Marketing Communication for professional Investors - November 2022

COMMITTED TO CLIMATE: OUR NET ZERO ROADMAP

BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

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FOREWORD

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CEO, BNP Paribas Asset Management

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At BNP Paribas Asset Management (BNPP AM), we have put sustainability at the heart of our business strategy and made it one of our core investment beliefs. We also believe a shift to a low-carbon, more sustainable economy is essential for the long-term sustainability of capital markets. Accordingly, in 2015, we committed to contributing to achieving the Paris Agreement goals. Since then, the scientific evidence for the human-driven causes and potentially dire effects of just 1.5°C of global warming above pre-industrial levels has strengthened substantially. It is now universally accepted that reaching global net zero emissions by 2050 is essential to prevent irreversible and massive damage from climate change. This is imminent if no action is taken.

At BNPP AM, we have focused on contributing to the fight against climate change through significant actions and initiatives for several years. We believe it is time to raise our climate ambition by committing to the goal of achieving net zero portfolio emissions by 2050 (or sooner). Because this is a challenge that we must face together, we decided to join the Net Zero Asset Managers (NZAM) initiative to lend coherence and accountability to BNPP AM's commitments.

In this document, BNPP AM outlines its Net Zero Roadmap, which formally introduces its NZAM commitment and covers three areas: Investments (portfolio alignment), stewardship and our operations.

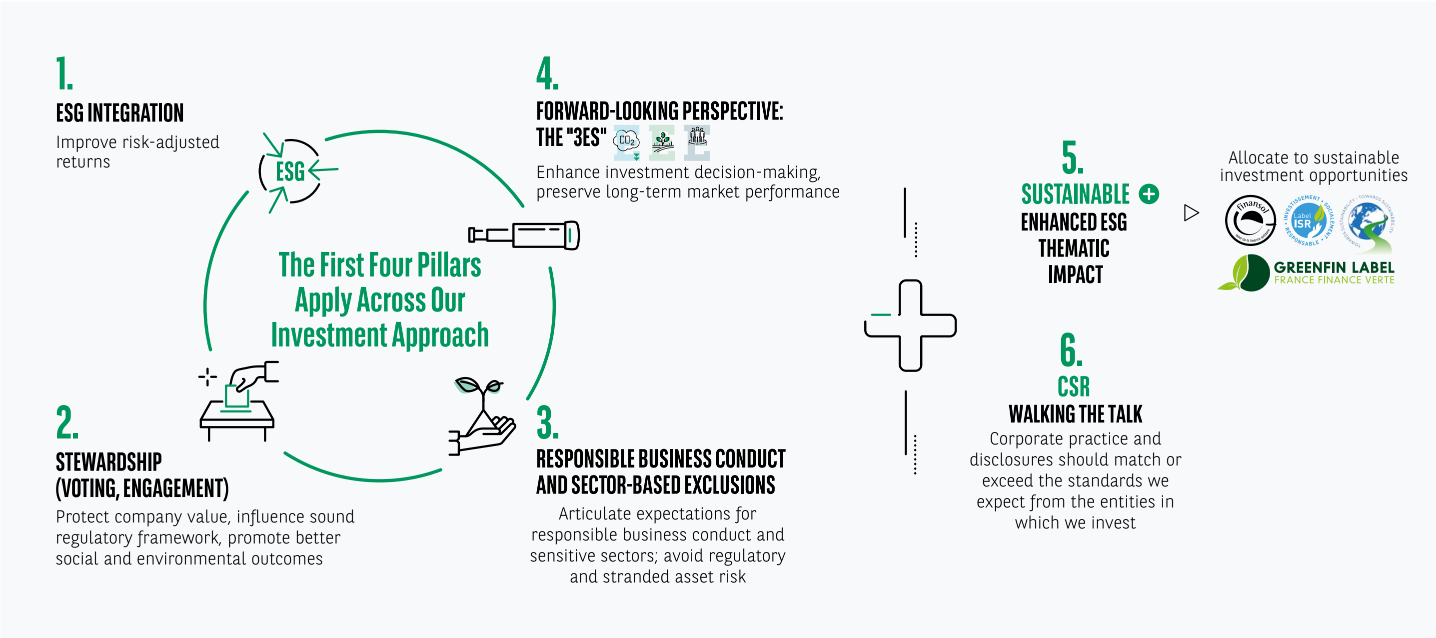
Under the umbrella of the wider Glasgow Financial Alliance for Net Zero (GFANZ), BNP Paribas is also a member of the Net Zero Banking Alliance and Net Zero Asset Owner Alliance – we touch on these commitments in this document as well.

In line with our 2015 commitment to progressively align with the Paris Agreement, we have already taken steps that bring us closer to net zero. This document highlights those achievements and sets out how we will reach global net zero emissions by 2050. However, meeting this commitment will not be easy. Today, the global economy is not yet on a net zero pathway and our investible universe stands to diminish over time if our current and prospective investees do not accompany us in this transition. We therefore believe it is critical to work in partnership with clients, colleagues, companies, governments and civil society to move towards a net zero future, and we look forward to taking this journey together.

INTRODUCTION

BNPP AM's Global Sustainability Strategy (GSS), launched in 2019, outlines our approach to sustainable investing. The strategy rests on six pillars (see Exhibit 1), within each of which we have articulated clear objectives. Our six-pillar sustainable investment framework provides the structure for this document.

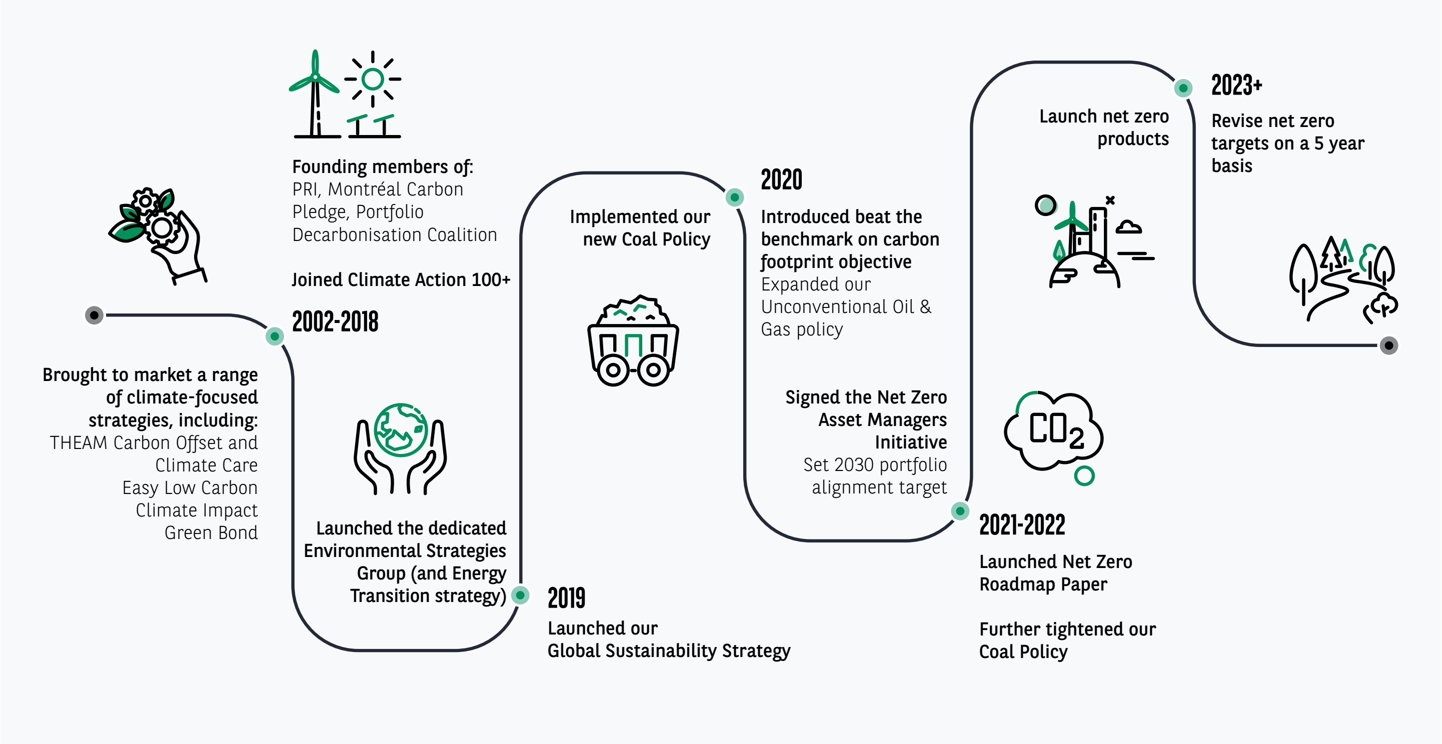
Exhibit 1: The Six Pillars of our Global Sustainability Strategy (GSS)



Source: BNP Paribas Asset Management, 2022. CSR is the acronym for Corporate Social Responsibility. The "3Es" are: The Energy transition to a low-carbon economy, Environmental sustainability, Equality & inclusive growth

In the GSS, we stated our objective "to make a substantive contribution to the low-carbon energy transition", and that one of the ways to do so was by encouraging our investee companies "to align their strategies with the goals of the Paris Agreement." These statements have been supported by portfolio and operational actions, many of which are discussed in this document (see Exhibit 2 for a timeline summary). We are proud to have strengthened our commitment to the Paris Agreement by signing on to the Net Zero Asset Managers (NZAM) initiative.

Exhibit 2: Climate actions by BNP Paribas Asset Management



Source: BNP Paribas Asset Management, 2022

In this document, we formally introduce our net zero commitments, grouped into three categories: Investments, stewardship, and our operations. The individual components of each area are summarised in the table in the next page and discussed in more detail in the following chapters.

Exhibit 3: BNP Paribas Asset Management's commitments to net zero

	Net Zero Commitments	
Investments	1.	**Reduce the carbon footprint of our in-scope corporate investments (Scopes 1 and 2)**[1] a) -30% by 2025 b) -50% by 2030
	2.	**Align with net zero** a) 60% of in-scope investments to be Achieving, Aligned or Aligning with Net Zero (NZ:AAA) by 2030 b) 100% of in-scope investments to be NZ:AAA by 2040.
	3.	**Exit coal** We will exclude mining companies that do not have a strategy to exit thermal coal activities, and power generators that still have coal capacity in their generation mix, in 2030 for European Union and OECD countries and in 2040 for the rest of the world.
	4.	**Invest in climate solutions** Substantially increase our climate and environmentally themed investments.
	5.	**Engage with our clients** Engage with our clients to transition towards net zero investing with us.
Stewardship	6.	**Vote for climate action** a) Signal our expectation for companies to report on their carbon footprint, and for the world's largest greenhouse gas (GHG) emitters to set an ambition to achieve net zero by 2050 or sooner b) Vote in favour of thoughtful shareholder proposals and submit proposals of our own to accelerate corporate action on climate change.
	7.	**Engage with companies on net zero** Implement an engagement strategy that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner.
	8.	**Advocate for NZ 2050 aligned climate policy** Play an active role in advocating for net zero aligned policy, and seek to ensure that any relevant direct and indirect policy advocacy that we undertake is supportive of achieving global net zero emissions by 2050 or sooner.
Operations	9.	**Reduce our operational emissions footprint** Continue to offset our operational emissions while we improve energy efficiency and use more green energy.
	10.	**Report on progress** Produce TCFD[2]-aligned reporting.

Source: BNP Paribas Asset Management, 2022

1. "Scope 1" refers to the direct emissions from sources that are owned or controlled by the company. "Scope 2" refers to the indirect emissions linked to the company's purchased or acquired electricity, heat, steam and cooling. "Scope 3" refers to all other indirect emissions, including those related to the use of its products. Scope 3 emissions are not included in the calculation since the measurement of these emissions is not standardised or considered sufficiently reliable yet to be used in reporting. Given the importance of scope 3 emissions in most sectors, we are evolving our approach to calculating scope 3 emissions with the aim of including it in our approach in the future.
2. Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org))

In considering the scope of assets included in our initial commitment, we will begin by following a conservative approach with EUR 250[3] billion, or 50%, of BNPP AM's global assets under management (AUM). These represent holdings for which we believe we have, as of today, the tools, the data and the ability to achieve net zero portfolio emissions by 2050. We intend to expand this scope over time.

At the outset, it is important to note that this document is written against a dynamic backdrop of climate policy, climate research and corporate/investor/civil society actions. Top of list, the conflict in the Ukraine has had – and will continue to have – enormous implications for inflation, energy security and supply, food security and supply, and global geopolitics. While many of these pressures may prove to be short-term headwinds for our transition to net zero as coal fired power plants are brought back online in parts of Europe to meet Russian natural gas shortages, they also provide windows of opportunity to enact the sort of legislative changes needed to support the transition in the long term.

Enter the Inflation Reduction Act in the United States. This landmark law – the largest to address climate change in US history – has important strategic implications for investors. The incentives embedded in the law will support greater investment in a variety of clean technologies, creating opportunities for investors knowledgeable in the dynamics of the low-carbon transition. It will also help to manage inflation, increase domestic energy security and could even result in the US meeting its Nationally Determined Contribution (NDC) with some further pushes from the private sector.

In past months, momentous reports and commitments have been released, which could have significant implications for climate change outcomes in the next few years. Some of these include:

- **The Intergovernmental Panel on Climate Change** (IPCC) release of the first, second and third instalments of its sixth assessment report focused on updating our understanding of the physical science basis of climate change and on its mitigation. Overall, the reports highlighted the severity of our current situation, with all future scenarios modelled by the IPCC showing the world reaching 1.5°C of warming before mid-century. Even this level of warming will have dire effects on weather systems and on the social/economic systems that depend on them, which reinforces the critical importance of reaching net zero emissions by 2050 at the latest to sustain a reasonable chance of capping warming at 1.5°C.

- Countries from around the world convened at **the 26th UN Climate Change Conference of the Parties (COP26)** in Glasgow in November 2021, five years after the Paris Agreement was struck, to hammer out further details of their commitments to reduce emissions. While some progress was made to strengthen Nationally Determined Contributions (NDCs), these negotiations also included a focus on the level of financial support developed countries would provide developing countries for their climate mitigation and, increasingly urgent, adaptation efforts to compensate them for damages already caused. Unfortunately, these negotiations were conducted on a shaky platform – the USD 100 billion annual 'north to south' financing commitment by 2020 agreed to by developed countries in 2009 in Copenhagen had not been reached by the time leaders convened in Glasgow. While commitments to ramp up financing were made – including a doubling of adaptation financing by 2025 over 2019 levels – it is clear that the level of 'largesse' among developed world policymakers substantially lags the developing world's needs. This is a clear call to action for private investors, working in collaboration with multilateral institutions and other innovative partners, to ensure greater private capital flows to climate solutions and emerging markets in the absence of adequate public support.

  In November 2022, world leaders will gather at COP27 to work on the concrete implementation of the commitments made in Glasgow, and to further increase climate ambition from the Parties. The key focus of the discussions will include:
    - Further increasing countries' NDCs
    - Concrete implementation plans for GHG reductions
    - Climate change adaptation
    - Delivering on the USD 100 billion in annual flows committed by developed countries to support climate action in developing countries.

