FUTURE MAKER

Voting and engagement are key components of our Global Sustainability Strategy and our investment decisions. Together, 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"> <li>Engagement related to voting</li> <li>Thematic engagement</li> <li>Engagement linked to ESG performance</li> </ul>	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 ESG<sup>4</sup> 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

[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

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)<sup>5</sup>, 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, UCITS<sup>6</sup>, 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.

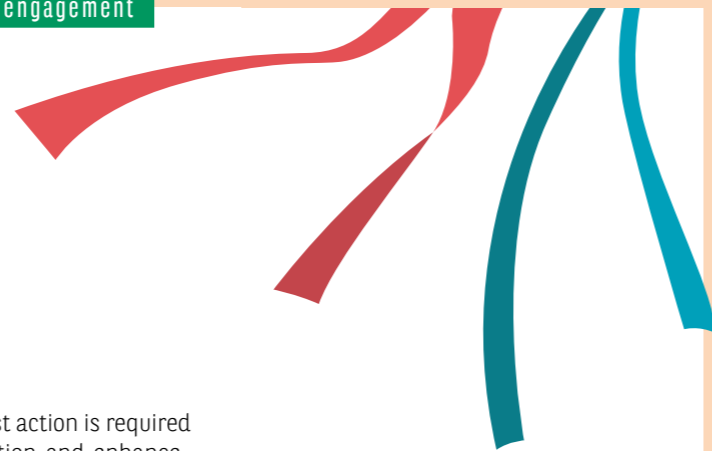
- **Our engagement practices** encompass our public equity holdings — both actively and passively managed — and extend beyond them. We regularly engage with issuers of green bonds to help us understand the environmental and social risks and expected benefits of the issuance, ensure that the investment 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.



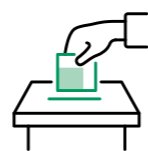
### External recognition: BNPP AM a leader in engagement and voting



**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.

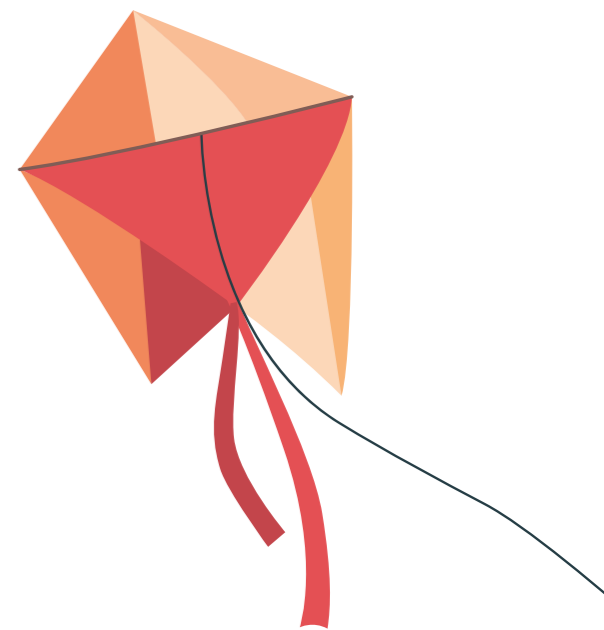


**December 2021.** In a **study** on investor engagement on the climate crisis, Ceres ranked BNPP AM second among the world's top asset managers in terms of supporting climate-related shareholder proposals, including 100% support of proposals flagged by Climate Action 100+.



**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.

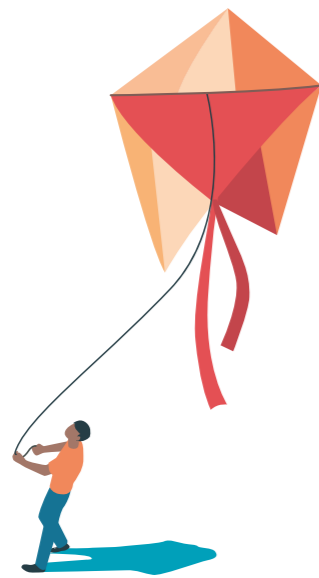
## VOTING SCOPE FOR 2021

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 demand<sup>7</sup>.

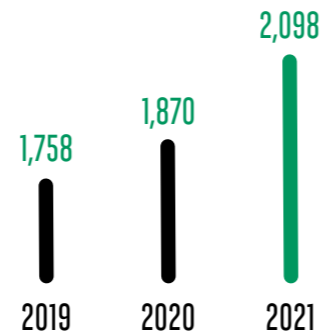
In 2021, we did not have a securities lending program in place.



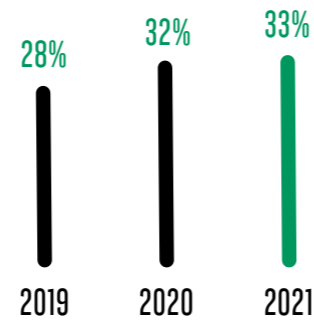
## KEY VOTING STATISTICS

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

Total AGMs voted over 3 years



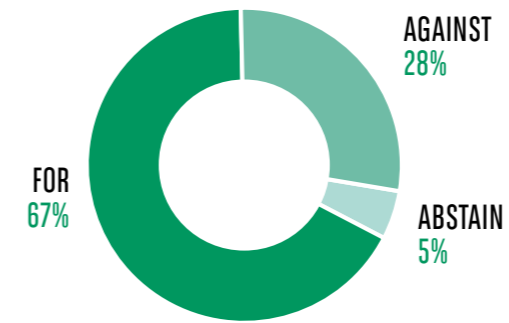
Opposition rate over 3 years



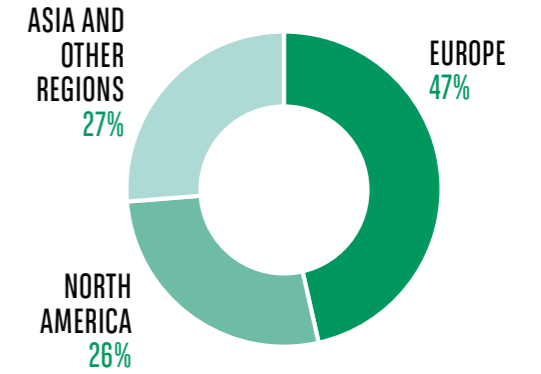
Of 28,276 resolutions we voted on, 27,450 were submitted by companies and 826 by shareholders. Among the resolutions submitted by companies, we voted in favour of 67% of management resolutions (18,304 resolutions) and opposed 33% of management proposals (we abstained on 1,328 items and voted against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

