EXTRA-FINANCIAL REPORT

A BROADER PERSPECTIVE FOR SUSTAINABLE RETURNS

2024 SUSTAINABILITY REPORT

BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

For Professional Investors – Marketing Communication

CONTENTS

LINK | CASE STUDY

2024 IN FIGURES

The sustainable investor for a changing world

€604bn
total AUM[1]

3,335
employees located across **34** countries

558
investment professionals

400
client-servicing specialists

68
countries in which our clients are based

Our focus is on generating long-term sustainable returns

€392bn
ESG[2] AUM

90%
of our open European range classified as Article 8 or 9, representing €285bn[3]

€135bn
AUM in funds with a European sustainability label

A future maker in action

2,063
general meetings voted in total

85%
support of shareholder proposals on climate

36%
management resolutions opposed

Walking the talk

3,903
hours volunteered by our employees

787
participants in environmentally-themed workshops (*fresques*) since 2019

2.1 tCO_2e
operational GHG emissions per employee versus our 2025 target of 1.85

Source: BNP Paribas Asset Management, as of 31 December 2024, joint ventures included.
1 – Assets under Management.
2 – Environmental, Social and Governance.
3 – AUM in Sustainable Finance Disclosure Regulation (SFDR) / Article 8 and Article 9 funds (all types of products). Article 8 funds: promoting environmental and/or social characteristics / Article 9 funds: having a sustainable investment objective.

INTRODUCTION

Sandro Pierri

CEO, BNP Paribas Asset Management

As we reflect on 2024, we have continued to build on our strong foundations while navigating a rapidly evolving geopolitical landscape. This past year has been defined by dynamic market conditions, technological advancements, and a continuing, if challenged, transition toward more sustainable investment practices. Against this backdrop, we have remained steadfast in our mission: to generate long-term sustainable value for our clients.

Sustainability remains at the core of our investment philosophy. We are proud to be recognised as a leader in the field, and we continue to honour our commitments and align ourselves with the highest global standards. As regulatory landscapes evolve, we are committed to maintaining transparency, accountability, and active engagement with companies in order to drive meaningful change. The energy transition, biodiversity preservation, and social equity are among the key themes that will shape our investment approach in the coming years.

As investor preferences evolve, we continue to adapt our range of solutions to provide greater customisation and impact-focused strategies. Our ambition is to offer products that not only deliver strong financial performance but also contribute to a more resilient future. Last year was no exception, and we introduced our first sustainable forestry strategy, as well as fixed-income solutions with sustainability-linked outcomes.

As we look towards 2025, we are excited about upcoming developments, which will strengthen our sustainability leadership and provide our clients with an even wider range of solutions to suit their range of needs. I would like to end by thanking our clients, for putting their trust in us, and by thanking our employees, who consistently demonstrate their commitment to our execution-driven culture. We look forward to continuing this journey together.

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Jane Ambachtsheer

Global Head of Sustainability

At BNP Paribas Asset Management, sustainability is not just a commitment – it is embedded in how we invest and operate. 2024 was a year of significant progress as we advanced our sustainable investment strategies, increased our engagements with clients and colleagues, and strengthened our impact measurement frameworks.

Some of our most notable achievements last year relate to our ongoing work on the '3Es': our focus on addressing the systemic risks linked to the Energy transition, Ecosystems and Equality.

- On climate, we further expanded our range of thematic investments available to clients seeking to implement net-zero investment strategies. We are also making strong progress in implementing our own net-zero commitments, addressing investments, stewardship and our own operations.
- Biodiversity has been another major focus. Recognising the financial risks linked to nature loss, we released our updated roadmap and enhanced our assessment models to better integrate biodiversity considerations into investment decisions. Our active participation in global initiatives, such as helping to establish Nature Action 100, reflects our dedication to driving industry-wide progress.
- We launched our Equality Roadmap, exploring how inequality underpins and reinforces social risks and challenges market stability, growth, and sustainable returns. It presents a framework to help investors identify and address corporate activities that can exacerbate inequality.

We expanded our Private Assets platform, launching new strategies designed to help address critical social and environmental challenges. From financing renewable energy projects to investing in sustainable forestry, we have broadened our efforts to support a more sustainable economy.

Transparency and accountability remain at the heart of our approach. This year, we further enhanced our ESG reporting, providing investors with clearer insights into the real-world impact of their portfolios.

As we move into 2025, our focus is on accelerating these efforts alongside our clients, colleagues and other partners so that collectively, we can drive meaningful change.

ABOUT US

Who we are

BNP Paribas Asset Management (BNPP AM) is BNP Paribas Group's dedicated asset management business that employs 3,335 people in 34 countries, including a large commercial presence in Europe and the Asia-Pacific region. Through the BNP Paribas Group integrated model, BNPP AM has access to a broad international client base and has close relationships with BNP Paribas' distribution networks. Ranked the 7th largest asset manager in Europe*, BNPP AM manages €604 billion of assets and benefits from the expertise of more than 500 investment professionals and around 400 client-servicing specialists, serving individual, corporate and institutional clients in 68 countries.

We offer investment solutions for individual investors (through internal distributors within BNP Paribas Group and external distributors), and corporate and institutional investors including insurance companies, pension funds and official institutions.

We focus our expertise on five core capabilities, which can be combined into multi-asset solutions, in line with clients' long-term sustainable performance expectations: High Conviction Active Strategies; Emerging Markets; Private Assets; Systematic, Quantitative & Index; and Liquidity Solutions. Our investment processes, which embed sustainability, use quantitative, ESG and fundamental research to support our portfolio managers in generating investment performance.

At BNPP AM, we strive to go beyond the market noise to provide a comprehensive analysis of financial and non-financial data, aiming to identify underlying long-term trends and opportunities. Our commitment to sustainability seeks to manage risks effectively and deliver consistent returns. We believe that looking beyond pure financial information can unveil the true drivers of long-term, sustainable returns for our clients' assets. In a fast-changing world, our broader perspective is intended to ensure that we generate sustainable outcomes for the investments of our clients.

BNP Paribas Asset Management, 31 December 2024. Joint ventures included in the figures.

* Source: IPE Top 500 Asset Managers 2024 ranking, UK excluded (European Union).

Find us on **BNP Paribas Asset Management**

"The Ripple Effect" documentary series

Our performance starts from a different perspective

In 2025, BNP Paribas Asset Management launched a new documentary series, "The Ripple Effect", that showcases its holistic investment approach through stories that address systemic risks and their potential solutions.

Each episode offers an unconventional starting point: a horseshoe crab, an awkward tomato, a piece of wood in outer space, or a power-hungry artificial intelligence – and unfolds through a chain of events that ripple through to scientists, industry leaders and – of course – investors.

Our experts present the significance of these disparate stories, and how we take a broader view by analysing both financial and non-financial data. This, we believe, helps us to identify underlying trends, uncover new opportunities and better manage risks in order to generate positive investment outcomes for our clients.

A helping hand for nature offers promising prospects for pharmaceuticals

How a switch in pharmaceutical industry practices can relieve the strain on biodiversity while offering long-term sustainable returns on investments in this economic sector.

View video →

A switch in the food chain that fosters a hopeful economic future

Mitigating food waste by investing in industry-oriented solutions can generate sustainable returns, while helping to tackle climate change.

View video →

Closing the loop on AI and renewables: a promising investment landscape

Powering the growth of Artificial Intelligence by supporting the energy transition can create a virtuous financial path towards a more sustainable future.

View video →

Empowering Natural Capital while driving financial returns

A shift from traditional materials to wood-based alternatives can foster nature's preservation and resilience while opening new paths towards financial opportunities.