3. Asset under managements figure based on the assets managed by the company as at 30/06/2022.

- The **International Energy Agency** (IEA) released its much-anticipated Net Zero Emission (NZE) scenario in May 2021. Notably, this report includes a call to end investment in new fossil fuel extraction projects – a significant step for an organisation founded by a consortium of largely oil-importing nations to secure their national oil supplies. The NZE contains some big assumptions around the future carbon intensity of the global economy and the rate of adoption of new – and in some cases, unproven – technologies. Nevertheless, the NZE will be an important benchmark for investors and other energy market watchers as countries, companies and investors work over the coming years to fulfil their various NZE pledges.
- The **Inevitable Policy Response** (IPR) initiative released its latest scenarios in 2021. The IPR's Forecast Policy Scenario (FPS) foresees a response acceleration by 2025, driven in part by the 2023 Paris Stocktake and the pending 2025 Paris Ratchet. IPR predicts that policy responses will be increasingly forceful, abrupt and disorderly, while the FPS forecasts a dramatic acceleration of climate policy by the 2025 Paris Ratchet, which could result in warming being held to below 2°C. This year, IPR published a 1.5°C Required Policy Scenario (RPS) outlining the more ambitious policies that would be required to reach a 1.5°C outcome. The RPS identifies additional key actions that will be necessary, including: An end to deforestation, globally, ideally by 2025; crucially, unabated coal fully decommissioned in China by 2035; phase-out of new ICE (internal combustion engine) cars in almost all markets by 2040; and transition to 100% clean power globally by 2045[4].
- In 2021, two key scientific bodies, the IPCC and IPBES (Intergovernmental Platform on Biodiversity and Ecosystem Services), focused on climate change and biodiversity, respectively, issuing a unique joint report[5] and explaining that the climate and biodiversity crises are interrelated and must be addressed together, a message we had promoted a month earlier with the publication of our roadmap for addressing biodiversity loss, Sustainable by Nature.

The collective body of research, commitments and actions summarised above demonstrates the increasing scientific and policy consensus focused on the criticality of achieving a net zero future.

At BNPP AM, we are eager to work with clients and other stakeholders to ensure our net zero transition encourages positive real-world outcomes while also producing industry-leading financial returns. We believe these are mutually reinforcing aims and that a just, low-carbon transition towards a more sustainable economy is essential for the long-term sustainability of capital markets. Along the way, significant investment risks and opportunities will arise. By dedicating sufficient resources to understanding them, and taking on the commitments outlined in this report, we feel we are best placed to appropriately manage them.

4. In July 2021, we joined the Inevitable Policy Response as a strategic partner. The IPR is a multi-year project that seeks to answer key questions for institutional investors: When will governments act on climate, how will they act, and where will the impact be felt? Analysis of these issues can be used by institutional investors to prepare for future policy outcomes, inform their TCFD reporting, and identify areas for enhanced advocacy. The 2021 analysis drew on insights from 200 global policy experts. We were pleased to contribute to this important work. PRI | Inevitable Policy Response (unpri.org)
5. IPBES-IPCC co-sponsored Biodiversity and Climate Change Workshop Report available here

BNP Paribas's commitment to net zero

In 2021, BNP Paribas became a founding signatory to the Net-Zero Banking Alliance (NZBA), which, similar to the NZAM initiative, aims to mobilise the banking sector around a clear goal: A carbon-neutral economy by 2050. As part of this, it has committed to using credible transition scenarios to focus on the highest greenhouse gas-emitting sectors and set interim reduction targets for the credit portfolio in these sectors. To that end, in 2022, the Group released its first Climate Analytics and Alignment Report, which includes a series of financed carbon emissions intensity reduction for aligning its credit portfolio with its commitment to a net-zero economy by 2050.

Similar to BNPP AM, the continual strengthening and acceleration of the implementation of the Group's coal policy leading to a total phase-out from the coal value chain has led to a significant decarbonisation of its power generation loan portfolio. The Group's 2020 baseline is already favourably positioned compared to the NZE 2050 global benchmark for 2025, but it recognises that the large-scale deployment of renewables is necessary for society to meet its climate objectives and has committed to reaching EUR 30 billion of financing for renewable energy projects by 2025, further decarbonising the loan portfolio.

At the same time, BNP Paribas Cardif, the insurance subsidiary of BNP Paribas, joined the Net-Zero Asset Owner Alliance in September 2021. This brings together the world's largest insurers and pension funds that have committed to transitioning their portfolios to net zero by 2050. As part of this, BNP Paribas Cardif commits itself to:

- Reducing the carbon footprint of its investment portfolios
- Reducing the exposure of its portfolios to fossil fuels
- Investing to support the energy transition
- Engaging with companies and asset managers on their net zero journey

Together, these Group-wide commitments represent BNP Paribas' firm ambition to become the leader in sustainable finance. They help us make the most of each other's specific expertise and gain synergies in our efforts, propelling internal and industry-wide momentum towards decarbonising the economy.

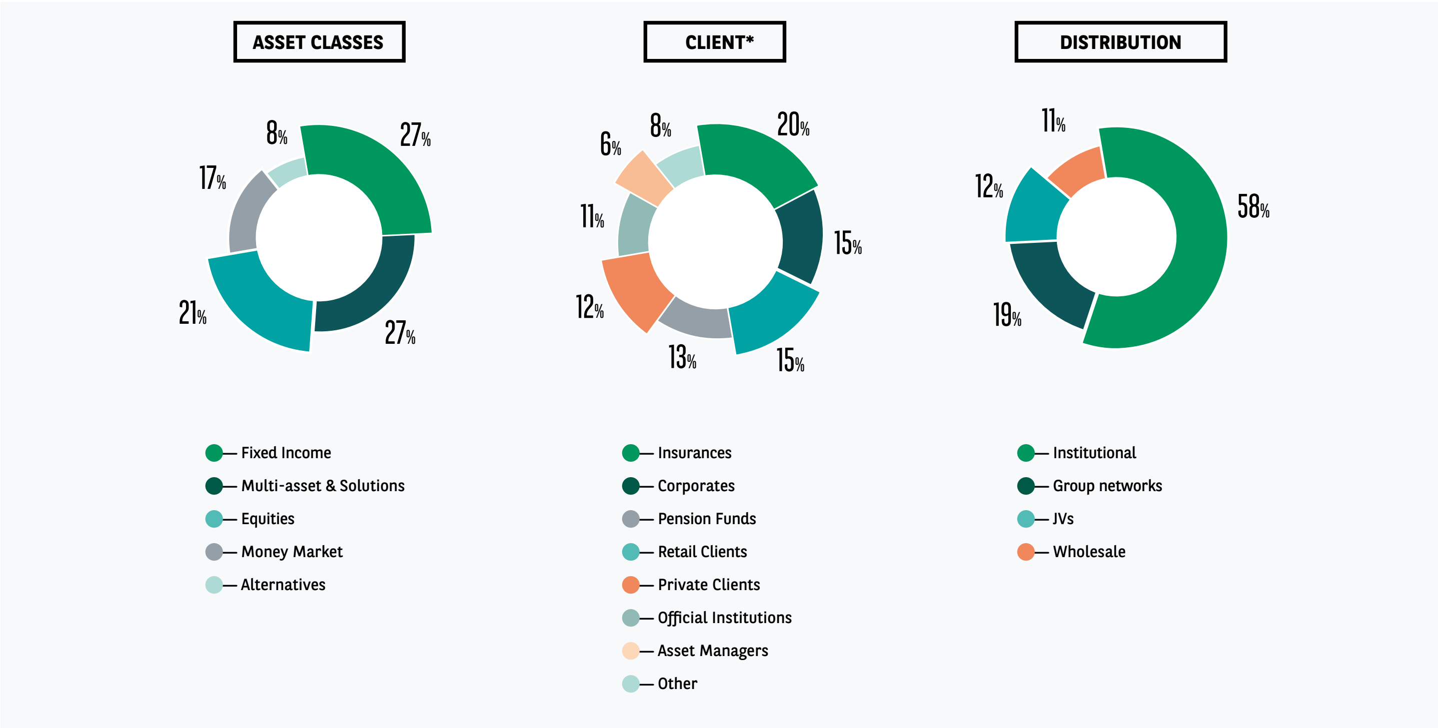
PILLAR 1 – ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INTEGRATION: PORTFOLIO TARGETS AND OBJECTIVES

With the adoption of our Global Sustainability Strategy in 2019, we put ESG integration at the heart of our investment processes. This has had a significant impact on our net zero journey by compelling the consideration of ESG characteristics and carbon values across our investment strategies. We begin this section by sharing insights into our firm-wide asset allocation and the initial scope for our net zero commitment. We then share information about our climate approach by asset class, and provide a historical snapshot of our climate performance. We close with an overview of research projects underway that will help us further build our approach in the years ahead.

Strategic asset allocation and scope of commitment

As an asset manager, BNPP AM does not directly manage its strategic asset allocation (SAA) *per se*. Rather, it is determined, to a large extent, by client demand for specific asset class strategies; our regional growth profile; and mergers, divestments and acquisitions, among other factors. Our current asset mix for in-scope and total global assets is as shown in Exhibit 4.

Exhibit 4: BNPP AM's asset allocation (% of total AUM)



Total AuM: EUR 500 billion
Source: BNPP AM, as of 30/06/2022
*Excluding investment in our own funds

Based on our current asset allocation, we have decided to focus on listed equities and corporate bonds, in the first phase in our commitment towards net zero financed emissions[6]. About half (50%) of BNPP AM's AUM are in the scope of our initial commitment – a calculation made by focusing on funds in our range that are currently Article 8 or Article 9 under the Sustainable Finance Disclosure Regulation (SFDR). These funds have formally adopted our better-than-benchmark ESG target described below and also apply our Responsible Business Conduct (RBC) policy. Both

6. Financed emissions are emissions generated as a result of financial services, investments and lending by investors and companies that provide financial services.

these constraints will be important levers for achieving our net zero commitment over time. Our commitment also includes Article 6 funds and mandates which have adopted our RBC policy. Assets which have not been included in our initial NZ commitment scope include mandates where clients have not yet adopted our RBC policy, our advisory business, [some] affiliate businesses and [some] sub-advised funds. Additionally, we have removed from the AUM of in-scope assets any investments in sovereign bonds, agency debt, derivatives and private assets to focus only on our holdings of publicly-traded corporate debt at this stage.

Our ambition is to steadily grow the proportion of our holdings that fall within the scope of our commitment to reach net zero financed emissions by 2050. Outside this perimeter, we will continue to work on improving the climate profile of our holdings as we have done for our passive investments[7]. While we do not have full control over our asset allocation, we expect our asset mix to shift towards emerging markets (EM). This will present a challenge from a net zero perspective, since EM entities tend to have higher Scope 1 and 2 emissions[8], which introduces the opportunity for us to have more impact through company engagement and policy advocacy, as well as reinforcing the need to incorporate Scope 3[9] accounting into our overall tracking framework.

For those investments where measuring alignment is not yet possible due to the absence of a viable methodology or a lack of data (e.g., derivatives), BNPP AM will continue to work and engage with other stakeholders to find a way to expand the holdings covered by our commitment.

For new mandates (i.e., segregated or separately managed accounts), net zero alignment will be the default option. For existing mandates, we will engage with clients and encourage them to join us in our efforts to reach net zero financed emissions by 2050.

In undertaking our commitment, we build on previous work undertaken to assess the climate performance of our assets – further information and analysis is provided in the Appendix to this document.

Listed equity and corporate bonds

Climate change risk is already a key consideration across our investments[10], enabled partly by the adoption of our ESG Integration Guidelines, which stipulate the following:

- **ESG Scoring:** We avoid investing in a publicly listed entity without an ESG score, performing qualitative ESG analysis in the absence of a quantitative ESG rating.
- **Better than Benchmark (BTB):** We aim to hold portfolios with more positive ESG characteristics than their respective (invested) benchmarks. This includes targeting a lower carbon footprint than their respective (invested) benchmarks for our portfolios.

Introduced in 2019, the implementation of these guidelines has played an important role in shifting our investments towards a net zero pathway and means that we are not making this formal NZAM commitment from a standing start.

To underpin the implementation of our ESG integration approach, we developed a proprietary ESG scoring framework which now covers more than 13 000 corporate issuers globally. This rating framework places strong emphasis on climate change risks within the 'Environmental' pillar[11], including the GHG emissions of all companies.

7. Please refer to the section "Pillar 5: Sustainable investment solutions" for further details.
8. "Scope 1" refers to the direct emissions from sources that are owned or controlled by the company. "Scope 2" refers to the indirect emissions linked to the company's purchased or acquired electricity, heat, steam and cooling.
9. "Scope 3" refers to all other indirect emissions, including those related to the use of its products.
10. Index-tracking funds are exempted from our ESG integration requirements since they are meant to track benchmarks, although a growing number of these funds have an explicit sustainable, low-carbon or climate action focus.
11. Our proprietary ESG scoring methodology determines an issuer's ESG score by evaluating performance on a set of key ESG issues related to 3 pillars: The environment, social issues and governance.

Sovereign bonds

Regulators and policymakers are key to achieving a sustainable, net zero economy, as they shape the markets in which we invest and the rules that guide and govern companies' behaviour. We have not yet made sovereign bonds subject to our net zero commitment. This is partly because we feel measures of carbon and temperature alignment specific to sovereign bond issuers are not widely used in practice, although this is an area of current focus for us.

Nevertheless, we currently assess the climate performance of sovereign bonds in which we invest and aim to enhance these methodologies so we have full confidence in including sovereign debt in the scope of our net zero commitment in future. To date, we have developed an ESG scoring system for sovereign bonds to assess country performance across environmental, social and governance pillars, which informs our BTB rule for government bond or multi-sector fixed income portfolios. Our ESG score for sovereign debt includes a 22% weighting for climate change factors, of which 11% is devoted to assessing physical climate risk within the country and 11% to the consideration of each country's approach to climate mitigation. Within the mitigation category, we assess two indicators:

1. Quantitative – temperature alignment: The alignment of a given country's NDC with the Paris Agreement is calculated using the Climate Liabilities Assessment Integrated Methodology (CLAIM)[12] which assesses that country's NDC ambition against its allocated emissions under the Paris Agreement using a dynamic approach to budgeting.
2. Qualitative – legislative ambition: Data from the London School of Economics provides detailed information on the policies adopted by countries to tackle climate change, and the strength of these policies is assessed.

To improve on these measures, which we already believe to be positive differentiators over other approaches to sovereign ESG scoring, we are currently developing our own approach to estimating sovereign GHG emissions to build upon or enhance the quantitative climate measure in our ESG scoring model.

Private markets

BNPP AM's Private Markets team manages several portfolios with exposure to corporate, real estate and infrastructure debt. As [most] funds are closed-end and beyond the initial investment period, we have limited ability to change the emissions trajectory of these funds via portfolio management. So, we have not included them in the scope of our net zero commitment.