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

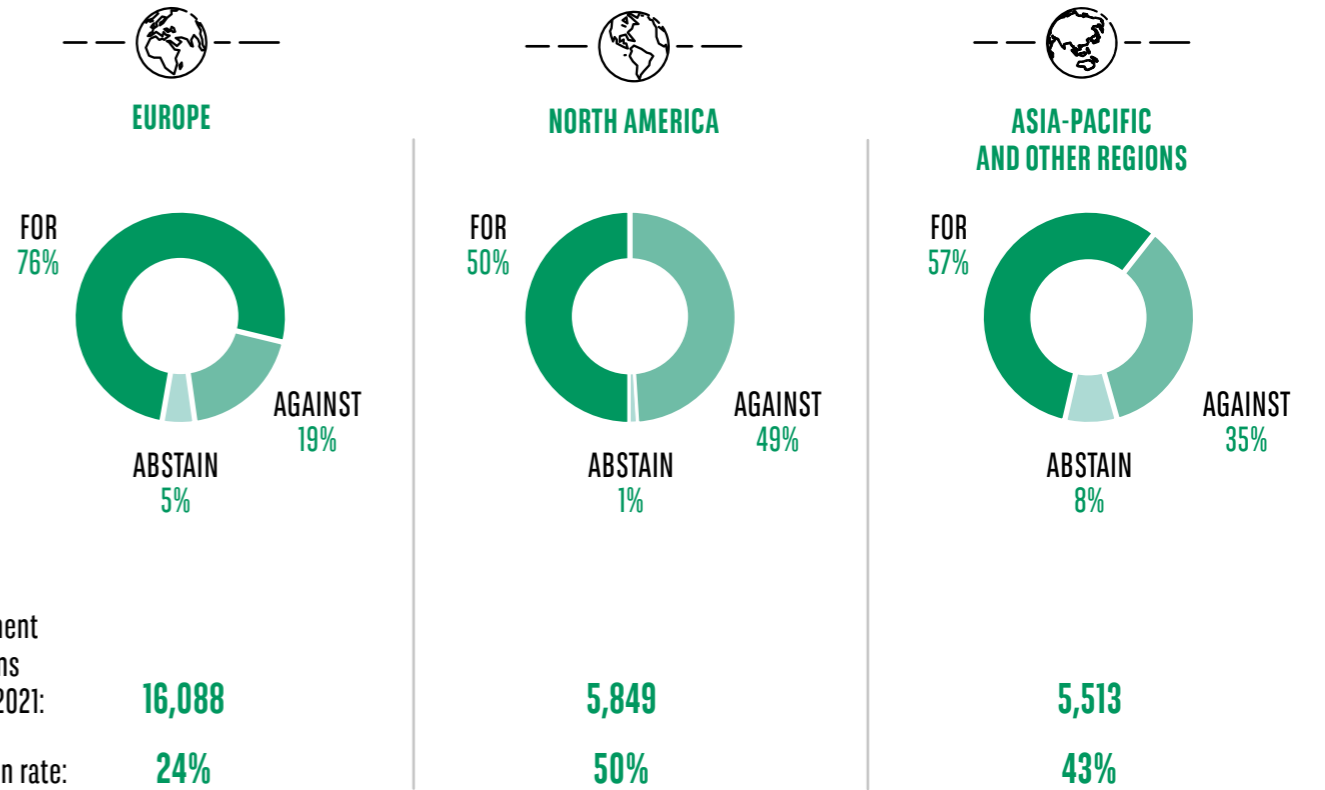
Vote on management proposals



Geographic breakdown



Focus on regions



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

**5,849**  
**50%**

**5,513**  
**43%**

7. 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 <sup>8</sup>	7,142	6,265	877	12%
<b>TOTAL</b>	<b>27,450</b>	<b>18,304</b>	<b>9,146</b>	<b>33%</b>

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.

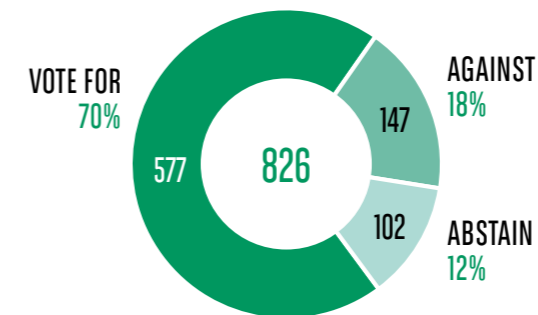
## FOCUS ON SHAREHOLDER PROPOSALS

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 CO<sub>2</sub> 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).



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

# ENGAGEMENT

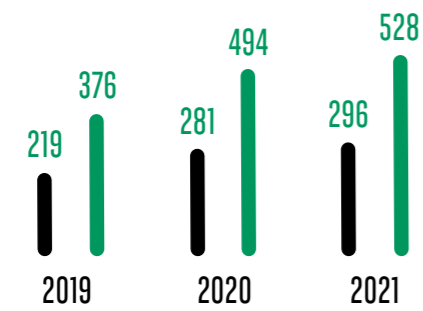
Meaningful engagement with issuers enhances our investment processes and enables us to manage long-term risk for our clients by promoting strong ESG practices in the companies in which we invest on their behalf. Notably, this commitment to engagement extends beyond our actively and passively managed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

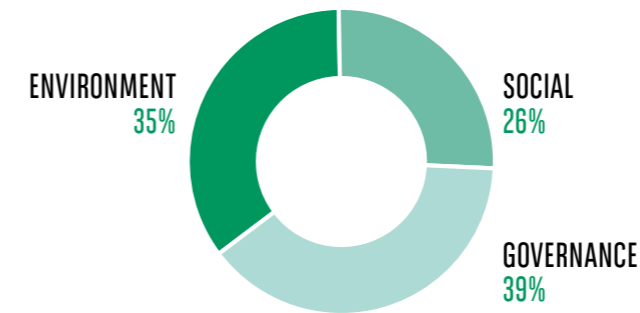
#### Engagement linked to ESG performance

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.

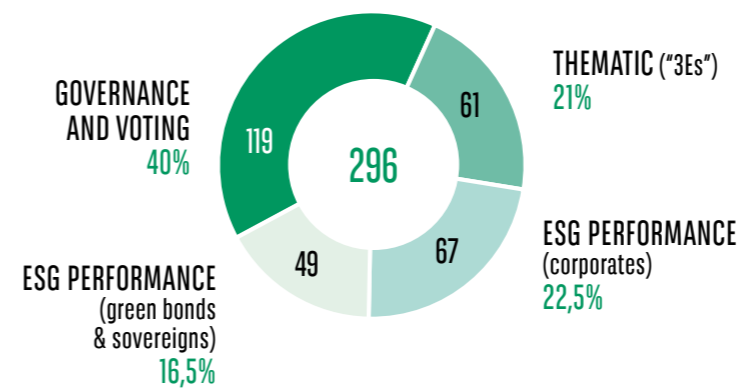
	TOTAL	Europe	North America	Asia Pacific and other regions
ENVIRONMENT	192	86	65	41
SOCIAL	142	69	52	21
GOVERNANCE	218	126	68	24
<b>TOTAL NO. OF COMPANIES</b>	<b>296</b>	<b>188</b>	<b>52</b>	<b>86</b>

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

[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

## 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



**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



**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.

**Outcomes:** Three of the nine companies started disclosing this year: **Yum China** (China), **Dabur India** (India) and **Li Ning** (China). Our meeting with Yum China (China) was particularly fruitful. 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.

The company has committed to implement a Zero Deforestation Strategy. 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.



**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.

**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.

**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.

**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 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**.

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.

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.

**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.

COAL-FIRED POWER GENERATION /  
COAL SECTOR POLICY

COLLABORATIVE  
INITIATIVES

**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% CO<sub>2</sub> 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 15<sup>th</sup> 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.

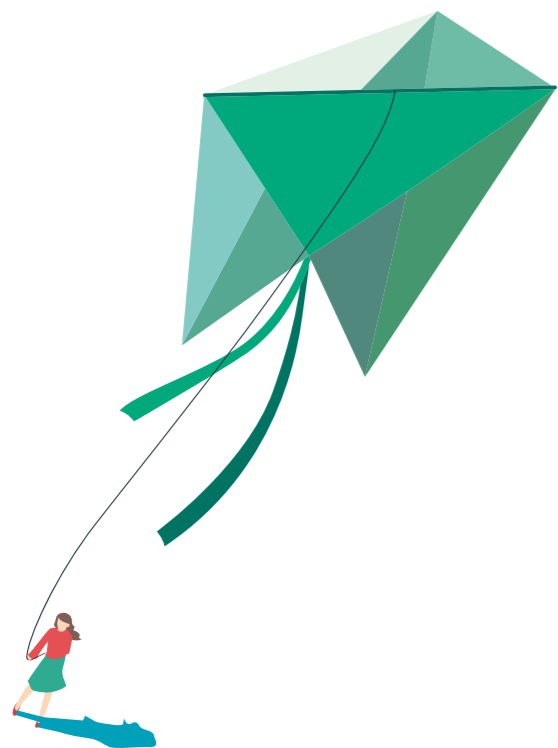
More recently we became a member of Finance for Tomorrow (F4T), the initiative launched by Paris Europlace and the financial institutions of the Place de Paris to promote sustainable finance in France and build a strong ecosystem to facilitate international cooperation. Through this new membership, we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

**3**

**Responsible business conduct**

In line with the UN Global Compact Principles, we expect companies to meet their fundamental obligations to respect human and labour rights, protect the environment and ensure anti-corruption safeguards wherever they operate. We also have a series of policies that set out the conditions for investing in specific sectors and guide our screening requirements and engagement approach. We engage with companies in areas in which they fall short and exclude the worst offenders.