View video →

Awards

Recognised for our expertise: 73 awards won in 2024, including 42 related to sustainability

Pan-Europe

- ESG Investing awards 2024: **Best Corporate Sustainability Strategy: investment manager**
- Brandon Hall Group Excellence Awards 2024: Gold for Best Corporate Learning University: **Sustainability Academy @AM** and Silver for **Best Leadership Development for Women**
- ETF Express awards 2024: **Best ESG Fixed Income ETF Issuer** ($1bn–$5bn)

APAC

- Asia Asset Management, 2024 Best of the Best Awards: **Best ESG Manager** (Asia and Indonesia), **Best Climate Change Strategy** (Asia and ASEAN), **Best ESG Engagement Initiative** (Malaysia)
- 2024 Singapore Morningstar and Hong Kong Morningstar, Awards for Investing Excellence: **Best Asset Manager – Sustainable Investing** (Hong Kong and Singapore)
- The Asset Triple A Sustainable Investing Awards 2024: **ESG Asset Management Company of the Year** (APAC)
- Awards for Investing Excellence 2024: **Best Asset Manager – Sustainable Investing** (Hong Kong, Singapore and Taiwan)

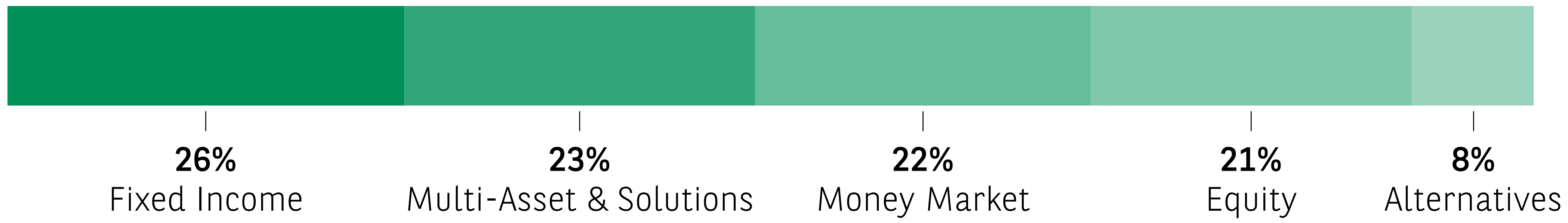
People

- Financial News, 100 Most Influential Women in Finance, **Jane Ambachtsheer**

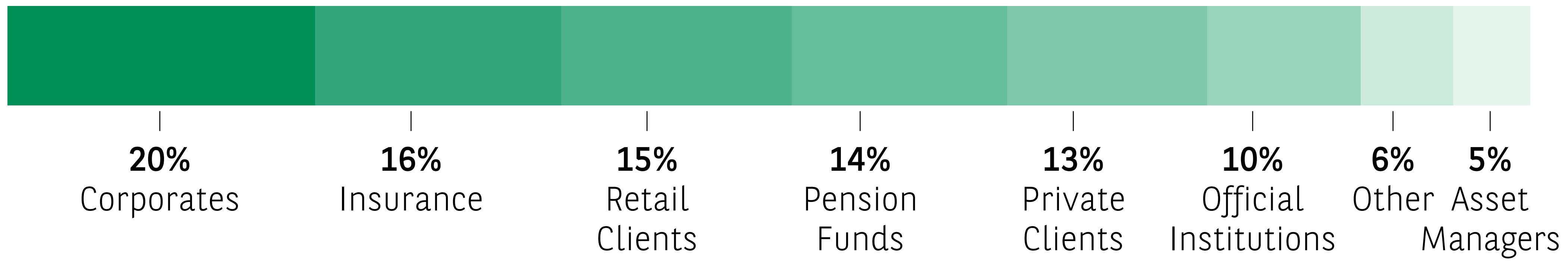
BNP Paribas was named World's Best Bank for Financial Inclusion by Euromoney Awards for Excellence

A well-balanced, globally diversified and European-rooted asset manager

AUM by asset class



AUM by client type**

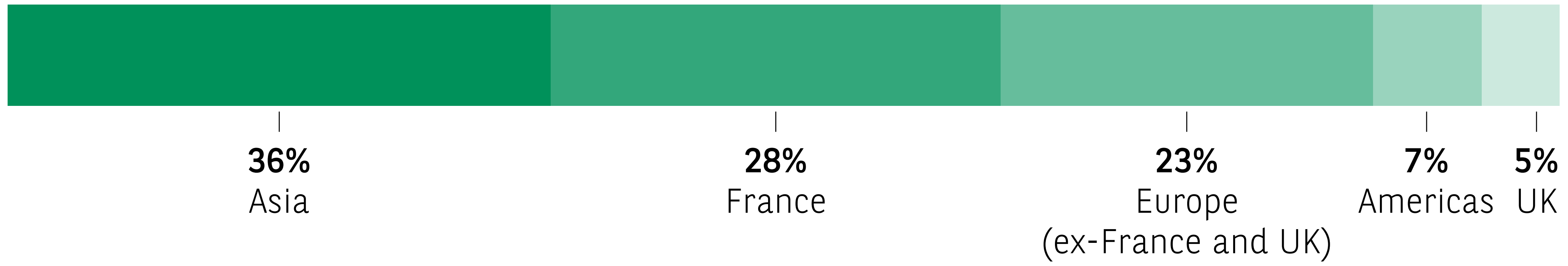


AUM by geography*

AUM by client geography

AUM by distribution channel

Employees by geography



Source: BNP Paribas Asset Management, 31 December 2024. Joint ventures included. Figures may not add to 100% due to rounding – *Asset Class Region – ** Excluding investment in our own funds – *** EMEA: Europe (including UK), Middle East, Africa.

OUR STRATEGIES AT A GLANCE

In 2024, we continued to put sustainability at the heart of our products and focused our efforts on providing clients with products across the sustainability spectrum to meet their diverse needs.

The Sustainable Finance Disclosure Regulation (SFDR), in force since January 2022, continues to evolve, with revised texts coming into force by 2026 at the earliest. Meanwhile, national label rules have strengthened, particularly the "Towards Sustainability" label in Belgium and the "Label ISR*" in France, which have tightened requirements. This has led us to evolve the exclusion criteria we apply to these funds, resulting in an almost complete exclusion of oil and gas-related holdings from related funds. At the same time, ESMA issued new rules on fund naming, with different exclusion requirements and indicators to comply with. Navigating this sustainability labyrinth is complex due to the similar yet not fully aligned frameworks. In 2024, we worked diligently to articulate and integrate these frameworks into products distributed across European markets.

Our repositioning aligns with the BNPP AM initiative to integrate different levels of sustainability to meet specific client needs. This spectrum includes:

- Article 6, 8, and 9 products under SFDR,
- investment solutions aligned with our Global Sustainability Strategy, including sustainable thematics, and decarbonisation, labelled, and impact solutions.