However, we have already implemented several climate change-related risk assessment methods in private markets portfolios (see section on Pillar 5, covering sustainable investment solutions, for more information). For instance, for our real asset debt strategies, we are assessing the environmental and climate impact of all our investments as part of our investment process. This assessment is based on a proprietary climate impact methodology leveraging on Iceberg Data Lab that provides us with the following data:

- Indirect emissions linked to construction, operation, maintenance, refurbishment and asset use
- Avoided emissions through asset optimisation and when compared to a reference scenario
- Alignment with a 2°C trajectory based on the Sectoral Decarbonisation Approach method
- Net Environmental Contribution (NEC), which assesses the environmental impact of each of the assets we finance based on a -100% to +100% scale (with 0% representing the sectorial mean and 100% the best available solution). The NEC is an open-source methodology[13].

We intend to include future fund launches in the scope of our net zero commitment.

12. How to measure the temperature of sovereign assets | FTSE Russell
13. NEC Initiative – Net Environmental Contribution Initiative (nec-initiative.org)

Climate integration within our ESG scoring framework

Climate change is a core component of our proprietary ESG scoring framework, which aims to assess issuers' ESG performance, and its scope and intent are described in Exhibit 5. Climate change is one of the 11 themes in this framework, representing 11.8% of the ESG score on average across sectors, and up to 25% for the most climate-impacted sectors.

Exhibit 5: BNPP AM's proprietary ESG scoring framework – core principles

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:
Using a statistically rigorous model developed with our Quantitative Research Group

Dynamic and forward-looking:
Integrating unique insights through qualitative inputs

Managed by the Sustainability Centre: To ensure the integrity and consistency of the framework

Source: BNPP AM, 2022

In light of the above, we believe our ESG scoring methodology is a powerful tool to help investment teams generate long-term sustainable investment returns for clients.

Importantly, in line with our goal to align our portfolios with the Paris Agreement and recognising that the world faces an absolute carbon emissions problem, we have introduced an absolute carbon emissions 'tilt' in our primarily sector-relative ESG scoring system. As a result, sectors, regions and issuers emitting more carbon and other GHGs will structurally have a lower ESG score than those that emit less.

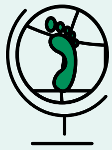
Reducing our financed GHG emissions

Commitment # 1: Reduce the carbon footprint of our in-scope corporate investments (Scopes 1 and 2)

BNPP AM will reduce the carbon footprint of its investment portfolios for in-scope holdings from a 31 December 2019 baseline by 30% in 2025 and by 50% in 2030.

Building on our commitment as one of the first signatories to the Montreal Carbon Pledge in 2015, our ESG Integration Guidelines include the objective for actively managed portfolios to have a lower carbon footprint than that of their benchmarks. Our approach to measuring the carbon footprint of portfolios is explained in more detail in Exhibit 6.

Exhibit 6: Measuring our carbon footprint: A long-term BNPP AM commitment



We started measuring the carbon footprint of our SRI-labelled equity funds and mandates in 2011. In May 2015, we committed to progressively measuring and reporting the carbon footprint of our open-ended funds. Today, we systematically measure the carbon footprint of both equity and fixed income portfolios. In 2022, we have updated our formula to align it with the European Union's Principal Adverse Impact (EU PAI) definition for carbon footprint, using the formula:

$$\sum_i \frac{W_{Ptf,i} \times \left(\frac{CO_2e_i}{Enterprise\ Value_i}\right)}{100}$$

Wptf,i: Portfolio weight in company i

CO_2e i: Sum of Scope 1 & 2 CO_2 equivalent emissions expressed in tonnes for company i

Enterprise value: Sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents

Scope 3 emissions are not yet included in the calculation since the measurement of these emissions is not standardised or considered sufficiently reliable to be used in reporting. Given the importance of Scope 3 emissions in most sectors (such as car manufacturing, where these emissions account for 98% of the total during the life of the vehicle), we are evolving our approach to calculating Scope 3 emissions with the aim of including it in future.

At the end of 2019, the aggregated carbon footprint of BNPP AM's funds under the scope of our commitment was 91.72 tCO_2/m€ invested: This is the baseline for our commitment[14]. Our 2022 carbon footprint calculation is impacted by time-lag in carbon data availability and will be disclosed in our annual climate report in 2023.

We believe the emission reduction pathways encompassed in our commitment are consistent with the required reduction in global GHG emissions to achieve net zero emissions by 2050. They are aligned with the 7% yearly decarbonisation rate in accordance with the IPCC's 1.5°C scenario with no or limited overshoot[15]. While we acknowledge that the baseline year used to calculate the decarbonisation of our portfolios[16] is later than the 2010 starting point of the IPCC scenario, we believe that a 50% reduction by 2030 will put us on track for net zero financed emissions by 2050. We will review our commitment further and enhance it as needed. This target may be refined once we evolve our approach to measuring scope 3 emissions.

14. Note, this reflects our exposures as of year-end 2019 with no re-baselining performed. If our firm-wide asset, region or sector allocation shifts dramatically over time (e.g., as a result of a merger or acquisition) we may apply a re-baselining methodology. If we do so, we will be transparent about the methods used.
15. Institutional Investors Group on Climate Change (IIGCC) special report (SR15_SPM_version_report_LR.pdf (ipcc.ch)).
16. Our initial formal efforts to reduce the carbon content of our holdings began in 2015 when BNPP AM joined the Montreal Carbon Pledge and the PRI Portfolio Decarbonisation Coalition (PDC).

Why commit to carbon footprint [aka intensity] reductions rather than absolute emission reductions?

There are a variety of measurement frameworks in place to support an assessment of the carbon profile, and associated climate risk, of companies. In the end, the only thing that really matters is a reduction of absolute emissions to zero by 2050 in order to have any meaningful chance of staying below 1.5°C. Considering this, why haven't we made an absolute emissions reduction commitment?

- **Zero is zero.** A company with 0 absolute emissions will also have a carbon intensity of 0. So ultimately a net zero goal based on intensity or absolute figures should reach the same point by 2050. Nevertheless, differences can arise in the interim, particularly with intensity measures where companies (e.g., through a merger or acquisition, or regional expansion or valuation increases) could reduce their emissions intensity but still increase their absolute emissions. We recognise these challenges and thus look at both measures, particularly in exceptional circumstances (e.g., mergers or acquisitions).
- **Relativity matters**. Absolute emissions do not reveal much about a given company's behaviour versus its peers or relative to its size. Given our fiduciary duty to our clients, we endeavour to invest in companies outperforming their peers and/or benchmarks on a variety of metrics including carbon. Intensity measures facilitate related evaluations.
- **Avoiding undue sector biases.** While we already include absolute emissions as a factor in our ESG scoring model, adopting an absolute emissions commitment based on currently available Scope 1 and 2 emissions data would introduce more significant sector biases into our portfolios e.g., away from utilities and towards technology companies. Many currently high emissions companies will be key drivers of the transition to a low carbon economy and we want to be able to continue to support these companies with our investments.
- **Alignment with policymakers and existing processes**. We decided several years ago to use carbon footprint as defined by the European Commission[17] as our primary mode of carbon measurement. This measurement already underpins our carbon 'BTB' commitment and exists for ease of access by our portfolio managers in our portfolio management system.

There are many other factors to consider in setting carbon reduction targets such as which denominator to use. **For our purposes, we have selected adjusted enterprise value**. We recognise that, in aggregate, market fluctuations could have an impact (positive or negative) on our reduction pathway at any given point in time. In future, we may determine to control for this in our Net Zero Achieving, Aligned or Aligning (NZ: AAA) measurement framework, particularly in our approach to rebasing. We will also monitor absolute emissions trajectories over time to ensure that intensity reductions are attributable mainly to reductions in the numerator rather than increases in the denominator.

17. https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft_Technical_Standards/2021/962778/JC_2021_03_-_Joint_ESAs_Final_Report_on_RTS_under_SFDR.pdf

Reducing our financed GHG emissions

Commitment # 2: Align with net zero

Our goal is for 60% of our corporate investments (equity and fixed income) to fall into NZ:AAA (Achieving, Aligned or Aligning) categories by 2030 and 100% by 2040. This will enable us to achieve 100% net zero alignment of our corporate portfolio by 2050[18].

Measuring company or portfolio alignment to a specific climate pathway is subject to uncertainty. Among all the alignment methodologies, degree-warming metrics are attractive as they use the same wording as climate science and seem quite easy to understand. These degree-warming methodologies assign a temperature score to a company or portfolio based on their future carbon emission pathway and compare it to a pathway compatible with a specific climate scenario.

Unfortunately, numerous degree-warming methodologies are available that generate highly diverse outputs. These methodologies vary in terms of scenario(s) used, measurement approaches, time frames and scales of measurement used, resulting in highly inconsistent temperature estimates at the company level[19]. As noted by the Portfolio Alignment Team[20], "a degree-warming metric has the potential to be a powerful tool – but it is less understood, difficult to construct and requires further work on both methods and data inputs to ensure transparency, robustness and consistency across the degree-warming methodologies".

To overcome these uncertainties, BNPP AM has decided to use a framework to measure the alignment of its investments in corporates largely inspired by the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework[21]. This triple-A (NZ: AAA) framework is set out in Exhibit 7, and is based on various sources: Transition Pathway Initiative (TPI)[22], Science Based Targets initiative (SBTi)[23], Climate Action 100+[24] and Carbon Disclosure Project (CDP).[25] Most are publicly available, and have goals linked to classifying companies in categories depending on their level of alignment with net zero. More information on the different sources used can be found in the appendix. We intend to further enhance our alignment assessment methodology in the future.

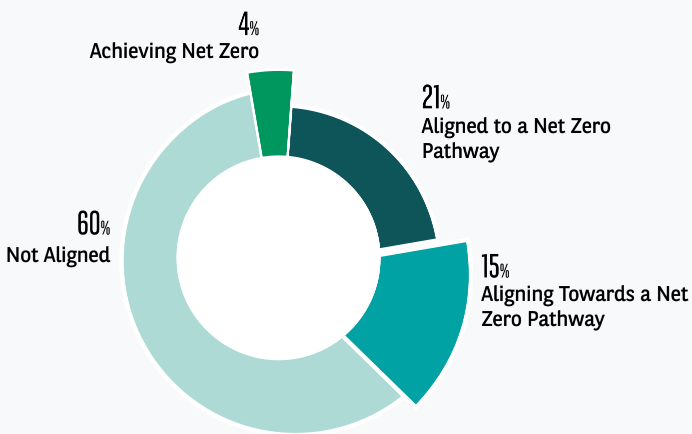
18. BNPP AM will continue to improve its NZ:AAA assessment methodology, and thus we may adapt our commitment and disclosures accordingly as the measurement approach evolves.
19. cookbook.pdf (ademe.fr)
20. PAT-Report-20201109-Final.pdf (tcfdhub.org)
21. https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmdl=4425&refresh=61c444d8e6d101640252632
22. Overview of the TPI – Transition Pathway Initiative
23. About Us – Science Based Targets
24. About Climate Action 100+ | Climate Action 100+
25. About us – CDP

Exhibit 7: BNPP AM's NZ: AAA framework for assessing companies' net zero alignment

Achieving net zero	• Companies with at least 50% of their turnover aligned with EU Taxonomy Climate Change Mitigation OR • Companies with at least 50% of their turnover aligned with climate-mitigation-linked SDGs[26] and with no more than 20% of their turnover misaligned with any SDGs OR • Companies committed to net zero and whose current carbon performance is at (or close) to the one needed for its sector by 2050 to reach net zero global emissions.
Aligned to a net zero pathway	• Companies committed to net zero emissions by 2050 AND that have a carbon reduction target assessed as </=1.5°C[27] OR • Companies with at least 20% of their turnover aligned with EU Taxonomy Climate Change Mitigation OR • Companies with at least 20% of their turnover aligned with climate-mitigation-linked SDGs[28] and with no more than 20% of their turnover misaligned with any SDGs.
Aligning towards a net zero pathway	• Companies that have a carbon reduction target assessed as below 2°C and not otherwise considered Achieving or Aligned.[29]
Not aligned	• All other companies.

Source: BNP Paribas Asset Management, 2022

Exhibit 8: Current NZ: AAA breakdown of BNPP AM's AUM in-scope corporate holdings (fixed income and equity)



Source: BNPP AM based on TPI, SBTi, CA 100+ and CDP data, as at June 2022

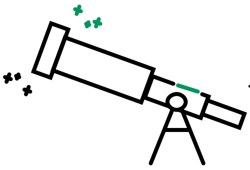
26. UN Sustainable Development Goals (SDG) target numbers: 7.2, 7.3, 7.a, 7.b, 9.4

27. 1.5°C temperature alignment is determined based on a variety of different inputs:
- SBTi or SBTi tool using carbon disclosure project (CDP) data produces a </=1.5°C output for any assessed time frame
- Companies assessed by Transition Pathway Initiative (TPI) as having Management Quality Level 4 with a short & medium or long-term carbon performance at or below 1.5°C
- Companies passing indicator 1 to 6 in the CA100+ benchmark (Structure and Methodologies | Climate Action 100+)

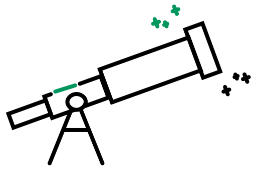
28. SDG target numbers: 7.2, 7.3, 7.a, 7.b, 9.4

29. 1.5°C to 2.0°C temperature alignment is determined based on a variety of different inputs:
- SBTi or SBTi tool using CDP data produces a </=1.5°C output
- Companies assessed by TPI as having at least a Management Quality Level of 3 with a short, medium or long term carbon performance between 1.5°C and 2°C.
- Companies passing indicator 1 to 3 in the CA100+ benchmark (Structure and Methodologies | Climate Action 100+)
- Companies committed to net zero emissions by 2050 and that are below 2°C as per BNPP AM's enhanced ITR (which is currently under development)

Our commitment focuses on where a company is coming from, and also where it is going



Carbon footprint measures are backward-looking, and track a company's progress over a fixed period of time



Net zero alignment measures are typically forward-looking, incorporating a company's targets and future plans

Future developments

Investment teams at BNP Paribas Asset Management are continually striving to improve their knowledge of climate-related risks and opportunities. We are undertaking several related research exercises to develop better tools and metrics to assess exposure to climate related risks and opportunities, as well as tracking and reporting against our net zero commitments. Our key research work streams are outlined below (Exhibit 9).

Exhibit 9: Carbon emissions-related research

Net zero topic	Description of research
Carbon estimation	It is well known that current carbon data is imprecise due to inconsistent and typically unaudited disclosure across industries, regions and markets. BNPP AM's Quantitative Research Group (QRG) is working to enhance existing carbon data using quantitative methods based on machine learning and we plan to extend our current GHG data use from Scope 1 and 2 to include Scope 3.
Carbon forecasting	Implied temperature rise (ITR) measures require estimates of future company emissions to produce results. Some companies provide trajectories which could benefit from quantitative validation. Many other companies do not disclose emissions trajectories and therefore these emissions require estimation to produce universe-wide ITR measures.
Carbon footprint of government bonds	We have been working on developing a methodology to allow us to increase the coverage of our holdings for which we measure and publish the carbon footprint by including holdings of government debt. This has been done in collaboration in collaboration with BNP Paribas, including a dialogue with PCAF (Partnership for Carbon Accounting Financials) on the matter. We plan to share further information about the methodology chosen, as well as the results for our portfolios.
Implied temperature rise (ITR) modelling	We endeavour to enhance measures of ITR industry-wide through our collaboration with and use of tools provided by SBTi, CDP, CA100+, TPI, OS-Climate, the Inevitable Policy Response and GFANZ. We intend to use our knowledge and these tools to develop a more comprehensive ITR measurement methodology for our own portfolios, which will help us assess our alignment with our net zero commitments at the issuer, fund and total portfolio levels.