It is our belief that companies' business conduct impacts the value and reputation of entities in which we invest.

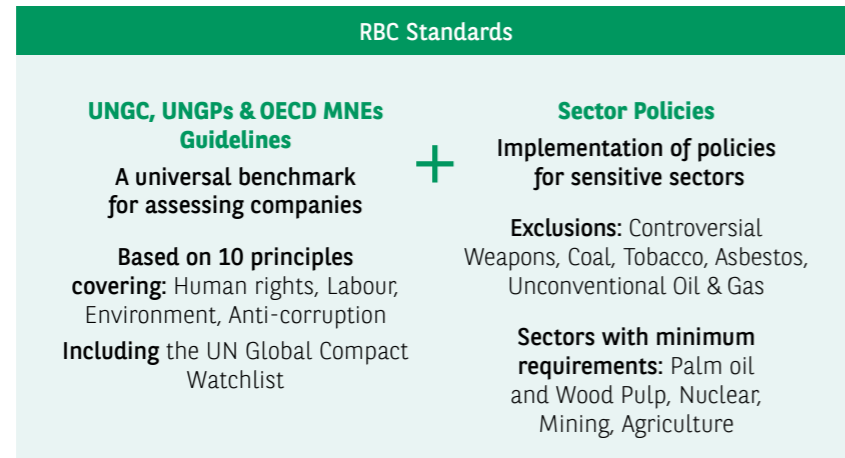
We expect companies to meet their fundamental obligations to respect human and labour rights, protect the environment and ensure anti-corruption safeguards wherever they operate, in line with the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises (OECD MNEs Guidelines).

We will not invest in companies in violation of these standards and companies struggling to meet the standards will be put on a watch list.

A series of policies set out the conditions under which we will invest in specific sectors, and guide our screening requirements and related stewardship activities. These criteria are based on relevant international conventions and regulations (including the supplemental criteria provided by the OECD for sensitive sectors such as responsible agricultural supply chains and conflict minerals), BNP Paribas Group CSR Policies, and voluntary industry standards. In each sector, we highlight mandatory responsible business conduct requirements that must be met by issuers in order for us to invest. In addition to the compulsory

standards, we have also developed criteria that we encourage companies to comply with. The latter provides a good framework for further analysis and dialogue with companies.

Finally, we also have a set of policies that commit us to exclude certain sectors or activities when we deem them to be in violation of international norms, or of causing unacceptable harm to society or the environment, without counterbalancing benefits. These are generally sectors where engagement makes little sense.



The following principles govern our implementation of Responsible Business Conduct within our investment processes:

- Investment universes are periodically screened with a view to identifying issuers that are potentially in breach of UN Global Compact Principles and OECD MNEs Guidelines or mandatory requirements applicable to controversial sectors and products.
- This assessment is conducted by our Sustainability Centre based on internal analysis and information provided by external experts, and in consultation with BNP Paribas Group CSR.
- As a result of this process, we maintain two lists:
  - An exclusion list of issuers that are associated with serious and repeated breaches of UN Global Compact Principles or mandatory requirements related to controversial sectors and products.
  - A watch list of issuers that are at risk of breaching ESG standards and with whom we engage in dialogue to encourage improvements.

Our Sustainability Committee, which includes our most senior executives and is chaired by our CEO, must approve all changes to the Exclusion List. The list is updated at least once a year. The Sustainability Committee must also approve the implementation of all new or updated sector policies as well as the initial exclusion list or changes to the list as a result of these policies.

COAL

**Context:** There were a number of high-profile reports on the push for net zero published over the past year. In May 2021, the International Energy Agency (IEA) published a new report outlining how the world could transition to a Net Zero Energy (NZE) system by 2050, aligned with a 1.5°C pathway.

**Activity:** The goals of our coal policy, adopted in 2019, are to manage stranded asset risk while improving the climate profile of our holdings and avoiding financing the most climate damaging activities. The policy addresses both companies engaged in the mining of thermal coal and those using thermal coal for the generation of electricity. We have progressively strengthened our coal policy since its inception.

BNPP AM excludes mining companies that meet any of the following criteria:

- Are developing or planning to develop thermal coal extraction capacities (new mines or expansion of existing ones).
- Derive more than 10% of their revenues from mining thermal coal.
- Produce more than 10 million tonnes of thermal coal per year.
- Do not have a strategy to exit from thermal coal activities by 2030 in the European Union and OECD countries, and by 2040 for the rest of the world.

BNPP AM excludes all power generators that meet any of the following criteria:

- Are adding operational coal-fired power generation capacity to their power portfolio.
- Have a carbon intensity above the IEA Sustainable Development Scenario (SDS).

In 2021, we strengthened our policy to systematically exclude any power generators that will still have coal capacity in their generation mix in 2030 in the European Union and OECD countries, and 2040 for the rest of the world.

Our holdings in the power generation sector track the IEA SDS for power generation and our overall exposure to coal power production is limited. As we do not have similar benchmarks for mining companies, we have implemented thresholds that we believe are strict enough to reduce our overall exposure to coal mining. We have been reducing the absolute threshold over time and will continue to do so. Our exposure to coal will be eliminated by 2030 for OECD companies and 2040 for non-OECD companies.

**Outcomes:** Our policy has led to the exclusion of over 1,300 companies involved in coal power generation or coal mining activities from our portfolios. As a result, our portfolios have a limited and decreasing exposure to coal, their power generation mix being approximately 60% carbon-free. At this stage, we do not plan to change our policy further. Our higher priority is to consider our investments in other sectors not yet addressed and to align our portfolios in general beyond power production.



## UNCONVENTIONAL OIL AND GAS

We continue to progressively align our portfolios with the goals of the Paris Agreement by introducing exclusions and mandatory criteria for companies with significant involvement in the exploration, production, trading or pipeline distribution of shale oil or gas, oil sands, and oil and gas resources located in the Arctic region. We plan further enhancements to this policy in 2022.

## STRENGTHENING OUR AGRICULTURAL SECTOR POLICY

In 2021, we updated our agricultural sector policy in line with BNP Paribas Group's amended Agricultural Sector Policy to tighten restrictions on deforestation and land clearance in the Amazon and Cerrado regions of Brazil, two of the most biodiverse regions on Earth. These restrictions call for an increase in the level of transparency and traceability of agricultural commodities and their value chain, accompanied by specific targets. BNP Paribas Group also released its **position on biodiversity** preservation this year and our own work at BNP Paribas Asset Management builds on this.



4

# The "3Es"

We believe a better world is one with an economic model built on a successful **energy** transition, **environmental** sustainability, and **equality** and inclusive growth – our 3Es. These are critical preconditions that together represent the pathway to the economic sustainability that enables us, as investors, to safeguard long-term returns.



Through the process of developing our Global Sustainability Strategy, we identified three systemic risks that we believe are critical pre-conditions for a more sustainable and inclusive economic system: the energy transition, environmental sustainability and equality.

Moreover, we believe that addressing these issues is critical to financial market stability. 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.

This section details how we are addressing these risks to help to promote well-functioning markets.

### MARKET-WIDE RISKS

The identification of market-wide risks is an essential task for any asset manager and is performed by different groups within the Investments division of BNPP AM.

Our Macro Research and Investment Strategy team is charged with providing well-researched, high-conviction, counter-consensus views to portfolio managers to support their investment decisions. The team has five economists responsible for covering macroeconomic, economic policy and political developments in key regions of the globe, as well as three strategists responsible for covering the core asset markets: fixed income, foreign exchange, commodities and equities.

The credit research team within the Global Fixed Income department performs the same function, focusing on analysis of the fundamentals of private-sector issuers within the universe of corporations that we invest in.