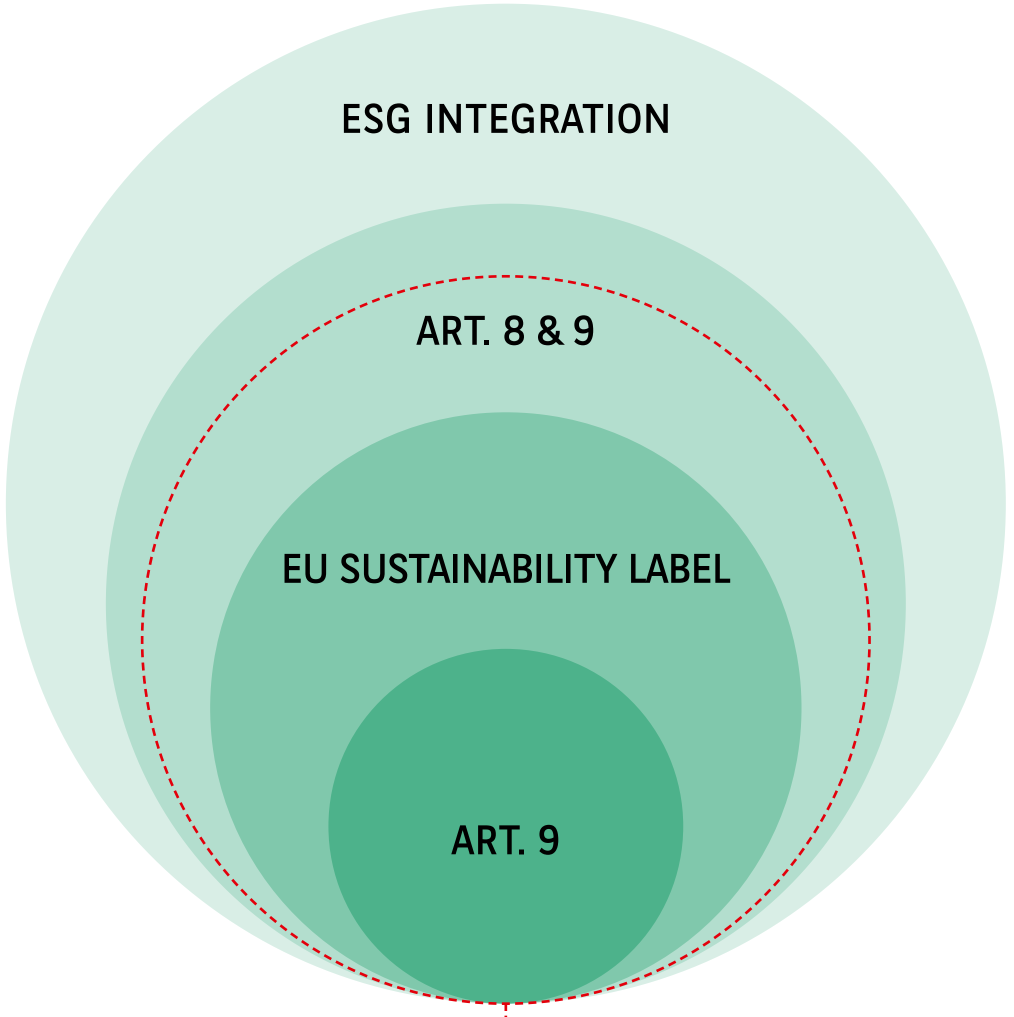
* *Investissement Socialement Responsable* (Socially Responsible Investment).

€392bn integrating ESG criteria
Applying a constraint qualifying for Articles 8 & 9 or applying our Responsible Business Conduct Policy (i.e. exclusion criteria).

€321bn Article 8 or 9 under SFDR
Applying an ESG constraint, resulting in having ESG scoring better-than-benchmark investment universe, for example. This constraint is controlled and documented in fund legal documentation.

€135bn with a European Sustainability label
Receiving one or several labels, delivered by states or independent organisations, such as 'Label ISR', 'Towards Sustainability', 'LuxFlag', etc. This comes with strict guidelines regularly audited by external parties.

€18bn Article 9 under SFDR
Having a sustainable investment objective of 100%.



Our open-ended fund range, which qualifies as Article 8 or 9, is strongly positioned on Markets in Financial Instruments Directive (MiFID)/ Insurance Distribution Directive (IDD) Sustainability Preferences:

- €283bn taking into account Principal Adverse Impacts in their investment decisions
- €267bn committing to a minimum percentage holding of Sustainable Investments (BNPP AM methodology implementing Article 2.17 of SFDR)
- €18bn committing to a minimum percentage holding of investments aligned with the European Green Taxonomy

Labels are an important component of our product strategy

Sustainability labels play a pivotal role in our sustainable product strategy, serving as a key element for driving change in sustainable finance. These labels are instrumental in aligning investment products with capital allocation objectives and fostering investor confidence.

For several years now, labels have been an important component of our product strategy, resulting in €135.3 billion of assets across 173 strategies holding at least one European sustainability label.

In 2024, following the publication of the final version of the French and Belgian labels guidelines, we conducted a global review of our products in order to define product characteristics to match with client appetite. This led us to retain the vast majority of our labelled assets for the French SRI label and almost all of our scope for the Belgian label.

In our review process, we dropped labels on certain asset classes or strategies where we did not feel that the new guidelines could be adapted in a way that would not fundamentally impact the investment strategy.

Leila Lhuissier
Product Advisor – Sustainability

"We have championed ambitious labelling, showcasing unwavering commitment to sustainability. In 2024, we adapted the majority of our labelled assets to new rules, maintaining the high standards of our products."

A busy year for new strategies

We launched a number of ETFs and private assets strategies in 2024, in line with our overall strategy.

We debuted our first ESG active ETFs, adding an additional layer of sustainability features to our passive products.

Within Private Assets, we launched several strategies laser-focused on sustainability, including a Climate Impact Private Debt strategy, classified as Article 9 under SFDR, a Low Carbon Infra Equity strategy and our forestry strategy, our first with IWC focused on natural capital.

We also updated some existing strategies to better align with our sustainability objectives, resulting in the launch of our Global Equity Net-Zero strategy as an example.

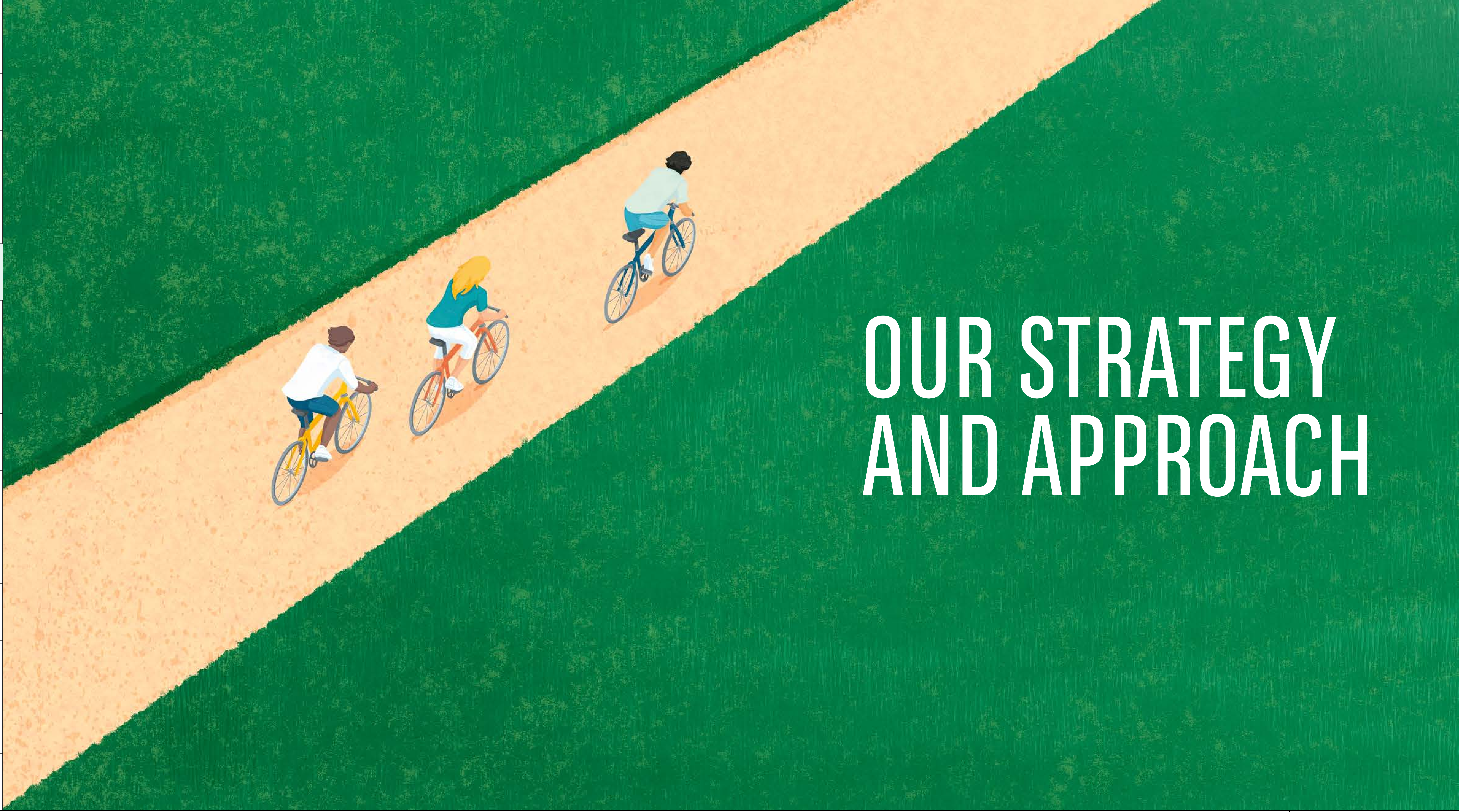
Tilting investments towards more sustainable outcomes