PILLAR 2 – STEWARDSHIP

Investing in assets is only one aspect of our response to the climate crisis. Effective stewardship, including proxy voting, direct or collaborative corporate engagement and public policy advocacy, is also necessary to ensure we are doing all we can to move society as quickly as possible to net zero emissions[30]

Proxy voting

Commitment # 6: Vote for climate action

We will use our votes to signal our expectation that companies report on their GHG emissions. We expect the world's largest GHG emitters to set a goal to achieve net zero by 2050 or sooner. We will back thoughtful shareholder proposals as well as submit shareholder proposals of our own to accelerate corporate action on climate change.

We have incorporated climate change considerations into our proxy voting guidelines for many years. In addition to providing strong support to shareholder proposals addressing climate change, our Governance and Voting Policy promotes a more proactive approach. In 2022, we updated our Policy to further align with our net zero commitment.

We will sanction companies that do not meet our climate expectations by opposing the following categories of management resolutions: **Discharge of board and management / board re-elections / financial statements**. In determining whether to apply these sanctions, we consider if companies:

- Properly report on all greenhouse gas emissions related to their activities (Scopes 1 and 2 for all companies, Scope 3 where appropriate)
- Communicate or constructively engage with regard to their business strategy on climate adaptation or their climate lobbying strategy; and
- Have set an ambition to achieve net zero GHG emissions by 2050 or sooner, underpinned by credible decarbonisation strategies and intermediary targets, in line with global efforts to limit warming to 1.5°C (See the box below for details on how this criterion is applied).

BNP Paribas Asset Management has also incorporated new requirements related to biodiversity preservation, in line with its biodiversity roadmap published in 2021. BNPP AM expects companies to assess and report on their main environmental impacts and nature dependencies, starting with those in high-impact sectors, and focusing primarily on deforestation and water-related issues.

Voting on CA100+ net zero expectations

In 2022, in light of the climate crisis and our commitment to the Net Zero Asset Managers (NZAM) initiative, we amended our voting policy to reflect heightened expectations for companies identified as the world's largest GHG emitters.

Our analysis is based on the results of the Climate Action 100+ Net Zero Company Benchmark.[31] On a case-by-case basis, we oppose the key management proposals described above for:

- CA100+ companies that have not adopted a "net zero by 2050" ambition (not aligned with the benchmark), or
- CA100+ companies that are partially aligned on indicator 1 of the CA100+ Net Zero Benchmark ("net zero by 2050" ambition) and have not shown meaningful progress over the past year, or set long-term, medium-term and short-term GHG reduction targets.

In making these voting determinations, we will exercise our own judgement, seeking to consider new company commitments published after the finalisation of the CA100+ Net Zero Benchmark results, as well as other relevant company-specific considerations. We do not delegate our voting decisions to any third parties, including CA100+.

30. More detailed on our Stewardship strategies and principles are outlined in our Stewardship Policy.

31. Net Zero Company Benchmark | Climate Action 100+

In instances where companies failed to meet these expectations, BNPP AM opposed the re-election of directors, discharge, or approval of accounts: 1 231 of such resolutions were opposed at 216 companies for environmental or social considerations, the vast majority of which (1 144) were for climate or biodiversity reasons (as of end of June 2022).[32]

Say on climate

When voting on "Say-on-climate" proposals, we take into consideration whether the company has:

- Disclosed all relevant GHG emissions linked to its activities (Scopes 1, 2 and 3, as appropriate)
- Set an ambition to achieve net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C
- Set short and medium-term targets to achieve net zero GHG emissions by 2050 or sooner, which prioritise the most relevant emission scopes for the company
- Reported on its climate governance, strategy, risk management & metrics and targets in line with TCFD standards.

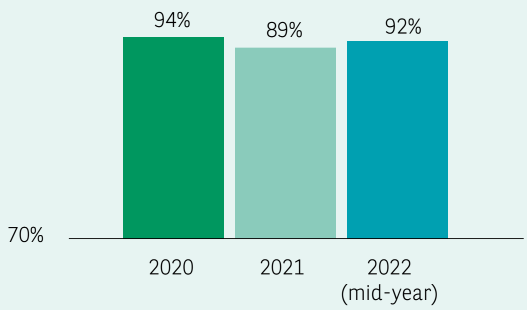
If these factors are not decisive, additional factors may be considered, including how the company performs compared to its peers in terms of climate strategy, considering all recently published information. In the 2022 proxy season, BNPP AM voted on 34 say-on-climate resolutions and opposed 76% in 2022 (vs. 29% last year). This significant opposition rise resulted from the implementation of an analysis grid, clarifying and strengthening our requirements on this type of proposal.

A shareholder proposal can be an effective tool for raising issues that would not otherwise appear on the board's agenda. BNPP AM has a strong record of supporting proposals addressing a wide range of ESG issues, in addition to submitting proposals of our own to accelerate corporate action on climate change. We seek to apply these policies consistently, in all markets.

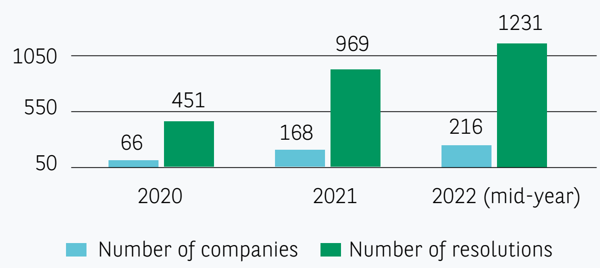
More detailed strategies and principles are outlined in our Governance and Voting Policy.

Exhibit 10: BNPP AM proxy voting and climate change record summary

Support for climate-related shareholder proposals:



Opposition to board elections, discharge of the board or financial statements due to environmental or social issues:



32. BNP Paribas Asset Management targets climate and compensation during 2022 AGM season (bnpparibas-am.com)

Supporting change at Exxon Mobil

Exxon Mobil's 2021 annual meeting was one of the most highly anticipated and closely watched meetings of the year. Engine No. 1, a small hedge fund, proposed four new directors to the Exxon Mobil board, challenging the company's preparation for the transition to a low-carbon economy, as well as its financial results. It was the first time an activist hedge fund had run a dissident slate based on climate change. In a vote that sent shock waves across the industry, three of Engine No. 1's nominees were elected to the Board.

We voted for all four Engine No. 1 nominees, after meetings with the hedge fund and the prospective directors, and voted against all incumbent directors, as we had for the past several years. We believe these new directors are highly qualified and prepared to help lead Exxon Mobil through a period of fundamental change, not just for the company itself, but for the entire oil & gas industry. Since the election of these directors, Exxon has announced a "net zero by 2050" commitment for its Scope 1 and 2 emissions, a clear step in the right direction, and published a climate lobbying report in response to a majority vote on our shareholder proposal.

In addition to these proxy voting activities, we are also actively engaged with Exxon Mobil (see below).

Corporate engagement

Commitment # 7: Engage companies on net zero

Implement an engagement strategy that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner.

Our active membership in CA100+ is a core element of our plan to align corporate strategies with a net zero future. CA100+ is a collective effort to engage the world's 167 largest corporate GHG emitters, supported by investors that collectively manage more than USD 68 trillion.

BNPP AM serves as lead or co-lead investor with ten companies in CA100+, and actively supports 10 other dialogues[33] in Europe, North America and Asia. Our CA100+ engagements include electric utilities, oil & gas and aviation, three industries that are critical for bringing about energy transition. We are helping to lead a broader effort focused on corporate climate lobbying.

In 2021, CA100+ launched its Net Zero Company Benchmark. The benchmark, to which we contributed, defines key indicators to assess business alignment with a net zero future and the goals of the Paris Agreement to limit global temperature rise to 1.5°C above pre-industrial levels. The benchmark is now used to structure each dialogue, and to set clear targets for companies to meet in the areas of ambition, target setting (short, medium and long-term), decarbonisation strategy, capital allocation alignment, climate policy alignment (lobbying), climate governance, Just transition and TCFD disclosure. Each of the benchmark's 10 indicators is supported by detailed sub-indicators. The benchmark is used to produce an annual evaluation of each of the largest corporate GHG emitters, to provide us with a systematic way to measure meaningful progress. (Company assessments can be viewed here: Companies | Climate Action 100+.)

We have placed particular emphasis on corporate climate lobbying in our global engagements. Lobbying activities that are inconsistent with the goals of the Paris Agreement present significant risks to investors and systemic risks to our economies as delays in the implementation of the Paris Agreement increase the physical risks of climate change, threaten economic stability and introduce uncertainty and volatility into our portfolios.

We began our work on "Paris-aligned corporate climate lobbying" in 2018 and are now witnessing rapid uptake of this issue 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 companies are playing in influencing those policies.

In 2020, we drafted a shareholder proposal to address this key topic, receiving a historic majority vote at Chevron's annual meeting. To date, this proposal has received **six majority votes** since we first submitted it in 2020 (three were achieved by other investors, using versions of our proposal). Our proposal's basic template is now being used by investors affiliated with CA100+ and the Interfaith Center on Corporate Responsibility to engage a wide range of companies.

33. Data as of December 2021

We submitted four climate lobbying proposals at US companies for the 2022 proxy season and successfully withdrew three ahead of the respective company's AGM, in exchange for written commitments. We served in a lead capacity for two of these proposals and played an active supporting role for the other two. ExxonMobil and General Electric published reports evaluating their climate lobbying in response to our proposals, and Delta Airlines published a climate lobbying report in response to a majority vote our proposal received at the company's AGM last year.

In early 2022, we helped launch the Global Standard on Responsible Climate Lobbying[34] to provide the market with clear guidance on our expectations and allow all stakeholders to share a common set of indicators to evaluate the increasing number of corporate climate lobbying reports companies are now publishing.

As noted above, the climate crisis and the biodiversity crisis are driving each other and must be addressed together. Environmental sustainability, with a focus on deforestation and water, is a key theme for our corporate engagements. In 2021, we collaborated with other institutional investors to launch Nature Action 100, an initiative focused on reversing nature loss by 2030. The effort, which we expect to launch publicly later in 2022, will engage corporates and policymakers, and has the support of a technical advisory group to ensure the work is grounded in science.

Highlights of some of our corporate climate engagements are provided below, as reported in our 2021 Sustainability Report and our standalone Stewardship Report[35].

Europe

Iberdrola (Spain)

Activity: We are the lead investor on behalf of Climate Action 100+. We continued our dialogue with Iberdrola throughout the year, focusing on the details of its transition plan and its governance arrangements relating to climate change.

Outcomes: In 2021, we secured a success with the company as it committed to submit its climate action plan to shareholders for an advisory vote. Shareholders approved the revision of the Articles of Association to place responsibility for the company's climate strategy on the Board of Directors as well as responsibility for approving and producing annual climate management reports, starting in 2022 within the Non-Financial Information Report. It also provided for a shareholder vote on the climate change plan from 2022. This new role assigned to the Board was approved by the shareholders at the general meeting and we supported the proposal as it is aligned with our expectations and a good step in order for the company to achieve its net zero goal by 2050.

Asia

CLP Holdings (Hong Kong)

Activity: We initiated our engagement with CLP Holdings in our co-lead role within the Asia Investor Group on Climate Change (AIGCC) Asian utilities engagement programme 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 2019, 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.

34. Home – Responsible climate lobbying: The global standard (climate-lobbying.com)

35. https://docfinder.bnpparibas-am.com/api/files/F1DBA719-AC36-4B3D-973D-E0C764359E43

Americas

Exxon Mobil (Oil & Gas; US); Delta Airlines (Aviation; US) – Majority votes on climate lobbying
BNPP AM's Role:
- **Climate Lobbying: Lead Investor**
- **CA100+: Exxon Mobil (Co-lead); Delta Airlines (Supporting Investor)**

In 2020, our Paris-aligned climate lobbying proposal received a historic majority vote at Chevron's annual meeting. In 2021, we filed the proposal with Exxon Mobil and Delta Airlines, attracting record support – 64% and 63% approval, respectively.

Our proposal asked each company's board to evaluate whether their company's direct and indirect – e.g., through trade associations – lobbying aligns with the temperature goal[36] of the Paris Agreement and to report to shareholders, with their report indicating how the company should address misalignments. Chevron, Exxon Mobil and Delta Airlines have all produced climate lobbying reports in response to majority votes on our proposal, and dialogue with each company continues.

Public policy advocacy

Commitment # 8: Advocate for climate policy

We will actively advocate for net zero-aligned policy and seek to ensure any relevant direct and indirect policy advocacy that we undertake is supportive of achieving global net zero emissions by 2050 or sooner.

Climate change is a systemic risk and, as such, cannot be resolved by the private sector alone. We need strong government policy that sets clear targets – and limits – and aligns incentives to ensure that capital markets are allocating capital towards a sustainable future. In 2019, we published our Public Policy Stewardship Strategy on Sustainability, with a core focus on climate change[37].

The United Nations' Emissions Gap Report has warned that national climate pledges and other mitigation measures put the world on track for a temperature rise of 2.7°C by the end of the century, well above the 1.5°C limit that scientists say must be achieved to avoid disaster.

In 2021, we signed the Global Investor Statement to Governments on the Climate Crisis, coordinated by the Investor Agenda to encourage all countries to significantly strengthen their Nationally Determined Contributions (NDCs) under the Paris Agreement for 2030 and to ensure an orderly transition to net zero emissions by 2050 or sooner.

Until recently, our discussions with government representatives as bondholders were limited to green bond issuance. While a new practice for us, we have started to ramp up our dialogue with governments on ESG issues in relation to the issuance of government debt. These discussions focus on national transition pathways to meet commitments to the Paris Agreement.

US Securities and Exchange Commission

For capital markets to effectively manage the risks of climate change, investors need reliable, comparable data from the companies they invest in. We are pleased to see that, for the first time, the US Securities and Exchange Commission (SEC) has proposed rules in this area.

In 2021, we participated in three calls with SEC officials to discuss corporate climate change disclosures, including a one-on-one call with the interim Director of Corporation Finance and two group calls with the new SEC Chair, during which we presented our views on climate disclosure and financial materiality. We are encouraging the SEC to embrace a holistic approach to materiality that addresses the risks companies face from climate change, as well as information to allow us to measure each company's contribution to the climate crisis through mandatory disclosure of corporate GHG emissions.

In close coordination with BNPP AM, BNP Paribas sent a letter to the SEC supporting mandatory Scope 1, 2 and 3 disclosures for all reporting companies, in addition to other recommendations,[38]

36. The first iteration of the proposal referred to "well below two degrees goal" and the second to "1.5 degrees".
37. 8BFBC6C4-8E02-408E-A187-E7D437C467AC (bnpparibas-am.com)

while in 2022, we worked with BNP Paribas colleagues on a letter expressing broad support for the SEC's rule proposal, including support for mandatory Scope 3 emissions disclosure from all large companies[39]. BNPP AM also sent a letter to the Canadian Securities Administrators with our views on its climate disclosure proposal[40] and we joined a PRI-coordinated call with the Ontario Securities Commission to underscore our recommendations.