Our investment teams are permanently engaged in assessing potential market moves and the risks to individual positions or to their entire portfolios. Risk managers within our Fundamental Active Equities and Global Fixed Income investment divisions work closely with investment teams to carry out regular and ad-hoc stress testing analysis using our investment management system. Combined with and supplementing other risk measures and reports, such as tracking volatility and VaR/Expected Shortfall, stress testing gives us important insights into how portfolios are expected to perform in a range of possible scenarios. The risk managers regularly conduct analysis of prospective and customised scenarios, as well as reviewing historical scenarios for relevant data. While we know history never repeats itself exactly, such reviews allow us to identify acute sensitivities to factors that manifested themselves in past market regimes and environments and assess their relevance to today's conditions.policies.

## ENERGY TRANSITION

"Energy transition" is the term now widely used to describe the structural shifts that are occurring in the global energy system. Ignited by the climate crisis, there are four main drivers of this energy transition:

- public policy;
- technology;
- changing consumer preferences;
- changing investor preferences.

These four factors operate in a feedback loop, so the energy transition will likely intensify and accelerate over the next decade. The transition is an opportunity in the short, medium and long term to boost growth, both from increased investment in the low-carbon economy and by fostering innovation and technological progress. In the long run, it is the only plausible growth we can aspire to and those that do not adapt will be left behind.

Our objective is to make a substantive contribution to this transition. We work towards this objective in three ways:

- Align our investment portfolios with the goals of the Paris Agreement.
- Encourage our investee companies and countries to align their strategies with the goals of the Paris Agreement.
- Encourage policymakers to adopt measures that align with the goals of the Paris Agreement.

We add our voice to the advocacy of many organisations on the forefront of calling for urgent, far-reaching policy action to address the climate crisis and achieve net zero by 2050:

- We are a founding member of the Institutional Investor Group on Climate Change (IIGCC).
- Jane Ambachtsheer, our Global Head of Sustainability, is a trustee of CDP and a member of the FSB's Task-force on Climate-related Financial Disclosures.
- We are a Strategy Partner of the Inevitable Policy Response.

- We are a member of the Investor Agenda and are robustly implementing its framework.

A member of our Sustainability Centre also sat on the Technical Expert Group for the EU Taxonomy to help ensure the new framework could work for investors. **The BNP Paribas Group played an active role at COP26 in Glasgow** in order to contribute towards a successful outcome, and the Group and its various business lines are participating in the Glasgow Financial Alliance for Net Zero.



**BNP PARIBAS ASSET MANAGEMENT JOINS THE NET ZERO ASSET MANAGERS INITIATIVE**

**Activity:** In 2021, we joined the **Net Zero Asset Managers Initiative**, an international group of asset managers supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, and supporting investments that are aligned with this goal. It represents over 220 signatories managing US\$57 trillion in assets under management.

**Outcomes:** As part of the Net Zero Asset Managers Initiative, will set an ambitious but pragmatic target to align a portion of our portfolio to a net-zero pathway by 2025 and 2030. This marks the next step in our journey to decarbonise our portfolios and complements a number of our existing policies and investment approaches:

- Introduced an absolute tilt in our ESG scoring methodology to reflect carbon emissions risks, creating a positive bias towards issuers and sectors with lower carbon emissions.

- Portfolio managers are actively encouraged to have lower than benchmark GHG emissions in their portfolios.
- Published the carbon footprints of our funds so that clients can make informed decisions.
- Actively addressed climate change as part of our steward-ship policy.
- Brought to market a range of climate-focused strategies (Carbon Offset, Climate Care, Low Carbon, Climate Impact, Green Bond and Energy Transition).
- Enhanced our coal policy, which has significantly reduced our coal exposure since its introduction in 2019.



**Joining the Net-Zero Asset Managers Initiative marks the next step in our journey to decarbonise our portfolios and complements a number of our existing policies and processes"**

**Thibaud Clisson**  
ESG Analyst, Climate Change Lead



**"We launched a long/short thematic strategy, which encompasses two broad verticals. One is the energy transition, which has to do with the energy system's decarbonisation, decentralisation and digitalisation. The other focuses on natural capital and ecosystems - land, food, forestry, water, ocean systems and the urban ecosystem. At its simplest level, it is the idea that carbon and climate do not exist in an isolated fashion but are rather part of a broader system of interrelated networks."**

**Ulrik Fugmann & Edward Lees**  
Co-heads of the environmental investment strategies

→ DISCOVER HOW ULRIK & EDWARD DRIVE SUSTAINABILITY

[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

# ENVIRONMENTAL SUSTAINABILITY

Unless we act immediately and radically to reverse environmental degradation, not only will we destroy our natural capital, we will be unable to sustain the economic growth rates and prosperity levels that populations in developed countries enjoy, let alone extend them to developing nations.

We need to first stabilise total demand for natural resources, then reduce it in the context of a growing population. And we need to substantially improve natural resource productivity or, where possible, find substitutes. We also need to drastically reduce the ecological impact per unit of production and move towards net-zero impact. Finally, we must develop a circular economy that allows natural resources to recover and to regenerate themselves.

Our overall objective is to improve the environmental impact of our investments. We have two targets with respect to our water and forest footprints:

- Improve the water efficiency of our investment portfolios, especially in water-stressed areas, and measure and disclose the water footprint of our portfolios. We encourage water-intensive companies operating in water-stressed areas to significantly improve their water efficiency while ensuring water access to local communities.
- Support global efforts to end forest loss by 2030. Our target is for relevant companies in our portfolios to:
  - Adopt No Deforestation, No Peat and No Exploitation (NDPE) commitments for agricultural commodities (palm oil, soy, paper, timber and beef products).
  - Adopt NDPE commitments by 2030 from non-agricultural sectors (mining, metals, infrastructure, etc.).

In 2021, we published **Sustainable by Nature: Our Biodiversity Roadmap**, which details our views on what investors can do to address the biodiversity crisis. It also describes how we have incorporated biodiversity-related metrics into our investment decision-making process and engagement activities, as well as our product development and CSR approaches. One of the most significant conclusions of the roadmap is that gaps exist in current corporate disclosures and there is a need to build better models to help investors reorient capital towards nature-positive pathways. That is why we have been supporting and participating in market-shaping initiatives to fill this gap.

We aim to shape global, regional and national policy responses to nature loss by taking part in several key initiatives. In December 2021, we signed the revised business statement for a **Global Treaty on Plastic Pollution** and we are pleased that this was subsequently endorsed by governments around the world.



**ADVOCATING FOR BETTER DISCLOSURE  
PARTNERSHIP BETWEEN BNPP AM AND CDP**

**Context:** One of the most significant conclusions of our **Sustainable by Nature: Our Biodiversity Roadmap** is that gaps exist in current corporate disclosures and there is a need to build better models to help investors reorient capital towards nature-positive pathways.

**Activity:** In 2021, we joined forces with the CDP in their study and development of common biodiversity measurement indicators for corporate reporters. With our financial support, CDP developed a standard framework for corporate reporting on biodiversity, accelerating nature conservation efforts in the private sector.

The CDP, which manages the preeminent global environmental data platform, is expanding its work to accelerate ecosystem protection and restoration. The partnership with BNPP AM establishes a new reporting standard and integrates biodiversity data into global investment, corporate management and public policy decision-making.

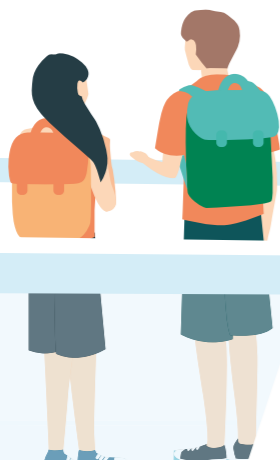
**Outcomes:** The work of this partnership is speeding up reporting and transparency of companies' environmental data and raising awareness of businesses and financial institutions of the risks related to biodiversity, both of which are essential to curbing the erosion of biodiversity caused by their activities.