Directing capital towards companies driving the transition to a more sustainable economy helps to address systemic risks associated with climate change, nature loss and inequality. We have undertaken an assessment of our investments to gauge their contribution to this objective. Our approach involves measuring the deviation between our funds' allocations to Sustainable Investments (as defined by SFDR) and our proprietary methodology, versus their benchmarks.

Within our open SFDR Article 8 and 9 funds, the weighted average overweight in Sustainable Investments is approximately +10%, equivalent to €28 billion in assets. While this figure has decreased from last year due to fluctuating market conditions and changes to the classification of certain issuers, we interpret this as evidence of the efficacy of our strategy in aligning capital to more sustainable outcomes.

Pierre Moulin
Executive Committee Member and Global Head of Products and Strategic Marketing

"We are proud to contribute to capital reallocation where we are tilting investments towards a more sustainable society. Thanks to the assets we manage for our clients, we are able to do it at scale: we allocate €28bn more to sustainable investment compared to broad market indices."



OUR STRATEGY AND APPROACH

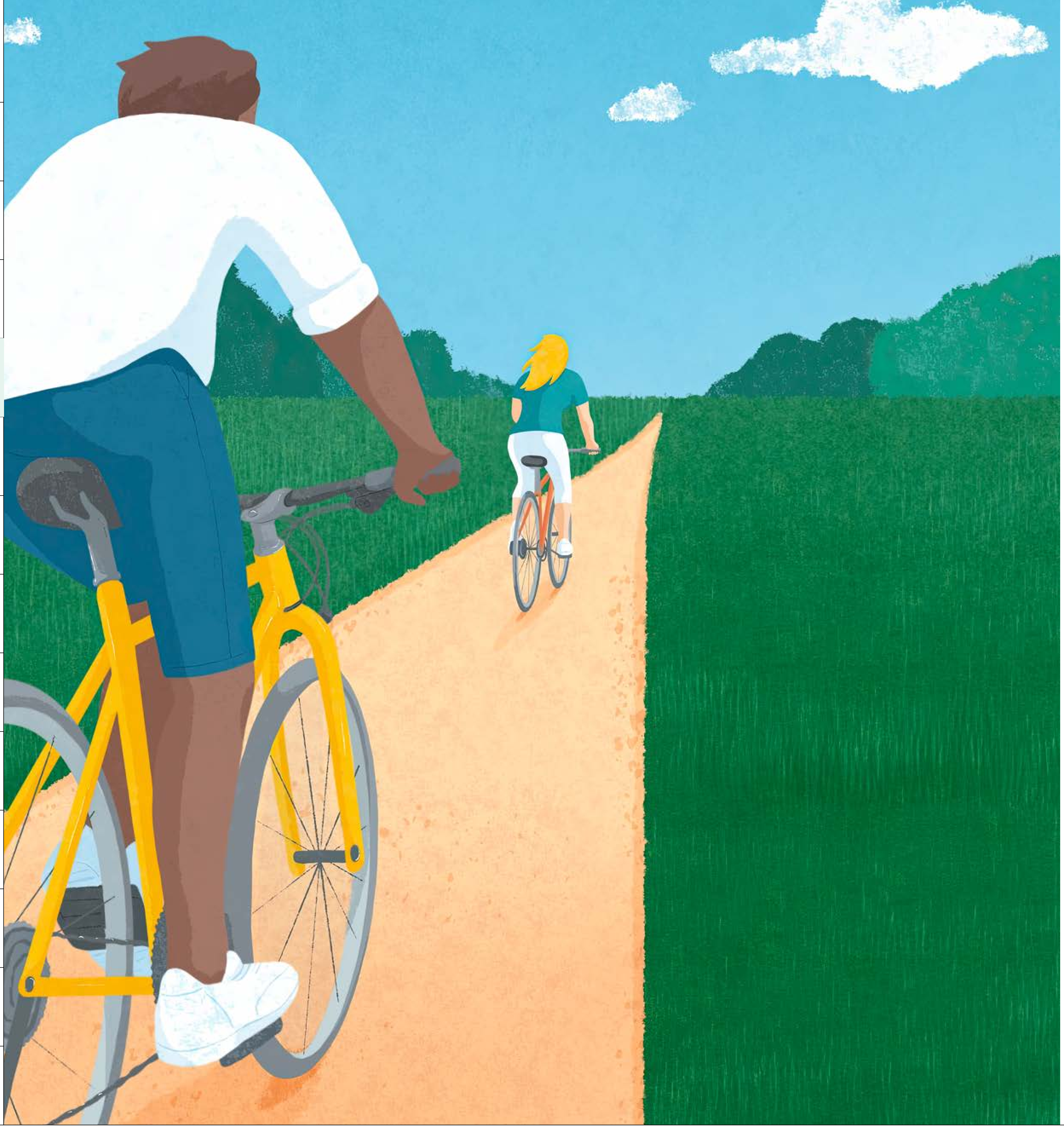
OUR PURPOSE

Our purpose is to achieve long-term sustainable returns for our clients by placing sustainability at the heart of our strategy and investment philosophy.

Understanding and supporting the transition to a sustainable economy underpins our sustainability approach. It shapes our firm and guides what we do: our strategy, our culture, our structure, our products, and the way we engage with our clients and with the companies and the markets we invest in.

This vision is endorsed by our Executive Committee, composed of:

- **Sandro Pierri,** Chief Executive Officer
- **Steven Billiet,** Global Head of Global Client Group
- **Marion Azuelos,** Global Head of Human Resources
- **Robert Gambi,** Global Head of Investments
- **David Vaillant,** Global Head of Finance, Strategy and Participations
- **Pierre Moulin,** Global Head of Products and Strategic Marketing
- **Philippe Boulenguiez,** Global Chief Operating Officer
- **Cécile Lesage,** Chief Financial Officer
- **David Bouchoucha,** Head of Private Assets
- **Emmanuel Collinet de La Salle,** Head of Group Networks
- **Guy Davies,** Deputy Head of Investments, CIO Fundamental Active Equities
- **Jane Ambachtsheer,** Global Head of Sustainability
- **Mike Nikou,** Head of APAC
- **Olivier de Larouzière,** CIO Global Fixed Income
- **Roger Miners,** Head of Distribution Europe



OUR STRATEGY

Sustainability is at the core of our investment beliefs.