The Taskforce on Nature-related Financial Disclosures (TNFD)

We have been closely involved with industry-wide voluntary efforts to help provide better and more consistent data to the markets on climate change and biodiversity loss. BNP Paribas co-chaired a working group that led to the launch of the Taskforce on Nature-related Financial Disclosures, which aims to produce a reporting framework to help financial institutions redirect capital flows towards nature-positive outcomes. The framework will provide companies with guidance on how to measure and report on their impacts and dependencies on nature. BNPP AM contributed actively to working group sessions and is represented on the TNFD by Robert-Alexandre Poujade, our biodiversity lead.

Financial Institution Statement ahead of the Convention on Biological Diversity COP15

2021 saw the kick-off of the 15th meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity. This was a critical moment to establish a clear path to reverse nature loss. We signed an investor statement supporting the creation of an ambitious and transformational post-2020 Global Biodiversity Framework (GBF) to fulfil the vision of "living in harmony with nature by 2050" through the recovery of natural ecosystems, with net improvements by 2050. To achieve this vision, nature loss must be halted and reversed by 2030, through improvements in the health, abundance, diversity and resilience of species, populations and ecosystems.

The statement was endorsed by 78 financial institutions managing more than USD 10 trillion. Our role was to help convince Ceres (The Coalition for Environmentally Responsible Economies) to issue the statement, along with its co-author, the Finance for Biodiversity Foundation, and provide comments and edits to the final text.

What were the outcomes of the first part of the negotiations?
The main outcome is the adoption of the Kunming Declaration – a 'statement of political will' that includes 17 points demonstrating a commitment from all countries to work together. Also, several announcements were made to increase international funding to support biodiversity, such as the Kunming Biodiversity Fund.

What are BNPP AM's expectations?
The so-called 30×30 proposal is not clearly stated in the declaration, indicating that a consensus has not yet been reached, though this proposal aims to protect and conserve 30% of land and sea areas and is supported by more than 70 countries, led by Costa Rica, France and the UK. We view it as a positive sign that the Kunming Declaration includes an explicit expectation to align financial flows to support the conservation and sustainable use of biodiversity. Ultimately, we believe initiatives such as TNFD will play an instrumental role in tackling this issue.

The most challenging factor facing net zero portfolio alignment is that the global economy is not yet on a net zero pathway. Until we change this, the investable universe for net zero investors will shrink. This underscores the importance of forward-looking perspectives and long-term engagement in making investment decisions.

More detailed strategies and principles are outlined in our Public Policy Stewardship Strategy document.

38. cll12-8911625-244371.pdf (sec.gov) We have been signatories to each annual version of this statement since it was first issued.
39. s71022-20131610-301983.pdf (sec.gov)
40. https://www.osc.ca/sites/default/files/2022-01/com_20220117_51-107_kanzera.pdf

PILLAR 3 – RESPONSIBLE BUSINESS CONDUCT

We believe that business conduct impacts the value and reputation of companies in which we invest. Our Responsible Business Conduct Policy, discussed earlier, outlines our expectations of companies and our approach to those that do not meet them. It sets out the conditions under which we will invest in specific sectors and guides our screening requirements and related stewardship activities. These criteria are based on international conventions and regulations, BNP Paribas CSR Policies and voluntary industry standards. In each sector, we highlight mandatory responsible business conduct requirements that must be met by issuers for us to include a company in an actively managed portfolio. In addition to the compulsory standards, we have developed criteria that we encourage companies to comply with, which provide us with a good framework for further analysis and dialogue with companies. Finally, we have a set of policies that commits us to excluding certain sectors or activities when we deem them to be in violation of international norms or causing unacceptable harm to society or the environment, without counterbalancing benefits. These are generally sectors where engagement makes little sense.

Coal

Commitment # 3: Exit Coal

We will exclude mining companies that do not have a strategy to exit thermal coal activities and power generators that still have coal capacity in their generation mix in 2030 in European Union and OECD countries, and by 2040 for the rest of the world.

In 2020, BNPP AM introduced significant updates to its RBC policy, which brought into effect a restrictive approach to coal investing. The goals are to manage stranded asset risk while improving the climate profile of our holdings and avoid financing the most climate-damaging activities. The RBC policy addresses companies engaged in mining thermal coal and using thermal coal to generate electricity, and we have progressively strengthened our coal policy since its inception.

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

- Developing or planning to develop thermal coal extraction capacities (new mines or expansion of existing ones)
- Deriving more than 10% of their revenues from the mining of thermal coal
- Producing more than 10 million tonnes of thermal coal per year
- Lacking a strategy to exit thermal coal activities.

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

- Adding operational coal-fired power generation capacity to their power portfolio
- Having a carbon intensity above 420 gCO_2/kWh. This exclusion will be further tightened following the trajectory for the sector as determined by the IEA's Sustainable Development Scenario (SDS). This means power generators' carbon intensity will need to fall to 346 gCO_2/kWh by 2025, or they will be excluded from our investment portfolios.

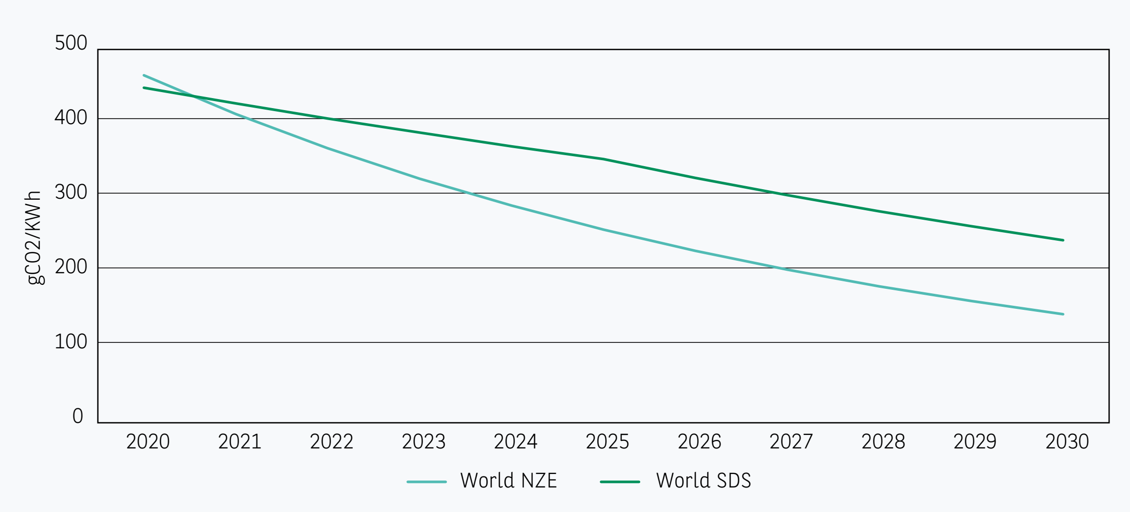
In addition to the above, we will systematically exclude any power generators that still have coal capacity in their generation mix in 2030 in European Union and OECD countries, and by 2040 for the rest of the world.

By construction, our holdings[41] in the power generation sector track the SDS scenario for power generation, and our overall exposure to coal power production is limited. As we do not have scientific benchmarks based on activity metrics for mining companies, we have selected thresholds we believe are strict enough to reduce our overall exposure to coal mining. We have been reducing the threshold over time and will continue to do so. Our coal exposure should be zero by 2030 for European Union and OECD companies and by 2040 for non-OECD companies.

41. Note, per our ESG Integration Guidelines, our RBC policy applies to all actively managed BNPP AM Funds, and has become the default for mandates. We are engaging with existing clients to seek permission to apply the policy to existing mandates (although mandate clients do have the ability to opt out of the RBC). The RBC is progressively applied to index funds, JVs and former Affiliates although some exceptions apply.

In 2021, the IEA published a report on how to transition to a net zero energy system by 2050 aligned with 1.5°C. Exhibit 11 shows that for electric power generation, this scenario implies a sharp reduction of the carbon intensity of electricity generation as against the SDS scenario (-42% by 2030 and -29% by 2025).

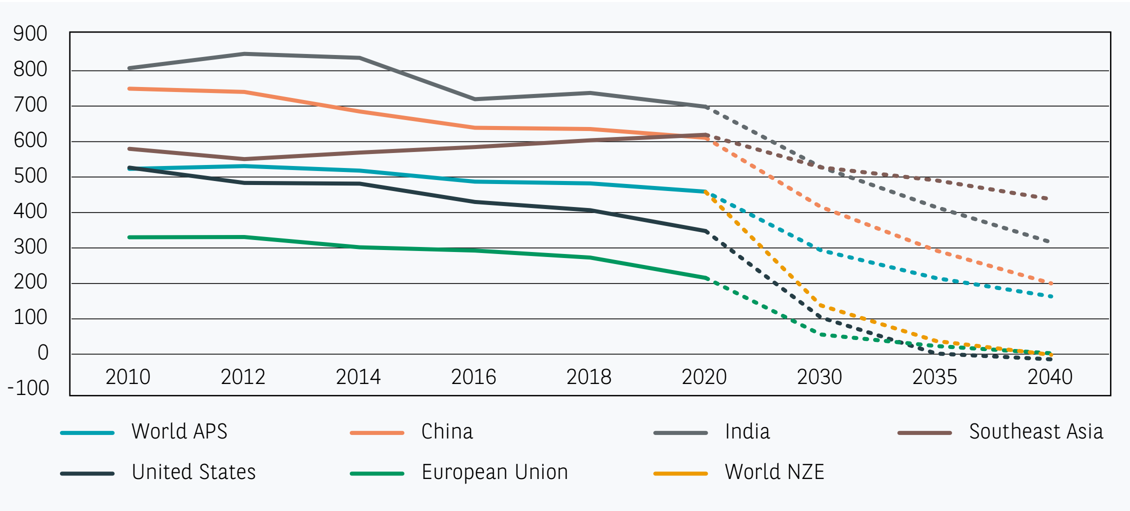
Exhibit 11: IEA SDS vs. net zero energy scenarios – Global carbon intensity of electricity generation



Source: IEA 2021

As can be seen in Exhibit 12, current pledges by countries are not consistent with bringing power generation to net zero emissions by 2050. It also highlights that there are significant, distinct regional differences in current emissions trajectories or – put more simply – some regions have more work to do than others to get to net zero.

Exhibit 12 - Carbon intensity of electricity generation in selected regions in the announced pledges scenario 2000-2040



Notes
APS = Announced Pledges Scenario. NZE = Net Zero Scenario. Regions show APS.
Source: IEA 2021

For the time being, we do not plan to change our policy to use the net zero energy benchmark for power producers. Our near-term priority is to align our investments in other sectors not yet addressed and to align our portfolios in general, beyond power production. We will revisit this option once this wider alignment work has been undertaken in other high carbon-intensive sectors.

Unconventional oil & gas

The rapid increase in the number of unconventional oil & gas projects has a significant impact not only on climate change, but also on ecological integrity, as these projects operate in increasingly difficult or sensitive areas. Some of this risk can be mitigated by implementing best practices, an area we will focus on when investing in these types of companies. However, some areas are so sensitive that operations should cease. To that end, we have exclusions and mandatory criteria in place for companies with significant involvement in the exploration, production, trading and/or pipeline distribution of shale oil or gas, oil sands, and other oil & gas resources, especially in sensitive areas. We have recently strengthened our policy on unconventional oil & gas and on particularly sensitive areas in terms of climate and biodiversity, namely the Arctic and Amazon regions. More information is available in our Responsible Business Conduct Policy.

Deforestation

Deforestation is a primary driver of the release of GHG emissions, with the greatest deforestation occurring in the humid tropics. Our RBC Policy contains sector-specific investment criteria to help reduce the impact of deforestation, specifying standards for activities associated with palm oil and pulp and paper production. In addition, we have set targets for relevant companies in our portfolios to comply with No Deforestation, No Peat and No Exploitation (NDPE) commitments for palm oil, soy, paper, timber and beef producers, as well as NDPE commitments from companies operating in mining, metals and infrastructure. These evaluation criteria drive our engagement activities with companies that we believe can be leaders in championing those standards within their sectors.

PILLAR 4 – FOCUS ON THE FUTURE: THE 3ES – ENERGY TRANSITION TO A LOW-CARBON ECONOMY, ENVIRONMENTAL SUSTAINABILITY, EQUALITY & INCLUSIVE GROWTH

We believe a better world is one that has an economic model underpinned by a successful energy transition, that is more environmentally sustainable, and that has more equitable and inclusive practices. Together, these '3Es' represent the pathway to the economic sustainability that enables us, as investors, to safeguard long-term returns.

With respect to net zero, these three themes are closely interlinked. While it is obvious that the energy transition is key to addressing environmental challenges, we also need to consider social factors to ensure that equality and inclusive growth are addressed. Enabling such a 'just transition' will require a multi-pronged and multi-stakeholder approach. We have seen the concept of the just transition used to support a more gradual transition than the science tells us is necessary. But we believe the greatest threat to low-income and under-represented communities globally is climate change, and we must find a way to transition rapidly to a low-carbon economy in a just manner.

Energy transition to a low-carbon economy

As highlighted earlier, the science is unequivocal, and the evidence is growing ever stronger: Climate-related risks are greater and impacting the global economy more rapidly than previously thought.

'Energy transition' – the term now widely used to describe the structural shifts that are occurring in the global energy system – is a critical part of the response to climate change. Energy-related emissions and those associated with industry, transport and buildings account for around 75% of all GHG emissions and have continued to grow from year to year. That is why these sectors are central to achieving the transition to a net zero economy.

As the International Energy Agency recently highlighted, energy-related CO_2 emissions rose to a record 36.3 gigatonnes in 2021 due to the rapid economic recovery from the pandemic, reversing the slowdown the year before. The war in Ukraine has further increased usage of coal in some jurisdictions to offset the loss of Russian natural gas supplies, at least in the short term. While these are setbacks for climate mitigation, we now more than ever need to harness the four main drivers of the energy transition:

-1- **Public policy**

-2- **Technology**

-3- **Changing investor and consumer preferences**

-4- **Geopolitical concerns**

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, we believe this is the only plausible growth we can aspire to and those who do not adapt will be left behind. We aim to make a substantive contribution to this transition.

Our approach to the energy transition incorporates the notion of a 'just transition' to ensure that the shift will be inclusive and responsive to the needs of displaced workers, poorer communities, and those communities and regions in the world most affected by the impact of a changing climate (this aligns with our thematic pillar, 'Equality and inclusive growth'.

Environmental sustainability

Human society and the global economy are inextricably linked to water, land, biodiversity, forests and minerals. Once considered inexhaustible, these critical resources and ecosystems are now under severe pressure from current rates of consumption as a result of both population and unsustainable economic growth and operational models.

The rate of environmental degradation is outpacing the planet's ability to absorb the damage. Scientists estimate that humans use as many ecological resources as if we lived on almost two Earths[42]. Misuse, on top of overuse, coupled with pollution and contamination are only worsening the condition of the air, water and soil. It is estimated that 60% of global ecosystem services are degraded or are being managed unsustainably[43].