**Two BNP Paribas experts join TNFD**



**Sébastien Soleille Robert-Alexandre Poujade**

We are pleased to have supported the launch of the new **Taskforce on Nature-related Financial Disclosures** (TNFD) with the appointment to TNFD of Robert-Alexandre Poujade, ESG Analyst and Biodiversity Lead at BNP Paribas Asset Management and Sébastien Soleille, Head of Energy Transition and the Environment for the BNP Paribas Group. The goal of this initiative is to mirror the Task Force on Climate-related Financial Disclosures by providing a framework for organisations to measure and act on nature-related risks.



# EQUALITY AND INCLUSIVE GROWTH

companies to take account of and manage their labour and employment practices and their impacts.

Amid growing wealth and income inequalities, questions are being raised about how capital is distributed within the corporate enterprise and society at large, from the CEO to the average employee, the consumer, government and shareholders. There is a growing focus on the role companies play in seeking to influence the rules of the game through lobbying and other political activities. In addition, the political consequences of rising inequality and social exclusion are beginning to be felt. The failure to equitably distribute the gains from globalisation and capitalism is perceived by many economists as a root cause of growing populist movements around the world. The changing political landscape – and the policies that could emerge alongside – could negatively impact the foundations of democracy. Consequently, inequality has risen to the top of the policy agenda.

Our objective is to promote a more equitable and sustainable distribution of value to ensure the long-term stability and resilience of societies and ecosystems. We have started our efforts in three areas:

- 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.
- Encourage companies to promote all forms of diversity and provide greater opportunities for women and minorities, at all levels of the organisation.
- Encourage companies to adopt more transparent tax strategies.

Investors can play an important positive role by incorporating a social equity bottom line into their investment analysis and practices, and by encouraging

Encouraging these actions will help to rebalance the inequalities of wealth, income and opportunity that threaten the long-term stability of our economies.

**OUR INCLUSIVE GROWTH MODEL**

**Context:** The "S" in ESG has historically received less attention by investors, but recent global events have put a new emphasis on prioritising social factors in the investment decision-making process. One challenge has been the shortage of information related to how companies can contribute to inclusiveness. We believe there are many ways for companies to address inequality that will, at the same time, contribute to long-term profitability.

We then mapped these areas of activity against common and sector-specific ESG metrics using a variety of external data sources. Through testing of the underlying quality of data, we designed customised analyses on some metrics – for example, the ratio of women in management to overall employment and CEO to average pay ratio. The data model also includes controversies and integrates a qualitative analysis by our Sustainability Centre.

**Activity:** We have developed an evaluation methodology that combines the expertise of our Quantitative Research Group and our Sustainability Centre to determine the indicators that set an inclusive company apart from a non-inclusive company.

The final inclusive score awarded to each company is based on an overweighting of social criteria, accounting for 65% of the score, compared to 20% for governance criteria and 15% for environmental criteria.

We identified five pillars as the main drivers of inclusive growth: decent work, social mobility, access to primary goods, business ethics and contribution to the energy transition and circular economy.

**Outcomes:** We have started to implement this model in certain investment strategies, including our new Inclusive Growth strategy.



**While we believe this results in an investment universe that better identifies issues related to the S in ESG, we will continue to work with data providers to enhance the availability and quality of S data."**

**Delphine Riou**  
ESG Analyst, Inclusive Growth Lead

## 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		
<b>INVESTOR STATEMENTS AND OTHER INITIATIVES</b>					
Align (European Commission, WCMC Europe, Capitals Coalition, Arcadis, ICF, UNEP-WCMC)	2021		X		
Business Call 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, IIC, 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			

# 5

## Sustainable+

Our Sustainable+ range integrates the four core pillars of our sustainable offer and adds something more: "Enhanced ESG" strategies that bring together multi-factor, best-in-class and labelled funds; "thematic" strategies that invest in companies providing products and services that offer concrete solutions to specific environmental and/or social challenges; and lastly, "impact" strategies that generate deliberate and measurable positive social and/or environmental impact in addition to financial performance.



**SFDR: 81% OF THE ASSETS IN OUR OPEN-ENDED FUNDS ARE CLASSIFIED AS ARTICLE 8 OR 9**

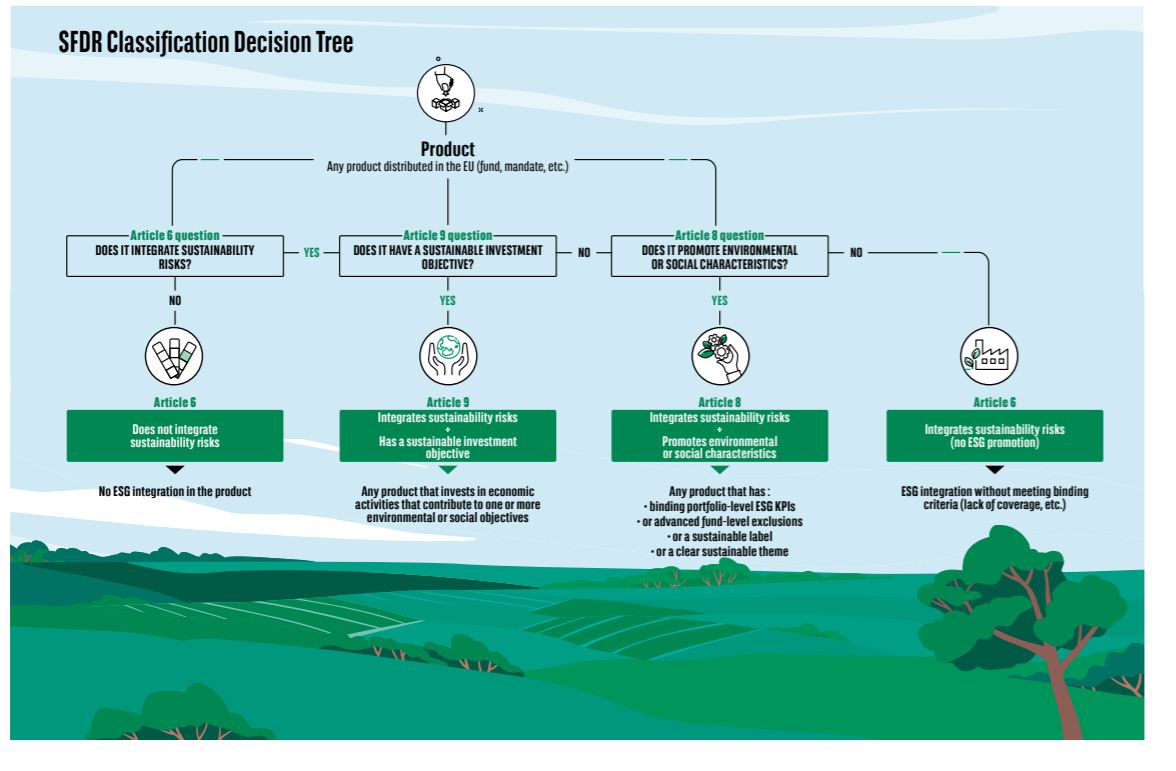
**Context:** The Sustainable Finance Disclosure Regulation (SFDR) is a central plank of the European Commission’s (EC) 2018 Action Plan for financing sustainable growth. The SFDR provides greater transparency to the degree of sustainability of financial products. **The EC’s objective** is to channel private investment towards sustainable companies and activities while preventing “greenwashing”. The adoption of the SFDR and other regulations has driven new ways of working within the asset management industry. Our long history of sustainable investment, including the launch of our Global Sustainability Strategy (GSS), has put us in a favourable position for this transition. Nonetheless, we established a dedicated project team to steer and deliver the transition of our product range into the SFDR regulatory categories.

**Activity:** We invested in a firm-wide effort to meet the new regulatory obligations in terms of portfolio management capabilities, disclosures and controls. This includes:

- Development of new policies and methodologies to analyse individual securities under the criteria introduced by the new regulatory framework.