Our investment beliefs underpin our approach by weaving together investment teams that cover different asset classes, geographies and themes. Sustainability is a core component of this, as outlined below.

Conviction-driven

In a changing world, our conviction-based investment philosophy provides scope to capture both short- and long-term opportunities for value creation. Our approach combines a thorough understanding of market dynamics and fundamentals (at security, sector, and thematic levels), enabling high conviction positions and a dynamic allocation of capital across varied time horizons.

Sustainable

We are convinced we make better decisions by integrating sustainability considerations across our investment processes. We believe this will result in better outcomes for our clients, markets and the planet.

Research-driven

Research is the foundation on which we build our market views to support our convictions. We apply both a quantitative and fundamental approach to our research, with a culture of curiosity, collaboration and challenge.

Global perspective

A global perspective is needed to make better investment decisions in an increasingly interconnected world.

Powered by people

People drive investment decisions. We are committed to attracting, nurturing and retaining our diversity of talent. We align incentives to our clients' long-term sustainable objectives.

Risk management

The value created through our research and idea generation needs to be carefully preserved through appropriate risk utilisation and control.

OUR APPROACH TO SUSTAINABILITY

Our approach to sustainability includes six pillars. It provides a strong framework, built to recognise that systemic risks such as climate change or biodiversity loss cannot be fully addressed through exclusions or the integration of ESG factors into portfolio management.

Our stewardship activities and strategy with regard to the 3Es complement and amplify our efforts to reduce material investment risks, and address systemic risks that require collective and urgent action.

The 6 pillars of our approach

1

Forward-looking perspective: the '3Es' (Energy transition, healthy Ecosystems, and Equality)
Enhance investment decision-making, preserve long-term market performance

2

Responsible Business Conduct (RBC) and sector-based exclusions
Articulate expectations for responsible business conduct and sensitive sectors; avoid regulatory and stranded asset risk

3

ESG integration
Enable better investment decision-making

4

Stewardship (voting, engagement, policy advocacy)
Protect company value, influence sound regulatory framework, promote better social and environmental outcomes

Our investments

\+

5

Sustainability in our product range
Provide investment solutions to help our clients through their sustainability journey

Our products

6

Corporate Social Responsibility (CSR) walking the talk
Our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest

Our operations

OUR APPROACH IN PRACTICE

Our approach to sustainability begins with an investment philosophy, a set of underlying beliefs that inform investment teams when they are managing their funds. Relevant Environmental, Social and Governance (ESG) considerations are integrated into investment processes.

At the idea generation stage, investment teams think broadly about future investment opportunities and consider a breadth of information that could impact resilience and growth. Integrating ESG factors broadens this information set and complements the other elements of our fundamental analysis.

For example, some strategies may identify highest-rated names as a priority for investment, while others may look at lower-rated names with the potential to improve, or strategies may use ESG considerations as a starting point to screen the investment universe.

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

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

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

Per our ESG Integration Guidelines, in most of our strategies, we monitor the ESG score and carbon footprint of investments against their benchmarks.

Our fund reports contain these two Key Performance Indicators (KPIs) so that clients can better understand the position of their portfolios.

We believe our approach provides a strong framework **for embedding and managing sustainability risks and opportunities in the investment process.**

Our multi-faceted approach also involves a more detailed set of investment beliefs focused on sustainability:

- Behaving as a 'universal owner' helps to shape a more sustainable economic future
- ESG integration can enhance the way we invest
- Our fiduciary duty is aligned with sustainability
- Stewardship is both an opportunity and an obligation
- 'Walking the talk' is critical to achieving excellence

See our **Global Sustainability Strategy** for more information

A forward-looking perspective

Through the process of developing our Global Sustainability Strategy, we identified three critical preconditions for a more sustainable and inclusive economic system: a successful energy transition, healthy ecosystems and greater equality in our societies.

Taken together, these form a pathway to economic sustainability that will enable us, as investors, to safeguard long-term returns. We have established a set of targets and developed Key Performance Indicators (KPIs) relating to these 3Es, addressing how we will align our investment research, portfolios, and company and regulatory engagement in support of each.

We believe we have been able to drive meaningful outcomes on the 3Es through the roadmaps we have developed for each and we outline our progress to date in the following sections of this report.

SUSTAINABILITY GOVERNANCE

We expect high standards of governance from the companies in which we invest, including on sustainability matters, and we hold ourselves to the same standards. Our approach to sustainability is managed by a company-wide governance framework.

This framework ensures that **sustainability-related policies and practices are embedded and implemented appropriately throughout our business, and that any new initiative is well-conceived, properly structured, and delivered effectively.**

Our governance system ensures board and executive-level oversight of the implementation of the Global Sustainability Strategy (GSS) and our business strategy.

At an operational level, it is an effective mechanism to ensure that our policies and processes are aligned with our ambition and that there is continuous communication among stakeholders.

BNPP AM EXECUTIVE BOARD

Strategic oversight of overall business

Chair: CEO

BNPP AM EXECUTIVE COMMITTEE

Strategic oversight of sustainability approach

Chair: CEO

SUSTAINABILITY COMMITTEE

Oversees and validates our approach to sustainability

Chair: CEO

INVESTMENT COMMITTEE

Approves sustainability methodologies and monitors ESG integration

Chair: Global Head of Investments

STEWARDSHIP COMMITTEE

Reviews voting and engagement implementation

Co-Chairs: Equities CIO & Global Head of Sustainability

GLOBAL PRODUCT COMMITTEE

Approves sustainability characteristics of products

Chair: Global Head of Products and Strategic Marketing

EXECUTIVE CSR COMMITTEE

Oversees the implementation of our approach to Corporate Social Responsibility (CSR)

Chair: Head of Corporate Social Responsibility

OTHER ESG-RELATED PROGRAMMES AND COMMITTEES

SUSTAINABLE REGULATION PROGRAMME

Oversees the development and implementation of regulatory-related methodologies, definitions, disclosures and processes

Co-Chairs: Global Head of Products and Strategic Marketing and Global Head of Sustainability

SUSTAINABLE METHODOLOGY OVERSIGHT COMMITTEE*

Oversees and validates ESG methodologies that are linked to regulatory/label frameworks

Chair: Global Head of Products and Strategic Marketing

* Sub-Committee of the Sustainable Regulation Programme

ESG INTEGRATION STEERING COMMITTEE

Guides creation/evolution of ESG methodologies and smooth roll out to investment teams; ensures implementation of ESG Integration Guidelines

Chair: Sustainability Integration Lead

ESG DATA PROGRAMME

Supports the deployment of ESG research methodologies and internal data capabilities to support investment analysis, portfolio construction, and measurement and reporting

Sponsors: Global Head of Products and Strategic Marketing, Global Head of Sustainability and Global Chief Operating Officer

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

Sustainability Centre

The Sustainability Centre is a well-resourced team of sustainability specialists who drive our approach to sustainability. 2024 saw the addition of new roles **specialising in private assets** to support our growth in this asset class.