We now know that we should target 1.5°C as an absolute cap on global average temperature increases. Limiting temperature rises to 1.5°C rather than 2°C could reduce the number of species being lost due to climate factors[44]. There are, however, different ways to get to the 1.5°C target, and the path we choose will have different implications for society and biodiversity[45]. If we were to achieve 1.5°C at the expense of biodiversity, we would have redefined the term 'Pyrrhic victory'.

In 2009, the Stockholm Resilience Centre introduced the planetary boundaries concept, which focuses on the nine systems that regulate the stability of the Earth[46]. They have found that six out of nine planetary boundaries have now been crossed: Climate change, biosphere integrity, land-system change, biogeochemical flows (phosphorus and nitrogen), pollution from 'novel entities'[47] and freshwater[48]. Renewable and non-renewable natural resources are also under severe threat. When we cross a planetary boundary, we enter an area of high uncertainty and increasing risk as the interactions of land, ocean, atmosphere and life provide the conditions upon which human societies depend.

Unless we act immediately and radically to reverse the situation, not only will we destroy our natural capital, but we will be unable to sustain current economic growth rates and the prosperity levels that the populations in developed countries enjoy, let alone extend them to developing nations. And again, as with climate change, those populations that are the most dependent on environmental resources – which tend to be the poorest – will be the first to suffer.

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42. WWF (2022), Living Planet Report, https://www.wwf.org.uk/our-reports/living-planet-report-2022
43. Millennium Ecosystem Assessment (2005), Ecosystems and Human Well-being: Synthesis, Island Press, Washington, DC, www.millenniumassessment.org/documents/document.356.aspx.pdf.
44. "Several factors determine species range. Climate is one important factor. For example, polar bears (Ursus maritimus) travel on sea ice, so the limit of their range is determined by the amount of sea ice that forms in the winter. Many species of cacti and other succulent plants are adapted to live in very hot, dry climates. They cannot survive in areas with lots of rainfall or long periods of cold." For more information, please see www.nationalgeographic.org/encyclopedia/species-range/ and Smith P. et al. (2018), Impacts on terrestrial biodiversity of moving from a 2°C to a 1.5°C target, www.ncbi.nlm.nih.gov/pmc/articles/PMC5897827/.
45. The IPCC has outlined four pathways to 1.5°C, three of which would allow higher emissions today in exchange for some form of carbon capture and storage later. While these approaches may be tempting to policymakers looking to lessen the immediate economic consequences of a rapid transition – a worthy objective in keeping with our commitment to a just transition – the ecological consequences are unacceptable. See IPCC (2018), Global Warming of 1.5°C, https://www.ipcc.ch/sr15/.
46. Steffen, W. et al. (2015), "Planetary boundaries, guiding human development on a changing planet". More information available on the Stockholm Resilience Centre's webpage: https://www.stockholmresilience.org/research/planetary-boundaries.html
47. Outside the Safe Operating Space of the Planetary Boundary for Novel Entities | Environmental Science & Technology (acs.org)
48. Stockholm University:https://www.stockholmresilience.org/research/research-news/2022-04-26-freshwater-boundary-exceeds-safe-limits.html

Equality and inclusive growth

Climate change is a significant driver of inequality, hitting vulnerable populations the most and reversing hard-won development gains[49]. It is critical to scale up investment in adaptation and resilience to ensure that the shocks of climate change do not disproportionally affect certain segments of society. This entails a stronger focus on the needs of populations most affected by climate change, granting them access to the tools they need to adapt and cope with climate-related disasters. Disaggregated data on the anticipated local impacts of climate change and on the potential socio-ecological effects of responses to climate change (e.g., maladaptation risk) is a prerequisite for effective and just climate action.

Environmental sustainability and inclusivity go hand-in-hand. Limiting temperature rise is the best preventive measure to address serious social challenges, not least to reducing poverty, conflict and migration and to preserving the livelihoods of hundreds of millions of people. The loss of biodiversity will affect people living in poverty more because they depend more directly on natural capital given their limited ability to purchase, for example, food, medicines and insurance[50].

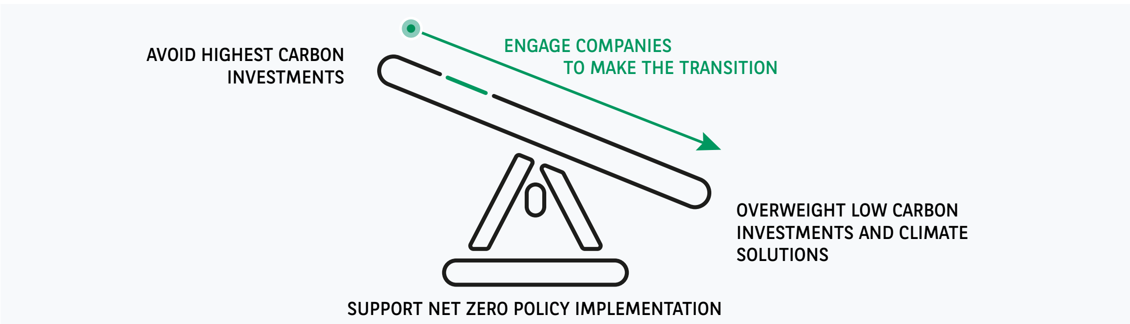
The shift to a zero-carbon and environmentally sustainable economic model is necessary, considering what is at stake, and there is little doubt about the important economic and social benefits that the transition can deliver. A report of the New Climate Economy, for example, concludes that low-carbon growth could deliver economic benefits of USD 26 trillion by 2030 and generate over 65 million new low-carbon jobs[51]. We believe investors will have a key role to play in enabling a just transition to low-emission, climate-resilient economies.

However, and given the urgency to act, it will not come without a cost. There will be companies and sectors that will experience significant disruption, which if not well managed could bring unemployment and economic depression.

We investors can play a critical role by ensuring that the social dimension is well integrated into our investment analysis and decision-making, and in our engagements with companies and policymakers. We are committed to bringing the Environmental and Social dimensions together, and to taking action to support the just transition by integrating workforce and social dimensions into our climate practices[52].

In most countries, going solar is now cheaper than building new coal power plants. Clean energy investments drive economic growth, with the potential to create 18 million jobs by 2030, even allowing for the inevitable fossil fuel job losses. Clean energy is also less expensive once built, lowering costs for consumers and industry in the medium to long term.

In considering our approach to these three challenging topics, we have a range of tools at hand, key ones being investment, divestment, stewardship and integration.



49. OECD (2018), "What does it mean to leave no one behind?", in Development Co-operation Report 2018 : Joining Forces to Leave No One Behind, OECD Publishing, Paris, https://doi.org/10.1787/dcr-2018-8-en.
50. Dylies R. et al. (2011), "Biodiversity and Poverty: Ten Frequently Asked Questions – Ten Policy Implications", International Institute for Environment and Development (IIED), London, https://www.iied.org/14612iied.
51. New Climate Economy (2018), Unlocking the inclusive growth story of the 21st century, Washington DC, https://newclimateeconomy.report/2018/.
52. New Climate Economy (2018), Unlocking the inclusive growth story of the 21st century, Washington DC, https://newclimateeconomy.report/2018/.

- We can **integrate our knowledge** and perspectives on the '3Es' into investment processes across asset classes (Pillar 1). This optimises our ability to make well-informed decisions – particularly in a world with imperfect information and varied levels of knowledge – thus helping to protect and enhance investment outcomes for clients.
- We can **exercise investor stewardship** (Pillar 2) – through our proxy voting and engagement activity with companies – and via our discussions with policymakers, regulators and governments.
- We can **divest from companies** that we believe to be at risk from inevitable structural changes (Pillar 3), and whose behaviour is too much at variance with our own beliefs and investor preferences.
- We can **invest in the companies and sectors** that are part of the solution, encouraging their growth and benefiting from their success through our allocation of capital (Pillar 5).

These steps will allow us to optimise our portfolio-level decisions, help shape the debate and align our investments with net zero.

Articles on BNPP AM Viewpoint blog explore the intersection between the "3 Es" and net zero

VIEWPOINT

Energy security concerns highlight the need to move faster on decarbonisation
Rapid energy price rises and concerns about energy security following Russia's invasion of Ukraine mean that transitioning to net zero has never been more important.

→ READ THE FULL ARTICLE

To reach net zero, overhaul the built environment
Buildings account for over a third of global energy-related CO_2 emissions. Focusing on reducing these – both operational and embodied emissions – represents a significant opportunity for investors over the next decade.

→ READ THE FULL ARTICLE

Investment in nature-based solutions will be key to net zero
Forests are central to the global carbon cycle, acting as the Earth's lungs by removing and releasing CO_2 in tune with the waxing and waning of the seasons.

→ READ THE FULL ARTICLE

'Greenflation' – Navigating the climate policy, oil price and inflation nexus
Given the relationship between climate policies, oil prices and inflation and the difficulties in managing inflation through interest rate policy, it is worth taking a closer look at the dynamics involved.

→ READ THE FULL ARTICLE

What links climate change, biodiversity loss and gender?
An effective response to the twin problems of climate change and biodiversity loss must also be grounded in improving gender equality.

→ READ THE FULL ARTICLE

To address climate change, we need to address social inequality
Two of the largest challenges society faces today – climate change and social inequality – can benefit from a joint approach, particularly as investors may have to navigate enhanced regulation in both.

→ READ THE FULL ARTICLE

PILLAR 5 – SUSTAINABLE INVESTMENT SOLUTIONS

Commitment # 4: Invest in climate solutions

Substantially increase our climate and environmentally themed investments.

We believe that sustainable thematic investing can contribute to the net zero transition by investing in companies that facilitate it. We aim to substantially increase our climate and environmental-themed investments. Today, BNPP AM is one of the leaders in sustainable thematic investment, with more than EUR 21.4 billion in sustainable thematic funds that focus on environmental, climate and social themes. Separately, we manage more than EUR 13.7 billion in Paris Aligned/ Climate Aligned Benchmark, Low-Carbon and Fossil-Free funds.

As of today, 90% of global GDP and 85% of the world's population have committed to some sort of carbon neutrality[53]. However, one of the biggest challenges facing net zero is the fact that the economy is largely not net zero aligned. Accordingly, achieving this goal will be economically disruptive for some industries and, in these cases, radical changes to business models may be necessary. It will also be disruptive for the investment industry, which will increasingly need to accommodate new methods of investing to account for the environmental and social impact of portfolios. The urgency and extent of the climate crisis warrant this disruption and we believe that achieving net zero is realistic – indeed economical compared to fossil fuel alternatives – even with existing technologies.

While the transition to a low-carbon economy creates many risks, it also generates significant opportunities, which forward-looking investors may capture by investing in existing technologies – e.g., wind and solar projects, developers or manufacturers – or by financing new technologies that can accelerate the necessary disruptions – e.g., clean tech, venture capital or small-cap pure play innovators.

The Energy Transitions Commission estimates that to develop these technologies and others not explored here, including bioenergy to decarbonise aviation, heavy goods transport, buildings and agriculture, will require investment of between USD 1 trillion and USD 2 trillion a year. In addition, the cost of climate adaptation is estimated to reach up to USD 300 billion a year in 2030, compared to the USD 30 billion invested in 2017–2018. To date, just 1.6% of this is coming from private sources.

There is a clear call to action for private investors to move money flows toward climate solutions such as greater energy and water efficiency, the large-scale use of clean hydrogen, precision irrigation and carbon capture. Our product range already includes strategies seeking to invest in climate opportunities and we will continue to innovate and provide investment solutions to our clients.

Our existing solutions

At BNPP AM, we aim to provide our clients with sustainable thematic solutions focused on addressing climate change, and we will continue to develop our investment range in line with our net zero commitment. We offer these investment solutions to tackle climate change.

Equity (Environmental Strategies)

The Environmental Strategies Group invests in companies globally whose products or services directly contribute to solving climate change, aiming at both reducing CO_2 and other GHG emissions as well as protecting and restoring our natural capital and ecosystems. The group manages about USD 4 billion across four funds, three of which focus on climate solutions:

- **BNP Paribas Energy transition strategy**: This long-only strategy invests in the energy transition opportunity arising from increased energy demand, a changing energy mix and the need for energy-efficient solutions to address climate change.

53. Source: Net Zero Tracker, as at January 2022. Progress Tracking – Net Zero Climate

- **BNP Paribas Environmental Absolute Return Thematic (EARTH) strategy**: This long/short strategy takes long positions in the most promising and innovative companies globally within the energy, materials, agriculture and industrials markets that are providing solutions to environmental challenges. These are paired with short positions in companies with unsustainable or technologically inferior business models vulnerable to transition risk. Short positions are used both to hedge long positions and as a source of alpha, while increasing the cost of capital for companies failing to address environmental challenges.

- **BNP Paribas Emerging Climate Solutions**: This long-only equity strategy invests in companies providing environmental solutions for the sustainable management of land, water, energy, manufacturing and transport in emerging economies.

We plan to further grow our range of environmentally-themed active equity strategies, in addition to embedding climate and net zero considerations across other equity strategies.

Fixed income

Green bonds have grown and matured as a fixed income segment over the past decade. The need for climate action has spurred a raft of green projects and activities that combat climate change and other environmental challenges and seek to contribute to a net zero world.

BNPP AM's Sustainability Centre has developed a proprietary methodology for analysing green bonds that integrates in-depth financial and extra-financial analysis to identify such bonds. This process ensures that these investments have a concrete positive impact in combating climate change by checking when they are issued and one year afterwards whether the issuer has met their commitments.

Our BNP Paribas Green Bond strategy invests in global green bonds supporting environmental projects, issued by corporates, supranational agencies, local entities and governments in hard currencies. The fund is included in our impact fund range and in our annual Operating Principles for Impact Management report[54].

More recently, we launched a Sustainable Asian Cities fixed income strategy designed to target opportunities for enhancing urban mobility, incorporating low-carbon elements, improving basic infrastructure to help cities operate and thrive, and improving their resilience to extreme weather events.

We will continue to further develop our climate fixed income investment solutions.

Passive solutions

BNPP AM ranks among the biggest ESG ETF (exchange-traded fund) providers in Europe. Over the years, our ESG expertise has been developed through a strong collaboration between our investment managers, our Sustainability Centre and external index providers.

We build customised solutions either completely in-house (ESG/climate-optimised portfolios based on a standard index using our proprietary ESG scores and carbon data) or with an independent index administrator, whereby we match the index solutions with our ESG/climate requirements or those of our clients. We have a range of innovative approaches – including having launched the first low-carbon ETF in 2008. More recently, in addition to the socially responsible investment criteria already applied, ETFs and index funds tracking the MSCI SRI S-Series 5% Capped range have adopted the characteristics of Paris Aligned Benchmarks. As a result, we were managing EUR 9.2 billion in PAB and Climate Transition Benchmarks (CTB) passive funds, representing around 40% of our BNP Paribas Easy funds range (as at the end of June 2022).

We will strengthen and develop our ESG range with new indexation and apply the new climate framework defined by the Technical Expert Group of the European Commission to some of our existing index funds and ETFs. Overall, we are aiming to expand our BNP Paribas Easy range of ESG indices across all asset classes.