- Training and raising awareness about the new regulatory framework, and the actions taken and methodologies developed by BNPP AM to conform to it.
- Upgrade of IT systems to industrialise the treatment of extra-financial information in the context of the new regulatory framework.
- Due diligence on data providers to increase the breadth of extra-financial data.

**Outcomes:** Our efforts have resulted in 81% of the assets of our open-ended funds being classified as Article 8 or Article 9 according to the SFDR. Our **SFDR Disclosure Statement** details how we integrate principal adverse impacts into our investments. We are using this existing structure to simultaneously work on the integration into the product range of the new portfolio-level criteria introduced by the MiFID regulation in 2022.



# OUR SUSTAINABLE SAVINGS SOLUTIONS

## CONTINUATION OF OUR SRI LABELLING STRATEGY

We have a number of investment solutions recognised and audited by independent labels in Europe, totalling more than €132 billion in assets under management, or nearly 25% of our total assets under management, in 145 funds. This puts us in a leading position in the European medium – and long-term SRI (Socially Responsible Investment) market. Obtaining these labels is complementary to the extra-financial work done by investment teams and is an external validation of the rigour of our processes.

### # of labels (SRI)



“Labels are an opportunity for the market because they can guide savers and investment managers in their investment choices. If we are convinced of the importance of these tools, then the challenges of standardisation on a European scale become even more important to overcome.”

**Béatrice Verger**  
Head of SRI Development

→ DISCOVER HOW BÉATRICE DRIVES SUSTAINABILITY  
[am.bnpparibas.com/sustainable-investor](https://am.bnpparibas.com/sustainable-investor)

### Labelled AUM



## ETF ON SRI INDEX OF CHINESE EQUITIES

We launched a listed index fund offering savers exposure to the Chinese market, selecting the companies with the highest ratings in terms of their ESG approach. It is the first listed fund to invest in a Chinese index using an SRI methodology.



→ DISCOVER HOW MARIE-SOPHIE DRIVES SUSTAINABILITY  
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**Marie-Sophie Pastant**  
Head of Index and ETF Portfolio Management

# A WIDE RANGE OF THEMATIC SUSTAINABLE STRATEGIES

## LAUNCHING A FUND TO RESTORE OUR ECOSYSTEMS

**Biodiversity and economic activity are closely linked**, meaning biodiversity loss can endanger the economy and our prosperity. **We launched a thematic strategy** that provides exposure to companies engaged in restoring and preserving aquatic ecosystems, terrestrial ecosystems and urban ecosystems through their products, services or processes.

## FIRST THEMATIC FUND ON INCLUSIVE GROWTH

An inclusive growth approach goes hand in hand with a focus on long-term performance and contributes to a better environment for doing business and managing investment. We demonstrated our commitment to social inclusion and human development **by launching a new investment strategy focused on inclusive growth** and aimed at reducing inequalities related to income, education, gender, ethnic origin, geographical origin, age or disability. Labelled SRI in France, this strategy invests in companies that combine financial performance with a proactive approach to reducing social inequalities.



## SUSTAINABLE THEMATIC INVESTMENT GAINS MOMENTUM

In 2021, a study we commissioned from Greenwich Associates revealed a **growing interest among investors in sustainable thematic investments**. Investors increasingly want their investments to combine performance with a positive impact on the world. Among the underlying themes, investors indicated a preference for funds that focus on the UN Sustainable Development Goals, followed by climate change solutions and renewable energy. This reflects the broader trend in the asset management sector supported by a favourable regulatory environment and public policies, including initiatives such as the SFDR regulation, the European Union taxonomy, the EU Green Deal and the Biden administration's goal of reducing America's carbon footprint and achieving carbon neutrality.



**By integrating specific performance indicators, such as employee turnover rate or board diversity, our proprietary model allows us to filter the investment universe to identify the leaders. Our selective approach means that we can build a high-conviction equity portfolio of 40-60 stocks from around 1,000 companies initially analysed. This allows us to meet the expectations of our clients who are looking to generate a positive impact on tomorrow's society while generating long-term value."**

**Maria Luz Diaz Blanco**  
Portfolio Manager of the Inclusive Growth strategy

## HARNESSING OUR DISTRIBUTION NETWORKS FOR MORE IMPACT

Throughout the year, several initiatives were launched jointly with our BNP Paribas distribution networks to donate a share of the funds collected or of the management fees taken from our sustainable investment products, to charitable organisations. More than €400 000 has been donated to charitable organisations in Italy, France, Belgium and Luxembourg, including Save the Children, the Rava Foundation, the Telethon, Electriciens sans frontières and La Fondation de France. The funds were used to finance environmental and inclusivity projects.



**These solidarity initiatives underline the joint commitment of BNPP AM's business teams with those of the BNL Private Banking, BNP Paribas Fortis and BGL networks to sustainable development."**

**Emmanuel Collinet de la Salle**  
Head of Group Networks

# IMPACT INVESTING

## LAUNCH OF A BOND FUND TO FINANCE PROJECTS WITH POSITIVE SOCIAL IMPACTS

Classified as Article 9 under SFDR, **this strategy** capitalises on the record growth within the long-term bond market, and especially the growing interest in social bonds. We use our proprietary ESG scoring methodology when selecting securities and issuing companies, drawing on the expertise of our bond management teams and the Sustainability Centre. With this launch, we combine our long-standing expertise in green bonds, illustrated by our Green Bond strategy launched in 2017, with our knowledge of social issues, reinforced by the launch of our Inclusive Growth strategy in 2021.

## THE SOCIAL IMPACT OF OUR SOCIAL BUSINESS STRATEGY

We have been developing and managing solidarity savings funds for over 15 years. Our range of solidarity funds, with more than €3 billion in assets under management, allows clients to invest a portion of their savings in social businesses rigorously selected by our team of experts according to our in-house methodology. We invested **in 33 non-profit organisations and social enterprises** that support the most vulnerable populations on issues such as employment, access to housing, dependency and access to health care. In 2021, an additional €16.7 million was invested in these enterprises, enhancing their ability to impact social and environmental issues.

€3bn  
solidarity  
funds AUM

€158m  
in social business  
investments

13  
solidarity  
funds

33  
solidarity  
partners



“The lack of industry standards for impact measurement or issuer SDG alignment is a challenge for impact investing. So we are currently building our own proprietary SDG measurement framework, with an external partner, to give clients visibility into what extent their investments contribute to the Sustainable Development Goals.”

**Bérénice Lasfargues**  
ESG Analyst, SDG Lead

→ DISCOVER HOW BÉRÉNICE DRIVES SUSTAINABILITY

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### BNPP AM PARTICIPATES IN THE DEFINITION OF IMPACT INVESTMENT

The French Forum pour l'Investissement Responsable (FIR) and France Invest have published an impact investment guide to propose a rigorous common definition for impact investing. Marie-Geneviève Loys Carreiras, Head of Solidarity Investments at BNPP AM, co-led one of three impact measurement working groups to share good practices for robust methodology and integration throughout the investment process.

### DEVELOPMENT OF A METHODOLOGY FOR ALIGNMENT WITH THE SDGs FOR SOCIAL BUSINESS ACTORS

As part of our academic partnership with ESSEC, the Chair of Entrepreneurship and Innovation, we worked with ESSEC students on a methodology to identify the main Sustainable Development Goals and associated impact indicators to which social and solidarity economy actors in France contribute. We tested the methodology with charitable organisations and social enterprises in which we invest, by interviewing each investee after a preliminary analysis to verify and challenge our findings. We then linked each SDG to one or two impact indicators to give examples of how our investees contribute to the SDGs. We have published the methodology and the detailed analysis of each participating investee.



Thanks to this original practitioner/student/teacher combination, we have developed a different approach to extra-financial reporting, more efficient for investors, more useful for beneficiary companies and more readable for savers. This co-construction approach between beneficiary companies and BNPP AM gives it the same robustness as financial reporting. The fund manager, because they have the global vision and distance from the essential daily activities, is the central player in the approach to make extra-financial reporting a real impact management tool, without losing sight of the financial dimension.”