The Sustainability Centre is responsible for developing and implementing the firm's sustainability strategy, ESG Integration Guidelines and Policy, Stewardship Policy and Responsible Business Conduct Policy, as well as our ambitious targets on the energy transition, the environment and equality. It plays a crucial role in measuring, tracking and reporting on our impact and progress on sustainability.

The ESG research team within the Sustainability Centre works closely with investment teams to provide research, analysis and data at company and sectoral levels. It also supports these teams in their efforts to integrate sustainability-related risks and opportunities into investment strategies.

Our ESG research analysts' insights are informed by a variety of external data and research sources. They also deliver a range of educational opportunities to colleagues across the organisation.

Members of the Sustainability Centre are highly qualified and have extensive relevant experience. The team is gender balanced, with members located in Boston, Hong Kong, London, New York, Paris, Shanghai, Singapore and Toronto. This means they not only bring regional expertise to the global team, but they are also able to work closely with local investment and sales teams, as well as clients. Sustainability Centre team members participated in more than 300 client meetings during 2024. Team members have a wide variety of industry experience, and backgrounds in consulting, advocacy and policy, working with Non-Governmental Organisations (NGOs) and intergovernmental organisations, rating agencies and mainstream investments.

36

ESG experts across 3 continents (Asia, Europe and North America)

13+

years average professional experience

9

languages spoken

ESG Champions

Our network of over **150 ESG Champions** plays a **vital role** in linking our investment and sales teams with our Sustainability Centre. The network is supported by leaders in our Sustainability Centre and Product and Strategic Marketing teams. Champions are subject matter experts within their investment or sales teams, pursue specialised education and have performance objectives related to their responsibilities.

They **meet monthly** and are provided with training and briefings to keep their knowledge current on relevant sustainability-related market developments, and on our ESG research methodology, exclusion policies and stewardship activities.

Topics covered in 2024 included:

- Updates to our various ESG-related methodologies, including sustainable investment, our process for weakly-rated entities, net-zero assessment and impact investing approach.
- Deep dives into carbon-free hydrogen and steel, our agriculture 'foodprints' and ocean sector's framework.
- In-depth reviews of our biodiversity and equality roadmaps.
- ESMA fund naming guidelines, SFDR and PAI updates, and a review of sustainability labels in Europe, as well as a deep dive on impact investing.

Memberships and Investor Statements

Members of our Sustainability Centre participate in numerous market-shaping initiatives focused on well-functioning financial markets, corporate governance and other topics related to the 3Es. We believe that being an active participant in these discussions is an effective manner to promote well-functioning markets as well as keep us current on systemic and market-wide risks and how they are evolving. We outline in more detail the roles we play in these initiatives and their effectiveness throughout this report.

INCENTIVES

We have aligned our Remuneration Policy with our sustainability goals, integrating sustainability with performance assessments, an important driver of financial rewards, and with the professional development of our employees.

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

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

Specific sustainability objectives were assigned to the following teams:

Executive Committee

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

Sustainability Centre

This team drives our approach to sustainability and is responsible for developing and implementing the firm's GSS, ESG Integration Guidelines, Stewardship Policy, Responsible Business Conduct and various other policies.

Investment teams

As part of most investment processes, analysts and portfolio managers integrate ESG factors into company, asset and sovereign evaluations in different ways. Successfully implementing our ESG Integration Guidelines, including the aim to beat the related universe or benchmark on ESG scores and carbon footprint objectives, is a goal of our Chief Investment Officers and is disseminated to investment teams, where relevant.

ESG Champions

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

Product and Strategic Marketing

This team leads on the development and alignment of BNPP AM products with sustainable regulation and labels, which is reflected in its objectives. It also plays an important role in helping to lead the GCG ESG Champions network and in educating our clients and colleagues on sustainable regulation topics. This is reflected in the objectives of this department, and of its members where relevant.

Quantitative Research Group

Members of this team co-develop ESG Scoring Research and undertake a variety of research projects linked to ESG and investments. This is reflected in the objectives of this department, and of its members where relevant.

Central functions and teams

Our central functions (Compliance, Legal and Risk) and many other teams play an important role in implementing our sustainability agenda, and relevant sustainability goals are cascaded to team members from the Executive Committee member or department head.

CONFLICTS AND ASSURANCE

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

Conflicts of interest

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

- Providing clients with the most appropriate products and services.
- Giving clients clear, honest and non-misleading information and, when requested, an opinion related to expected performance, associated risks and pricing.
- Providing quality service that promotes the client's best interests.
- Treating clients fairly, without giving any client (or other counterparty) undue preferential treatment.
- Behaving transparently, notably by making available, at the client's request, any information related to the service or product offered or subscribed to the extent possible.

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

- BNPP AM is appropriately segregated from other businesses within BNP Paribas Group. We use ring-fenced IT systems to conduct our business.
- Decisions within BNPP AM must be taken in the interests of its clients, even if such decisions may be detrimental to, or conflict with, the interests of a client of another business area or a proprietary interest of BNP Paribas Group.
- Staff working for BNPP AM must remain independent and neutral in the performance of their duties and responsibilities.
- The governance arrangements for the asset management activities of BNPP AM also function independently from the BNP Paribas Group. This includes BNPP AM's hierarchical reporting line, which is separate from those of other BNP Paribas Group businesses and converges only at the level of the Executive Management Committee of BNP Paribas Group.

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

If a conflict of interest arises and the implemented policies and procedures are not sufficient to ensure with reasonable confidence that the interests of a client will be protected:

- BNPP AM must clearly disclose the general nature and sources of the conflict to the client before undertaking business for the client and such disclosure must be approved by Compliance.
- Under BNPP AM's policy, over-reliance on disclosure without adequate consideration of how conflicts may be managed appropriately is not permitted.

Identification and management of conflicts

To identify potential conflicts of interest, a mapping exercise has been conducted and the results have been used to create a mapping of potential conflicts of interest, which are maintained and reviewed regularly by our local Compliance teams. Employees of BNPP AM should also detect and identify any potential conflicts of interest and inform their local Compliance team to manage the potential conflicts and update either the mapping and/or conflicts of interest registers if needed.

They contain details of actual or potential conflicts that may arise between BNPP AM (including its employees) and its clients (or between clients of BNPP AM) or any other entity within BNP Paribas.

These registers are an essential tool for the management of actual or potential conflicts of interest.

- Senior management of BNPP AM receive written reports at least annually on the situations contained in the conflicts of interest registers.
- Moreover, senior managers must take appropriate steps in their oversight of the business and are required to demonstrate their accountability, including conflicts of interest management.

Assurance

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

- Our first line of defence is that internal control is a matter for every BNPP AM employee, whatever their hierarchical position or responsibilities. Managers and their respective staff constitute the first line of defence. They are accountable, at each level of the organisation, for achieving the objectives and monitoring the risks of the businesses or services they operate or deliver.
- Our second line of defence is provided by entities exercising second-level controls, namely, risk, compliance, and legal as integrated control functions, and Group tax and Group finance, which are responsible for defining and implementing the management framework of accounting and financial information risk (non-integrated control functions).
- Our third line of defence is provided by the *Inspection Générale* of BNP Paribas Group, an independent and hierarchically integrated internal audit function, which reports directly to the Chief Executive Officer (CEO) of BNP Paribas Group.

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

- EY provides an independent assurance report on the alignment of BNPP AM's impact management systems with the Operating Principles for Impact Management.
- EY also audits our Socially Responsible Investment (SRI) labelled funds marketed in France. We are currently assessing the feasibility of having future years' Sustainability Reports externally assured.

We review our procedures every three years to ensure they are still current and effective. In practice, the main policies governing sustainability within our investment approach are reviewed at least annually either in our Sustainability Committee or in our Stewardship Committee.