54. Available here: E6CD2ACB-4368-4B76-8E46-A3CD84968ED7 (bnpparibas-am.com).

Private assets markets

Through our investments in private markets, we invest in companies, infrastructure projects and real estate assets which contribute to the transition to a low-carbon economy. Our team helps companies engaged in the reduction of their emissions by providing them with financial support. The infrastructure investment team finances projects that contribute to climate change mitigation, which includes renewable energy, green mobility and energy-efficient utilities. A systematic climate impact assessment of our real asset investments is undertaken in partnership with an independent expert (Iceberg Data Lab). Its external analysis helps us measure the carbon footprint, avoided emissions, temperature trajectory as well as the Net Environmental Contribution (NEC) of individual investments.

We are in the process of developing a positive impact investment solution that will target climate change mitigation by investing in real assets that are aligned with the requirements of the EU Taxonomy, with a minimum NEC threshold and a positive avoided emissions profile.

Partnering with our clients to align their portfolios to net zero

Commitment # 5: Client engagement

Engage with our clients to transition towards net zero investing.

Each group of stakeholders has responsibilities in our collective race towards net zero, and in our interconnected financial system, the action of one group can be amplified or hindered by others. Working collaboratively with different stakeholders is thus essential if we want to have a net zero economy by 2050, and so, as part of our net zero commitments, we will partner with clients on their net zero goals. We will engage with clients and encourage them to join us in our efforts to reach net zero financed emissions by 2050. This engagement will take several forms. We will:

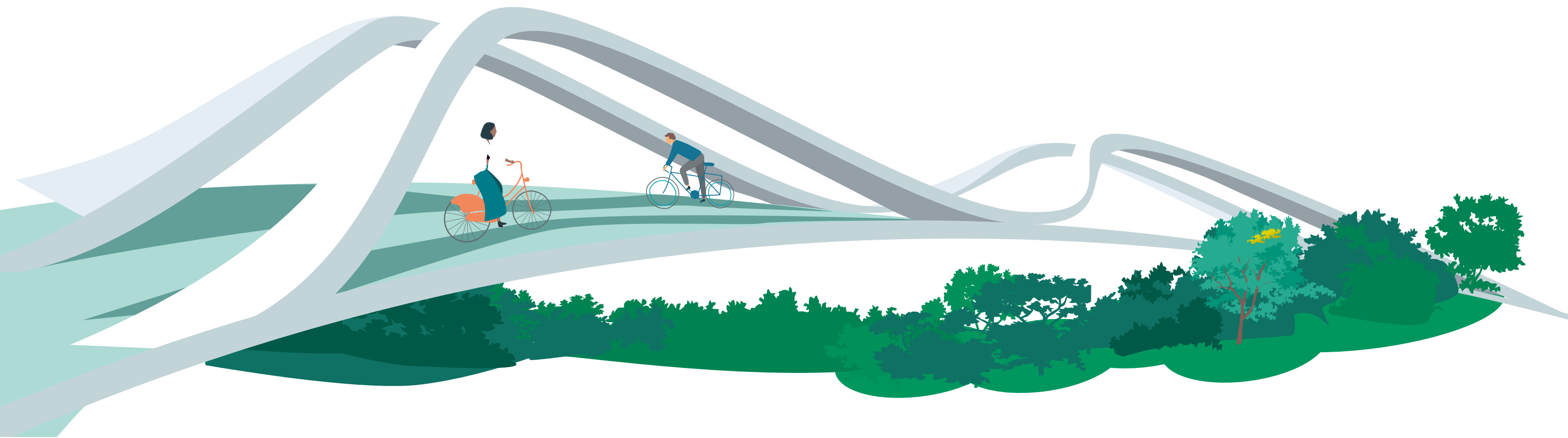
- **Communicate regularly** with clients about our net zero strategy, firstly through this dedicated roadmap, and we will send periodic updates on new developments and progress on our net zero journey.
- **Provide our clients with a range of education and training tools**, notably via our Investment Academy. Created in 2009 with the purpose of sharing knowledge and expertise with clients, Investment Academy classes have been delivered online and in-person, with over 15 000 people attending since inception.
- **Publish thought leadership pieces** on climate change and net zero topics throughout the year – articles, podcasts and videos on our Viewpoint blog. We will also produce brochures, videos and client events designed to enable clients to understand the challenges and opportunities offered by aiming for net zero.
- **Further develop climate & environmentally themed investment solutions** for retail clients. We will also work with institutional clients to **provide them with tailor-made climate & environmentally themed investment solutions** so they can align their existing and new portfolios toward net zero. We will work on developing metrics enabling clients to assess the net zero alignment of their portfolios.

Partnering with a client to allow them to reach their net zero goal

In 2021, we worked with one of our clients to reorient one of their dedicated portfolios to include a strong focus on physical risks associated with climate change and to align the portfolio to net zero.

The portfolio was initially investing in European equities according to a "best in class" approach, favouring companies with the best sustainability ratings within each sector.

To restructure the fund, criteria defined by the European Paris Aligned Benchmark (PAB)[55] standard were integrated into the investment process of the dedicated fund. The eligibility of the underlying companies was assessed by analysing their climate ambition and their climate performance using a proprietary approach. The portfolio was then constructed in accordance with the PAB standard, which requires a reduction in the carbon footprint from the initial investment universe of 50%, an annual carbon footprint reduction of the portfolio of 7%, a ratio of green shares/brown shares of the portfolio significantly higher than the investment universe, and exposure to sectors that contribute the most to climate change – at least equivalent to the exposure from the original universe.



55. This standard imposes strict requirements, namely the exclusion of companies that derive at least 1% of their turnover from the prospecting, extraction, distribution or refining of hard coal and lignite; companies that derive at least 10% of their turnover from liquid fuels; companies that derive at least 50% of their turnover from gaseous fuels; companies that derive at least 50% of their turnover from electricity production activities with a GHG emission intensity greater than 100 g CO_2 e/kWh.

PILLAR 6 – WALKING THE TALK

We believe that '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. Not only will this reduce our negative impact on society, it helps build a culture that is consistent with our investment philosophy. We believe that immersing employees in a more sustainable work environment will help them to more authentically incorporate sustainability principles into their day-to-day activities, whether that is in investments, sales or operational roles.

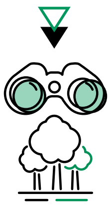
Commitment # 9: Reduce our operational footprint

Continue to offset our operational emissions, while we improve energy efficiency and increase the use of green energy.

As a services business, our operational impact on the environment is relatively limited compared to other industries, but this does not minimise our obligation to take concrete measures to reduce our footprint. Our Corporate Social Responsibility approach has four main thrusts, one of which is a long-term goal of reducing our absolute emissions. We call this Mission Zero.

We have a three-pronged strategy to achieve this goal, in order of priority:

1. Reducing our emissions through **improvements in our operations**
2. Buying **green energy** where possible
3. Offsetting any remaining residual emissions through **offsets.**



Don't miss the forest for the trees:
The impact of operational emissions for financial services firms

All organisations must do what they can to minimise their emissions and bring them in line with the goals of the Paris Agreement. For financial services companies, this means not only focusing on operational or direct emissions, but also on indirect emissions related to the companies they finance or invest in. A **recent study by the CDP** found that indirect, or financed emissions, are on average over 700 times greater than direct emissions. This is why we have committed to aligning our investment portfolios to a net zero pathway.

Mission Zero

Our long-term goal is to reach net zero within our operations. As a services company, our emissions from our operations stem primarily from offices, IT operations, business travel and employee commuting, and to a lesser extent, the production of waste.

We have **implemented several energy efficiency initiatives within our offices**, and this has resulted in the consistent reduction in the emissions intensity of our footprint. Seven of our eight largest offices, encompassing about 80% of our operations, are powered by green or low emissions energy. We are currently reimagining our workspaces and moving to a flexible working environment where employees may choose to work from home or the office a number of days. We will require less office space to do this, reducing our footprint, and where we move offices, we will continue to prefer green certified office space.

As with many other industries, **digitalisation is transforming how we do business** and has become a key enabler of our business strategy. The digital sector accounts for 4% of GHG emissions, which is more than the civil aviation sector, and its emissions are expected to double by 2025. Beyond this role in contributing to climate change, the production and disposal of digital equipment is associated with harmful impacts on our biosphere that we can no longer ignore. As a results, 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. Examples of IT initiatives at BNPP AM and Group level include:

- Engaging and working with our top 25 IT suppliers to communicate our environmental goals and updating 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%
- Developing partnerships such as BNP Paribas 3stepIT to ensure better reuse and recycling of our old IT equipment (in France in 2019, 160 tonnes of equipment was repurposed, and another five tonnes were recycled through certified facilities)
- Running communications campaigns with employees on the role we can all play in reducing the impact of digital activity.

Business travel and employee commuting are also significant drivers of our emissions. The pandemic has taught us that we can adopt new ways of working that require less travel and commuting. While this still presents many challenges – increasing the use of digital tools and accounting for emissions as a result of employees working from home – our hope and plan is that this leads us to emissions reductions compared to our pre-2020 modus operandi.

Finally, we expect waste reduction initiatives to lower our operational emissions. In 2019, we undertook a waste audit at our headquarters in Paris, where about half of our workforce are located. The results show that we currently have a recycling rate of 35%. This provided us with an action plan and a baseline to achieve our long-term goal of diverting 100% of our waste. Recognising that we will need transformative change to realise our ambition, we established the Mission Zero Council to bring together key stakeholders to help us achieve our goal. The council meets quarterly and includes our facilities and procurement teams, our property manager, and the food services company managing the cafeteria facilities at head office. Together, we are implementing the multi-year action plan that came from the audit. Initiatives include switching from single-use plastic, running paperless competitions and establishing recycling streams for specialised waste such as coffee capsules, cigarette butts, lightbulbs and other electronic waste.

Employee engagement

Our employees are the key to our sustainable transformation and the implementation of our net zero goals. To help employees embark on our mission, we provide them with training, awareness-raising initiatives and resources related to climate change and net zero.

We have brought in external scientists to speak directly with investment teams, offer general all-employee talks, and provided specialised training for interested members of the media. We have released internal and external educational videos on the topic, and we leverage content developed by BNP Paribas.

BNPP AM employee training

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 programme from recognised external entities: UN PRI, EFFAS, FSA or the CFA, such as the CFA Certificate in ESG Investing.
- Sustainability was the central theme of our annual internal three-day Investment Symposium in 2021, 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 in our FAME (Financial & Asset Management Expertise) training curriculum and our Demystification series designed for a wide range of employees.
- We continue to roll out our online training videos on sustainable investment, available to all staff. The videos, or micro-nuggets, range from six to 10 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 programme 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 three months 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 internal sessions for employees on 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.

As at December 2021.

Remuneration

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.

Analysts and portfolio managers set performance goals related to integrating ESG factors into their company, asset and sovereign evaluations and investment decision-making processes. Successfully implementing our ESG Integration Guidelines – including **beating the related universe or benchmark on carbon footprint and ESG scores**, which incorporates factors related to climate and net zero – is a key performance goal of our Chief Investment Officers and investment teams. As we continue to implement our net zero approach, we will look at how these can be further incorporated in the related targets and key performance indicators (KPIs), and in our remuneration philosophy.

Reporting

Commitment # 10: Report on progress

We will produce TCFD-aligned reporting, both by contributing to the BNP Paribas TCFD report, as well as by including a TCFD-aligned section in our annual Sustainability Report.

As a leading financial institution, we are a firm believer in good governance, transparency and extensive reporting, which we expect from both the companies we invest in and ourselves. Transparency is an essential element of good stewardship practice and a necessary step towards a sustainable financial system. We expect companies to disclose their practices and performance, so that we can engage in well-informed discussions with them. At the same time, clients and other stakeholders need, and are entitled to, information on our sustainability policies and practices. That is why we are committed to reporting on a regular and consistent basis.

- **On an annual basis**: We publish a Sustainability Report, Stewardship Report, Voting Report and Principles for Responsible Investment (PRI) Transparency Report to provide an overview of our sustainability-related activities for the year. We contribute to the Group's annual report and TCFD report. We are producing additional reports to comply with local requirements – for example, we produce a report in line with the French law on Energy and Climate[56].
- **On a monthly basis**: We generate portfolio reports and fund factsheets that include ESG metrics such as the carbon footprint, the ESG score and the ESG contribution of portfolios versus benchmarks.

We will continue to work on improving our climate and net zero reporting capabilities.

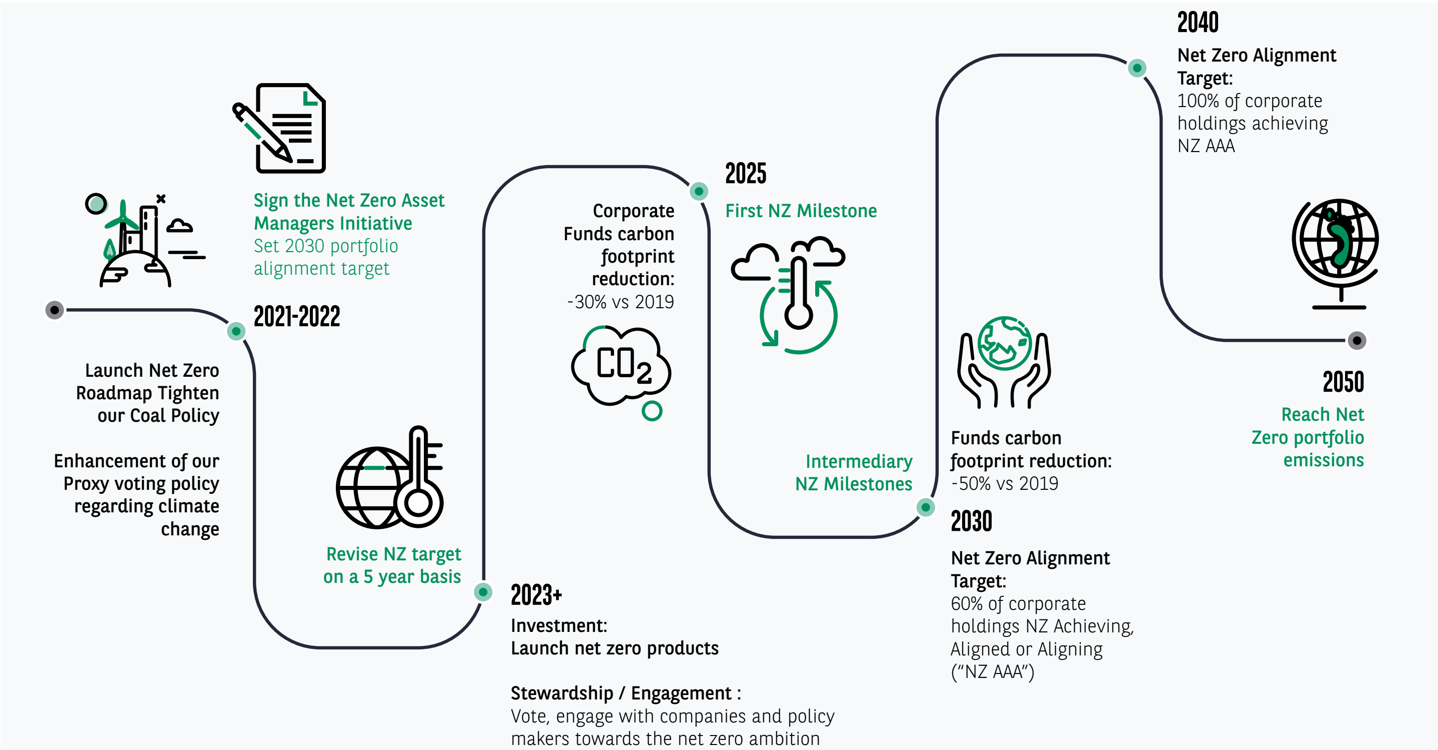
56. Effective from this year, Article 173 was replaced by the new decree under Article 29 of the French law on Energy and Climate.