**Thierry Sibieude**  
Professor of the Chair for Entrepreneurship and Impact Innovation

# 6

## Our CSR approach

Walking the talk is critical to achieving excellence. As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest. To achieve this, we have a four-pronged approach to integrating sustainability in our operational and community activities: decreasing our operational CO<sub>2</sub> emissions and reducing our waste to landfill, achieving a more gender-balanced workforce, and focusing our community initiatives on youth inclusion.

# REDUCING OUR EMISSIONS AND MOVING TOWARDS ZERO WASTE

We have committed to aligning our investment portfolios to a trajectory in line with the objectives of the Paris Agreement, and we plan to do the same with our operational emissions. Our building energy use, business travel and paper use were down significantly in 2020 and 2021 due to the pandemic, and our hope is that we can maintain some of the new habits we adopted over this period. In addition, we have a long-term goal to drastically reduce the amount of waste we generate and aim for 100% recycling.

## OUR STRATEGY TO REDUCE OUR OPERATIONAL EMISSIONS

A study by the CDP found that the indirect, or financed emissions, of financial services firms are on average more than 700 times larger than their direct emissions. That is why we have committed to aligning our investment portfolios with a net-zero pathway. At the same time, all organisations must do what they can to minimise their operational emissions. To that end, we are implementing a three-pronged strategy to reduce ours. In order of priority:

- Increase the efficiency of our operations: nearly all our office spaces are in green certified buildings.
- Buy green or low-carbon electricity: 84% of our employees work from offices that are powered by green or low-carbon electricity.
- Offset any residual emissions: we have been offsetting any remaining emissions associated with our office space and business travel since 2017.

The BNP Paribas Group has set a new operational emissions reduction target for 2025. We plan on incorporating this target in several projects in 2022, including the renewal of our office space and a review of our travel policy.

### GREENIT@AM

The digital sector accounts for four percent of global greenhouse gas emissions, more than the civil aviation sector, and it is expected to double by 2025. With the increasing digitalisation of our activities, IT has taken an important place in our daily lives at the cost of ever-increasing energy demand. As well, beyond IT's role in contributing to climate change, the production and disposal of digital equipment is associated with harmful impacts on the environment that we can no longer ignore.

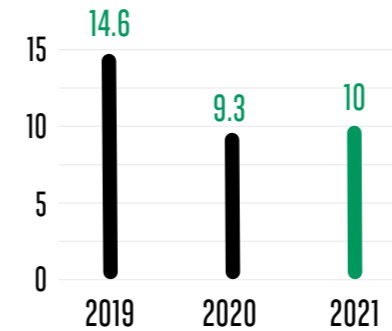
We are taking a holistic approach to reducing the environmental footprint of BNP Paribas' digital operations by looking at equipment and infrastructure, data and applications, and end use. Examples of our IT initiatives within BNPP AM and at the Group include:

- **Engaging and working with our top 25 IT suppliers** to communicate our environmental goals and update contracts accordingly.
- **Closing old data centres and streamlining them** into state-of-the-art facilities with improved cooling technologies that reduce the use of primary resources by up to 50%.
- **Rolling out partnerships**, like **BNP Paribas 3StepIT**, to ensure better reuse and recycling of our old IT equipment. In 2021, 3StepIT repurposed 486 pieces of IT equipment and recycled another 11 in certified facilities.
- **Launching awareness campaigns to employees**, such as GreenIT@AM, to teach employees tips and tricks to reduce the impact of their digital activities.

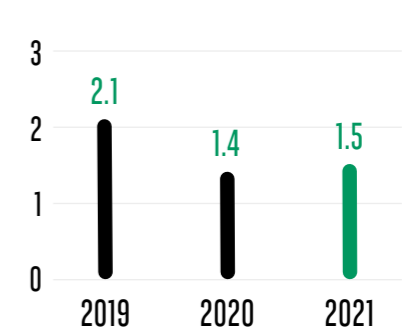
We will continue to roll out awareness campaigns to employees in 2022. Our aim is to make them more interactive and engaging to increase their visibility and impact.

### Worldwide Office Buildings

Energy Consumption (millions of kWh)

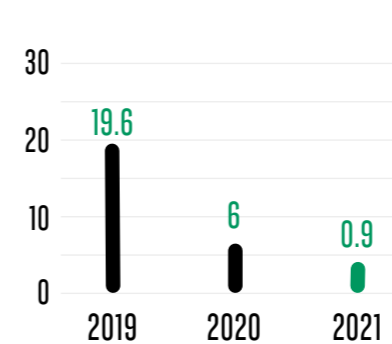


Greenhouse Gas Emissions (TCO<sub>2</sub>EQ)

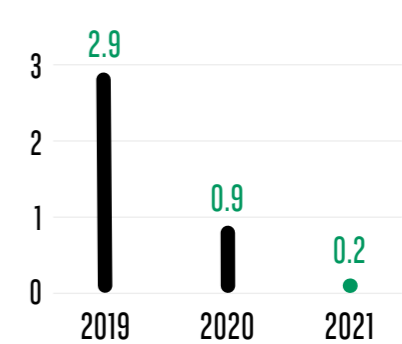


### Worldwide Business Travel

Distance (millions of Km)



Greenhouse Gas Emissions (TCO<sub>2</sub>EQ)



## TOWARDS 100% RECYCLED IN FRANCE

To improve the sorting and collection of waste within our headquarters, we have replaced 1,700 individual bins with collective bins. In addition, recycling facilities have been set up for batteries, caps and glass, and special events have been organised, such as the collection of Waste from Electrical and Electronic Equipment (WEEE). Employees were able to drop off unneeded personal electronic devices to be recycled in a sustainable way. In addition, cans and bottles collected at our head office are recycled and treated by our partner **Lemon Tri**, a certified B Corp that uses a social inclusion model and provides full transparency and traceability of its waste diversion activities.

## GREEN MONDAYS

The global pandemic forced us to adapt some of our practices, including making our Hong Kong-based Green Monday CSR sessions digital and taking them APAC-wide. Our first such session was focused on diet and its impacts on climate, the environment and health. The discussion revolved around how a plant-based diet could be essential to our planet's future. Almost 100 employees participated and took the Green Monday pledge.

BNP Paribas has partnered with **Green Monday** to help increase employee engagement on CSR topics.

# STRIVING FOR A MORE GENDER-BALANCED BUSINESS

The investment industry has lagged other professional services when it comes to gender diversity, which is why we have made gender the cornerstone of our diversity agenda. In 2021, only 12% of fund manager positions were held by women (Citywire – Alpha Female Report 2021). We are pleased to report that at BNPP AM, 24% of fund management roles are held by women and Citywire’s Alpha Female report 2021 ranked us 4<sup>th</sup> among large asset management companies for hiring women in these roles.

We recognise that we still have farther to go, which is why we have challenged ourselves with more ambitious targets and initiatives:

- All members of our Executive Committee have a diversity goal.
- We monitor the number of women we hire, and in 2021 we recruited 229 employees, of whom 44% were women.
- Of the 43 people we hired into our Investments division, 40% were women, three times the percentage in 2020.
- We also focused on improving the gender diversity of our junior hiring pipeline: 50% of our hires under 30 in our Investments division were women, compared to 25% in 2020.
- We pay particular attention to gender pay gaps and conduct detailed studies each year.
- We currently have two leadership programmes designed for women and we plan on launching two additional programmes in 2022: *Leadership for women and Ambition to lead for emerging talents*. We also plan on launching a Women Leadership Community at BNPP AM.

Finally, we aim to build a culture of inclusion among all our employees by offering training, conferences and events such as D&I coffees with Executive Committee members. Specifically:

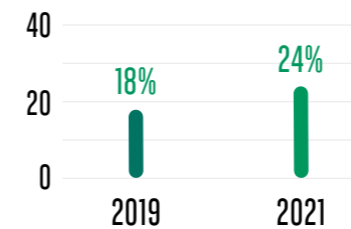
- We instituted mandatory training for all staff on unconscious bias and for managers on recruiting without discrimination.
- We held 15 conferences on a variety of topics, including gender, multiculturalism, LGBT+ and people with disabilities, with over 100 attendees per conference.
- We organised small group meetings with Executive Committee members to identify organisational pain points related to inclusion.