In addition to this, we undergo regular audits by *Inspection Générale*, BNP Paribas' internal audit group that reports directly to the CEO of BNP Paribas, providing us with second-party validation of our policies and processes.

REFLECTING CLIENT NEEDS IN OUR INVESTMENT SOLUTIONS

We have several touchpoints with clients to ensure that we can help them achieve their investment objectives:

- Client Relationship Managers have a deep and detailed knowledge of their clients' businesses, understanding both the challenges they face now and those they are likely to face in the future.
- Client Account Managers are responsible for the day-to-day management of clients invested in mandates or dedicated funds.
- We use third-party consultants from time to time to conduct in-depth interviews with investment decision-makers to ensure we understand global trends and needs, including sustainability preferences.

During the pitching process and client onboarding, we do a suitability assessment, including understanding the client's sustainability preferences.

We meet regularly with clients to update them on their investments and to assess any changes in their investment circumstances, including those related to sustainability. We ask clients and prospects to whom we provide a MiFID service about their ESG preferences through the client profile questionnaire. We also recognise that we have a role to play in moving our clients along the sustainability curve.

We do this largely through the training we provide to them via our Investment Academy, created in 2009 with the purpose of sharing knowledge and expertise with our clients.

Classes are delivered online and in-person, with over 15,650 people having attended them since inception.

We cover a number of technical and regulatory topics affecting the asset management industry and we have always maintained a focus on sustainability. Among the topics included in the 2024 curriculum were:

- **The basics of Sustainable Investing:** The importance of sustainable investing, types of ESG products, introduction to regulation and sustainability stakeholders.
- **Stewardship:** Introduction to stewardship and proxy voting.
- **ESG implementation:** Custom training covering the fundamentals of integrating ESG within portfolios.
- **Sustainable Investing Advanced:** Four-hour in-depth training built in conjunction with our Sustainability Centre experts.
- **Sustainable Investing Primer:** Co-developed with the CFA.

How we communicate with and report to our clients

Our goal is to provide our clients with information that can help them better understand how we have implemented what they have asked of us, as well as the sustainability characteristics of their investments.

On an annual basis

We publish our Sustainability Report, Stewardship Report, Voting Report and Principles for Responsible Investment (PRI) Transparency and Activity Reports to provide an overview of our sustainability-related activities for the year. We publish more in-depth content in our annual OPIM Impact Report and our LEC29 Report. We also repackage this content into more easily digestible pieces that are shared with clients throughout the year.

On a semi-annual basis

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

On a quarterly basis

We produce targeted reports for our institutional clients invested in dedicated funds or mandates and hold meetings with them to discuss the reports. We publish quarterly updates for clients on our voting and engagement activities. Portfolio managers or product specialists usually join the meetings and go through performance in detail. Sustainability topics are often covered at these meetings.

On a monthly basis

- For applicable funds, we generate fund reports and factsheets that include ESG metrics such as the carbon footprint, ESG score and ESG contribution of their portfolios versus their respective benchmarks.
- We have introduced a new chapter on sustainability metrics such as ESG scores and carbon footprint data in our reporting to institutional clients.

On an ongoing basis

- We publish reporting linked to labels or any other sustainable classification such as extra-financial reporting for French SRI label, fund transparency reports or impact reporting.
- In line with MiFID II regulation amendments, we have started to publish European ESG Template (EET) reporting.
- We share thought leadership with our clients on sustainability topics throughout the year, and publish shorter pieces, podcasts and videos on sustainability topics on our Viewpoint blog.
- We publish key policies, guidelines and annual reports covering stewardship, voting, compliance and assurance on a dedicated page on our corporate website.
- We send ad hoc updates on new developments related to net zero, including podcasts, videos, blogs and other thought leadership, Sustainable Finance Disclosure Regulation (SFDR) and other policy matters.

Dialogue established by our sales teams with our clients on sustainable investing is essential. To do this effectively, it is important to provide our sales representatives with the right training and tools, in a variety of formats for educational purposes, to ensure relevant and useful dialogue with our clients. Client-facing members of our Global Client Group have their own learning path in our Sustainability Academy @AM and are encouraged to obtain third-party sustainability certifications to better equip them to engage with our clients (see page 93).

The marketing and communications teams have long been committed to reporting on our actions, and produce multiple media (brochures, videos, client events, podcasts, articles, infographics, etc.) to help our clients understand the challenges and opportunities presented by sustainability.

To improve the effectiveness of our client communications, a sustainability coordination committee meets monthly with members of the sales, marketing, communications and Sustainability Centre teams to ensure activations and share best practices. The head of the coordination committee also contributes information at each meeting of GCG ESG Champions on activations and tools made available to them.

We also continue to keep our clients abreast of evolutions in SFDR, new ESMA guidelines and evolutions in sustainability labels, as well as implementing net-zero investment strategies and other thought leadership on sustainability topics.

Taking the temperature

We partnered with BNP Paribas Corporate and Institutional Banking and Coalition Greenwich to survey institutional investors and intermediaries on thematic investing. The global survey was conducted in order to better understand their objectives, preferred themes, selection criteria and investment plans. Highlights from the 2024 BNP Paribas Thematics Barometer include:

OBJECTIVES: 71% of investors note achieving positive impact and contributing to sustainable outcomes as the leading objective for their thematic allocations, followed by improved investment returns (63%).

ALLOCATIONS: On average, allocations to more traditional asset classes have softened, but investors deploying thematics in private markets has risen to 69%.

THEMES: Renewable & Clean Energy (60%) continues to be the leading sustainability theme, followed by Climate Change Solutions (49%).

FUTURE: Investors expect to increase their focus on thematics in traditional asset classes like equities (53%), but there is also a heightened interest in private markets (51%).

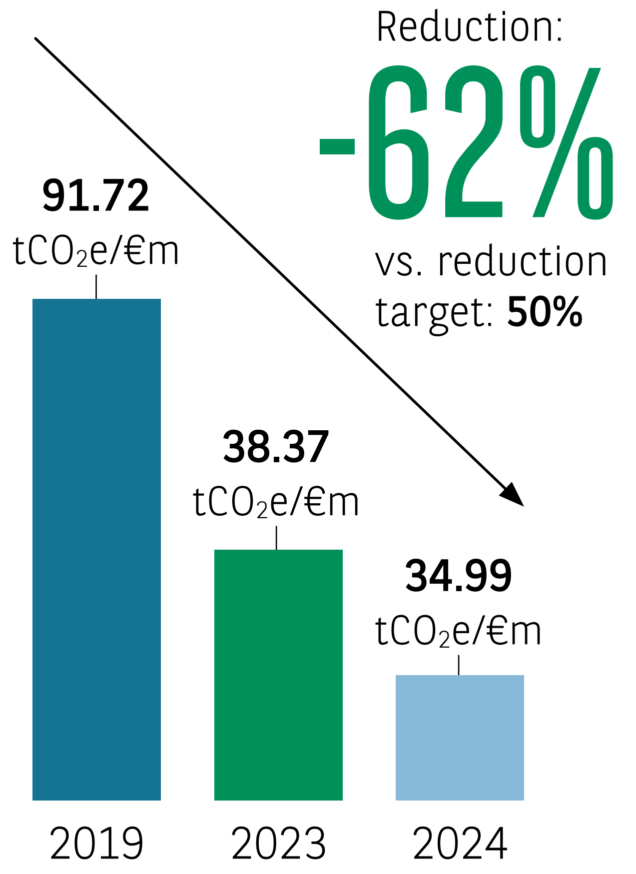
ENERGY TRANSITION & CLIMATE

OUR COMMITMENT TO CLIMATE

We believe a shift to a low-carbon, sustainable economy is essential for the long-term health of capital markets, and reaching global net-zero emissions by 2050 is crucial to prevent irreversible climate change damage. This is imminent if no action is taken, which is why the transition to a low-carbon economy is one of our strategic areas of focus – the 3Es: Energy transition, healthy Ecosystems, and greater Equality in our societies.