Conclusion

The scientific evidence that has accumulated over recent years highlights the urgent need to bend down the GHG emissions curve and get the economy on track for net zero by 2050. This document presents BNPP AM's inaugural NZAM commitments, outlining how we will get there. These commitments build on the work that we have undertaken over prior years, from measuring and reducing the carbon footprint of portfolios to integrating climate in our ESG scoring framework, using our voting rights actively and engaging with the biggest contributors to climate change, and providing clients with a comprehensive range of climate-oriented investment solutions.

Over time, we aim to increase both the amount of our AUM included in our net zero commitment and to strengthen our targets to ensure we achieve this aim. We look forward to keeping you informed of our progress and count on working with our clients, the companies in which we invest, GFANZ (including NZAM) peers and governments around the world in achieving mission critical: A net zero economy by 2050.

Exhibit 13 – BNP Paribas Asset Management's climate roadmap



Source: BNP Paribas Asset Management, 2022

Putting our commitment into action

BNPP AM's NZAM progress will be overseen through a formal governance framework, ensuring appropriate supervision and oversight of our net zero commitment.

BNPP AM's Sustainability Committee, chaired by the CEO, is responsible for the strategic direction of sustainability-related topics, including our net zero commitments, which will be reviewed annually. The Investment Committee, chaired by our Global Head of Investments, oversees the implementation of these commitments and is responsible for the progress of the company towards net zero commitments at the asset class level.

The implementation horizon for the commitments in this roadmap is from 1 January 2022 to 1 January 2050. However, because the climate investment landscape is changing rapidly with new scenarios, data and tools becoming available regularly, we expect to evolve the commitments outlined in this report as we progress on our net zero journey. We commit to doing so transparently and in the best interest of our clients. We will report annually on our progress.

APPENDIX

Data sources for net zero alignment assessment

More information on the data sources used to assess companies' net zero alignment:

- **Climate Action 100+ (CA 100+)** is an investor-led initiative that collectively works to ensure that the world's largest corporate GHG emitters take the necessary action on climate change. It provides a publicly available Net Zero Benchmark in which 167 companies' net zero plans are assessed. Those companies account for over 80% of corporate industrial GHGs.
- **CDP** is a not-for-profit organisation that analyses environmental questionnaires sent to companies. It is considered as a 'golden source' for climate-related data.
- **EU Taxonomy Regulation :** The Taxonomy Regulation (EU) 2020/852 establishes the general framework for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. We selected Bloomberg as a vendor since this is in our view the provider offering the highest level of compliance with the requirements of the Taxonomy Regulation and supplemental guidance provided by financial regulators including the AMF. For more information see https://docfinder.bnpparibas-am.com/api/files/0EE37EC2-8612-48A5-8AA1-D5C09CCB58DD
- **Science Based Target Initiative (SBTi)** is a partnership between CDP, the UN Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It seeks to define and promote best practice in emissions reductions and net-zero targets in line with climate science, provides technical assistance to companies who set science-based targets and independently assesses and validates companies' emissions reduction targets. It provides a tool that allows for comparison between companies' reduction targets and hundreds of different IPCC climate scenarios.
- **Transition Pathway Initiative (TPI)** is a global, open-sourced initiative that assesses companies' carbon performance against IEA scenarios based on operational intensity metrics and companies' climate management quality based on publicly disclosed data.
- **United Nations Sustainable Development Goals (SDGs)**: The 17 SDGs are the closest thing humanity has to a roadmap for achieving a sustainable future for all. Adopted by 193 countries in 2015, they outline an ambitious set of objectives to tackle all forms of inequality, end poverty and hunger and address climate change, whilst simultaneously encouraging economic growth. They are based upon universal underlying principles that are applicable across geography and context. Together with Matter, a Danish fintech, BNP Paribas Asset Management built SDG Fundamentals. SDG Fundamentals is a dataset that enables investors to understand how their portfolios align or misalign with the 17 UN SDGs and their targets by analyzing the revenue issuers generate through their products and services. We integrate turnover aligned with climate-mitigation-linked SDGs into our NZ:AAA framework.

Glossary

- **Carbon footprint** – To calculate the carbon footprint of a fund, we apply the standards of the GHG Protocol to measure greenhouse gas (GHG) emissions. To calculate the carbon footprint, companies' CO_2 emissions are added up and weighted by enterprise value and the companies' weight in the portfolio. The resulting indicator measures emissions generated for each euro invested in the fund[57]
- **Carbon offsetting** – A carbon offset refers to a reduction in GHG emissions – or an increase in carbon storage, e.g., through land restoration or tree planting – that is used to offset emissions that occur elsewhere. A carbon (offset) credit is a transferrable, certified instrument to represent an emission reduction of one metric tonne of CO2. The purchaser of an offset credit can 'retire' it to claim the underlying reduction towards their own GHG reduction goals[58]
- **ESG** – Environmental, social and governance criteria and standards applied to responsible investing, but also business standards

57. Source: Measuring carbon footprints, www.bnpparibas-am.com/en/measuring-carbon-footprints/. Also watch the video at Introducing new ESG and carbon footprint reporting (bnpparibas-am.com)
58. Source: http://www.offsetguide.org/understanding-carbon-offsets/what-is-a-carbon-offset/

- **EU taxonomy** – The official EU classification of economic activities and the conditions under which economic activities can be considered sustainable. It aims to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy[59]
- **Greenhouse gases** – Seven GHGs are included in the Kyoto protocol: Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3)[4]
- **Net zero** – According to the IPCC[60], in order to maximize our chance to limit global warming to 1.5°C above pre industrial levels by the end of this century, global net human-caused emissions of carbon dioxide (CO_2) need to fall by 45% by 2030 from 2010 levels and reaching net zero around 2050. "This carbon neutrality is reached when human activities result in no net effect on the climate system. Achieving such a state would require balancing of residual emissions with emission (carbon dioxide) removal[61].
- **Scope 1, 2, and 3 emissions** – Emissions are broken down into three categories. 1: Direct emissions from sources that are owned or controlled by the company. 2: Indirect emissions linked to the company's purchased or acquired electricity, heat, steam and cooling. 3: All other indirect emissions, including those related to the use of its products[4]
- **SFDR** – The Sustainable Finance Disclosure Regulation is part of a set of EU regulations seeking to clarify which activities meet sound ESG criteria and what the impact of investments is on stakeholders including the environment, society and people[62]
- **Technical Expert Group** – The European Commission has set up an expert group on sustainable finance to assist it in developing the EU taxonomy, an EU green bond standard, methodologies for EU climate benchmarks, and guidance to improve corporate disclosure of climate-related information. Members come from civil society, academia, business and the finance sector[63]

Relevant policies and reports

Policies and Strategies

Global Sustainability Strategy

ESG Integration Guidelines 2020

Stewardship Policy 2022

Public Policy Stewardship Strategy 2022

Governance and Voting Policy 2022

Responsible Business Conduct Policy 2021

Biodiversity roadmap

Reporting

Sustainability Report 2021

Voting and engagement report 2021

Impact Principles Disclosure Statement 2022

Voting report 2021

TCFD Report 2021

PRI transparency Report 2021

59. Source: Using the EU taxonomy as a guide to sustainable recovery (bnpparibas-am.com). Further information https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf
60. Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C approved by governments — IPCC HYPERLINK: "https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/"
61. IPCC - Glossary — Global Warming of 1.5 ºC (ipcc.ch) HYPERLINK "https://www.ipcc.ch/sr15/chapter/glossary/"
62. Source: SFDR – Understanding and implementing it (bnpparibas-am.com)
63. Source: https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en

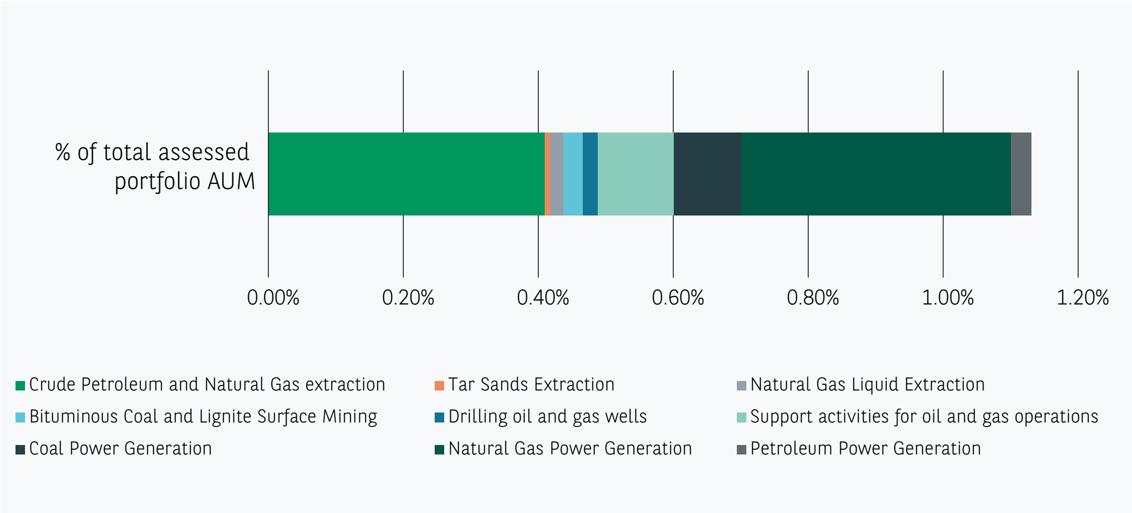
BNPP AM climate performance – A snapshot

In 2020 and 2021, we requested an external data provider to run a climate analysis of our holdings to help us assess and benchmark the effectiveness of our climate strategy. The analysis covered all of BNPP AM's holdings except cash & derivatives, a number of local joint ventures not yet fully integrated into our investment platform (EUR 4.7 billion of AUM at 31/12/2020) and residual positions. It addressed climate-related components: financed emissions, energy mix financed, exposure to fossil fuels & stranded assets, and alignment with below 2°C pathways. The results helped us to refine our approach and demonstrate the effectiveness of our climate strategy.

Some key findings[62]:

The analysis shows that we have marginal exposure to coal extraction, coal power generation and unconventional oil & gas extraction. Our limited exposure to fossil fuel-related revenue amounted to just over 1% of total AUM and is concentrated around conventional crude petroleum extraction, conventional natural gas extraction and natural gas power generation (as shown in Exhibit 14).

Exhibit 14: BNPP AM's fossil fuel-related revenue exposure as a percentage of total assessed portfolio AUM.

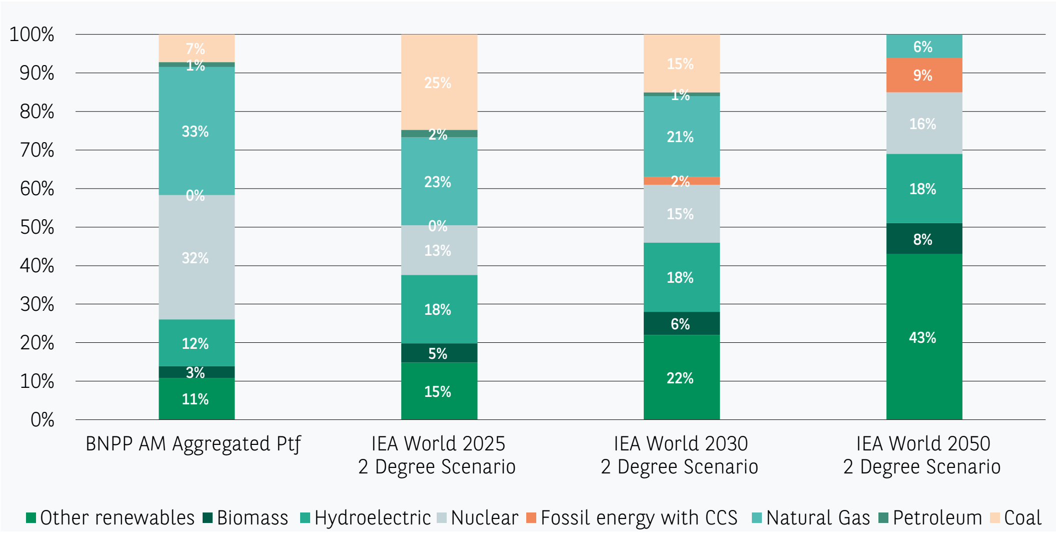


Source: S&P Global, Trucost, BNP Paribas AM, 2021 (based on holdings at 31/12/2020)

62. As these measurements were undertaken by an external provider, they may not fully align with the net zero measurement approaches used elsewhere in this report and are provided for illustrative purposes only.

The power generation mix reflected in BNPP AM's holdings is almost 60% fossil-free. As per Exhibit 15, this share is less than the share suggested in the 2°C scenarios developed by the International Energy Agency for 2025 and in line with the share suggested by the IEA for 2030. The share of coal in BNPP AM's generation mix is well below the share for coal required to be in line with the 2025 and 2030 in the 2°C scenario. (NB: the IEA Net Zero scenario was not available at the time this analysis was undertaken and is therefore not featured).

Exhibit 15: BNPP AM's holdings 's power generation mix



Source: S&P Global, Trucost, BNP Paribas AM, 2021 (based on holdings at 31/12/2020)

According to the methodology developed by the data provider to track the alignment of investment portfolios with the goal of limiting global warming to 2°C above pre-industrial levels, **BNPP AM's holdings were aligned with a pathway consistent with a rise in global temperatures of 1.75 to 2°C by the end of the century**.

Based on the data provider's methodology and evaluation, the climate profile of BNPP AM's holdings is reasonably good. Our Responsible Business Conduct (RBC) policy (discussed earlier), and the associated exclusion policies on coal and unconventional oil & gas (discussed earlier) have made a key contribution to improving the climate profile of our holdings. Furthermore, the objective we set in 2019 – that portfolios should have a better carbon footprint than that of their respective benchmarks – has made a meaningful contribution to reducing our aggregate footprint.

Environmental, Social and Governance (ESG) Investment Risk: The lack of common or harmonized definitions and labels integrating ESG and sustainability criteria at EU level may result in different approaches by managers when setting ESG objectives. This also means that it may be difficult to compare strategies integrating ESG and sustainability criteria to the extent that the selection and weightings applied to select investments may be based on metrics that may share the same name but have different underlying meanings. In evaluating a security based on the ESG and sustainability criteria, the Investment Manager may also use data sources provided by external ESG research providers. Given the evolving nature of ESG, these data sources may for the time being be incomplete, inaccurate or unavailable. Applying responsible business conduct standards in the investment process may lead to the exclusion of securities of certain issuers. Consequently, the Sub-Fund's performance may at times be better or worse than the performance of relatable funds that do not apply such standards.

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VIEWPOINT

BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world