## Indicators

	2019	2020	2021	2022 target	2025 target
WOMEN IN SMP POSITIONS	24%	27%	33%	35%	40%
WOMEN ON BOARDS	30%	38%	44%	46%	50%
WOMEN IN TALENT PROGRAM (leadership pipeline)	36%	41%	42%	47%	50%
EMPLOYEES WHO HAVE TAKEN UNCONSCIOUS BIAS TRAINING	N/A	2%	70%	100%	100%

## Women in fund management positions (in %)



## BNPP AM REINFORCES ITS COMMITMENT TO GENDER EQUALITY

All of our Executive Committee members have signed the #JamaisSansElles Charter for Gender Equality. This charter, signed by more than 100 executive managers including BNP Paribas managers, ensures better representation of women in public and media events. Each signatory undertakes not to participate in internal or external events involving more than three stakeholders without the presence of women.

## BNPP AM REGIONAL LEADER IN EUROPE IN TERMS OF GENDER DIVERSITY...

... according to Citywire as part of its Gender Diversity Awards 2021 (category of companies with more than 100 fund managers). This award recognises the progress made by managers in the representation of women and in gender diversity practices.



**“DEI is a strategic focus for each of us because we all know that diversity fosters creativity, innovation, better decision-making and enriches our talent pool, providing better performance outcomes for our clients.”**

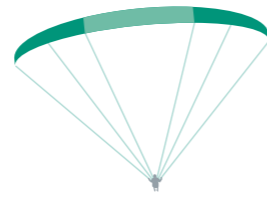
**Marion Azuelos**  
Global Head of HR, Executive Committee Member

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# HELPING YOUNG PEOPLE OVERCOME SYSTEMIC BARRIERS TO SUCCESS



Our goal is to help young people facing systemic barriers to success. Concretely, that means helping them gain confidence through mentorships and acquire the vital job experience they need through internships.



**Volunteering is a concrete way to have a positive impact in the community. It is not only a way for our employees to share their know-how, but it's also a way for them to learn and try new things, expanding and sharpening their skills. Combine that with the social connections they make, it is all-in-all a very rewarding experience."**

**Chris Ouellette**  
Head of Corporate Social Responsibility

While our volunteer efforts are wide-ranging, we focus many of them on helping young people. Volunteering also helps each of us develop both professional and personal skills while better connecting us with our colleagues and society. It is a very tangible and meaningful way to have a positive impact on the world around us. That's why we encourage our employees to volunteer at least one day a year during working hours at a community organisation of their choice.



## WRITING PARTNERS IN LONDON

BNPP AM is a long-standing partner of Tower Hamlets Education Business Partnerships, which bridges the gap between education and the world of work. In Tower Hamlets, only 16% of students took part in daily online courses during the first pandemic lockdown. Through the Writing Partners program, our volunteers encouraged children to resume the habit of writing through ongoing weekly tutoring sessions.

## BUILDING YOUTH LEADERSHIP SKILLS IN INDONESIA

BNPP AM supports the UNICEF "Not Too Young to Lead" program in Indonesia, which aims to empower adolescents and young leaders in Indonesian cities. In collaboration with local governments, the UNICEF Adolescent Kit for Expression and Innovation will help hundreds of teenagers develop key skills and acquire new skills. These young people will learn to express themselves, gain self-confidence and explore new possibilities while receiving psycho-social support. Through this programme, young people will be better equipped to secure opportunities for themselves and for the future of their communities.

## DEVELOPING THE EMPLOYABILITY OF YOUNG PEOPLE

Through our partnership with Headstart Action in the United Kingdom, we participated in its programmes aimed at helping young people aged 16 to 18 gain confidence and develop their employability. Our employees share their professional experience and introduce them to our profession and our industry. They help participants develop their interview skills and in the end, we offer a number of the students traineeships so that they can put their knowledge to use and begin building their work experience. We also participated in Kickstart, a government initiative to create six-month internships for young people between the ages of 16 and 24, a population particularly hard hit by the economic impact of the health crisis.

## #100BLACKINTERNS

#100BlackInterns is an initiative that encourages the asset management industry to tackle the chronic underrepresentation of young Black talent in this sector by providing front-of-house internship roles. Since its inception, the program has generated extraordinary support from 200 organisations, including our own. In 2022, we will be participating in the expanded #10000BlackInterns initiative, which seeks to offer thousands of internships each year in the United Kingdom.

## SUPPORTING YOUNG PEOPLE IN RURAL FRANCE

We have entered into a partnership with Chemins d'Avenir so that our employees can mentor young people in France. Specifically, Chemins d'Avenir supports young people from rural areas and small towns so that they have as many chances of realising their potential as young people from large cities. For many of them, obstacles accumulate throughout their journey, such as the lack of information and networks, the remoteness of academic, professional and civic opportunities, restricted mobility or the digital divide. This results in a win-win partnership because by mentoring these young people, our employees help them to broaden their horizons and scope of possibilities while enriching their own skills.



**Chemins d'Avenir is proud to count BNPP AM as a partner committed to uncovering the potential of young people in rural communities. BNPP AM's support enables young people living far from large cities to benefit from support on the construction of their academic, professional and civic career."**

**Salomé Berlioux**  
Founder and Managing Director of Chemins d'Avenir

Mapping to key stewardship codes

The purpose of this table is to help readers find the content related key elements from varying stewardship codes in this document.

PRINCIPLE	UK	EFAMA	ICGN	HONG KONG	MALAYSIA	JAPAN	PAGE NUMBER IN THIS REPORT
PURPOSE, STRATEGY AND CULTURE	1	1	1,6	-	5	1,2	6-8, 10-15, 75-81
GOVERNANCE, RESOURCES AND INCENTIVES	2	1	1,2,7	1	-	1,5,7	16-19, 27, 28
CONFLICTS OF INTEREST	3	1,5	1,5	7	4	2	20, 21
PROMOTING WELL-FUNCTIONING MARKETS	4	-	4,6	-	5	-	14, 32, 53-56, 61-68
REVIEW AND ASSURANCE	5	-	1,2,7	-	-	3,7	22
CLIENT AND BENEFICIARY NEEDS	6	6	3,6,7	6	-	5,6	23, 24
STEWARDSHIP, INVESTMENT AND ESG INTEGRATION	7	1	3,6	-	5	3	14,15, 25-60, 69-74
MONITORING MANAGERS AND SERVICE PROVIDERS	8	6	1,2,5	-	-	1,5	28
ENGAGEMENT	9	1,2	4	1,2	3,2	4	33-56
COLLABORATION	10	4	4	1,5	-	4	42-56, 68
ESCALATION	11	3	4	1,3	-	4	36, 47, 51
EXERCISING RIGHTS AND RESPONSIBILITIES	12	1,5,6	5,7	1,4	1,6	5,6	34-41, 44, 45, 50

Our latest PRI score (2020)

AUM	Module Name	Our Score	Our Score   Median Score
	01 - Strategy & Governance	A+	A
<b>INDIRECT - MANAGER SEL., APP. &amp; MON</b>			
<10%	02 - Listed Equity	A+	A
<b>DIRECT &amp; ACTIVE OWNERSHIP MODULES</b>			
10-50%	10. Listed Equity - Incorporation	A+	A
10-50%	11. Listed Equity - Active Ownership	A	B
10-50%	12. Fixed Income - SSA	A	B
<10%	13. Fixed Income - Corporate Financial	A+	B
<10%	14. Fixed Income - Corporate Non-Financial	A+	B

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This material is issued and has been prepared by the investment management company.

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Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to financial instruments may have a significant effect on the results presented in this material. Past performance is not a guide to future performance and the value of the investments in financial instrument(s) may go down as well as up. Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

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**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable  
investor for a  
changing world