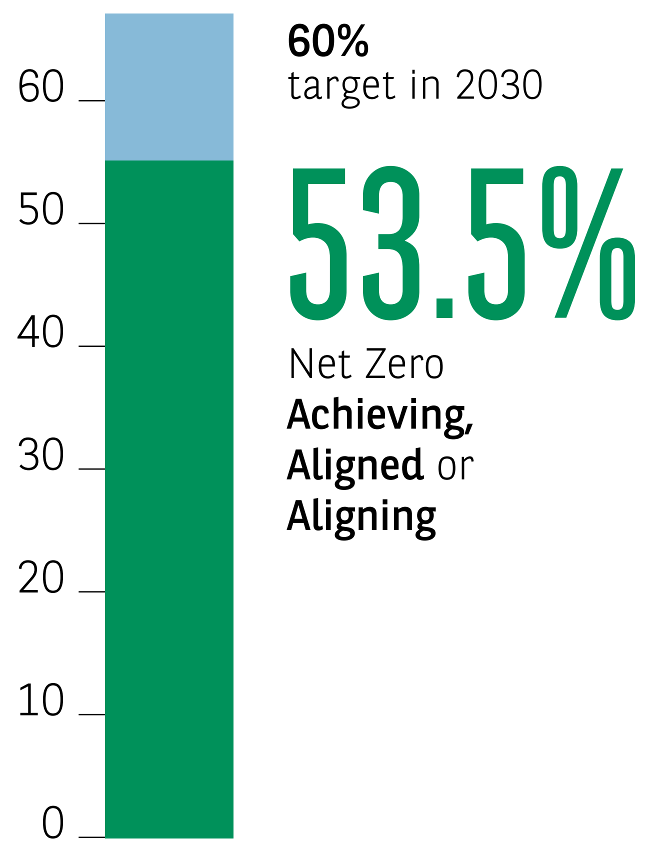
Our Net-Zero Roadmap outlines our plan to reach net-zero emissions in our portfolios by 2050 or sooner. It is our strategy for managing climate change-related risks and opportunities within our investments and operations. In the following pages, we detail our progress and report in line with the Task Force on Climate-related Financial Disclosures' recommendations. Our goal is to enhance this report over the years as our practices evolve.

Carbon footprint ($tCO_2e/m€$)



Source: BNPP AM, Carbon Disclosure Project (CDP), Bloomberg, Trucost and Factset (EVIC).
Details about our methodology available here.

Net Zero Alignment (NZ:AAA)



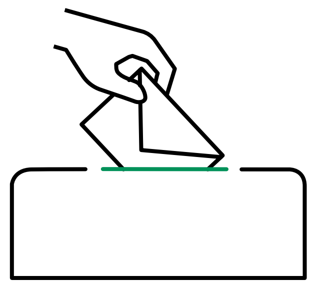
Source: BNPP AM NZ:AAA framework.
Details about our methodology available here.

EU Taxonomy alignment

5.4%

Source: BNPP AM, Bloomberg.
Details about our methodology available here.

Voting for Climate Action



Of the instances where we did not support board re-election or discharge due to environmental or social considerations

54%

were specifically due to climate considerations

Investments in Climate and Environmentally-Themed Solutions

€19bn

AUM in environmental and climate thematic funds

Operational Footprint

2.1 tCO_2e

per employee

Governance

Board oversight

The BNP Paribas Asset Management Holdings board has ultimate responsibility over climate-related risks and opportunities.

- The board receives annual training on sustainability-related investment issues, including climate change and our net-zero approach.
- Our business strategy incorporates climate change risks and opportunities, and the board receives updates on how we are achieving our business goals.
- The board is provided with overviews of any updates made to our Global Sustainability Strategy (GSS), which includes our approach to climate change and the energy transition.
- The board is kept abreast of regulatory matters, including those related in part or in whole to climate change.

At the BNP Paribas level, sustainability, including the energy transition, is one of the Group's three key priorities in its strategic plan and, as such, receives regular oversight from its executive management and board.

Incorporation of climate-related performance metrics into remuneration

We have a discretionary compensation policy where variable compensation is awarded by the management line considering collective and individual performance, the latter being assessed through our performance appraisal framework, which relies on objectives set at the beginning of the performance period and measuring achievement of these objectives at the end of the period.

Climate-related issues in particular, and sustainability-related issues in general, are addressed through dedicated mandatory objectives assigned to employees active in sustainability-related or portfolio management or analysis-related activities, which focus on the integration and use of ESG criteria in the investment process, as well as "beat-the-benchmark" objectives from an ESG perspective. These objectives are part of their individual appraisal and a factor in their individual performance evaluation.

In addition to the above, these employees are subject to a risk and compliance review, whereby any failings would reduce variable compensation – sustainability risks are an integral part of the risk review.

Assessing and managing climate-related risks and opportunities

Our approach to managing sustainability risks, including climate, is part of our corporate governance framework. Several committees are in place to oversee the integration of ESG risks into the relevant investment process.

Our Net-Zero Roadmap is overseen through a formal governance framework, ensuring appropriate supervision and oversight of our net-zero commitment.

- Our Sustainability Committee, chaired by the CEO of BNP Paribas Asset Management, is responsible for the strategic direction of sustainability-related topics, including our net-zero commitments, which are 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 its net-zero commitments at the asset class level.
- The Global Product Committee, chaired by the Global Head of Products and Strategic Marketing, is responsible for the oversight of the integration of sustainability-related criteria, including decarbonisation and net-zero-related objectives, into investment product strategy.
- We have also put in place the Sustainable Methodology Oversight Committee. This group is responsible for overseeing the development and implementation of methodologies, definitions, disclosures and processes related to sustainable regulation, including those related to climate change and net zero.

Learn more about our overall approach to sustainability governance.

See our
Global Sustainability Strategy
for more information

Our net-zero commitments in brief

Investments

1 – Reduce the carbon footprint of our in-scope investments by 30% by 2025, decreasing to 50% by 2030 (Scope 1 and 2)[1]

2 – Aligning in-scope investments with net zero: 60% by 2030, rising to 100% by 2040

3 – Reduce fossil fuel exposure, including exiting coal by 2030 in EU and OECD countries, and by 2040 for the rest of the world

4 – Increase investment in climate and environmentally-themed solutions

5 – Engage with our clients

Stewardship

6 – Vote for climate action

7 – Engage with companies on net zero

8 – Advocate for NZ 2050-aligned climate policy

Operations

9 – Reduce our operational emissions

10 – Report on progress

1 – In-scope refers to Article 8 and 9 funds under the Sustainable Finance Disclosure Regulation (SFDR). The commitment also applies to funds and mandates that are managed in line with our Responsible Business Conduct policy. It does not yet include investments in securities issued by governments and agencies, derivatives and private assets. "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 yet standardised or considered sufficiently reliable 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.

Strategy

Environmental risks and, more particularly, those associated with climate change are likely to translate into financial risks for our business and our clients. But if we act now, climate change also presents substantial opportunities. We have identified climate change and the need for a successful energy transition as one of three key sustainability-related prerequisites for a stable financial system in our Global Sustainability Strategy. The GSS also outlines our six-pillar approach to sustainability. These pillars act as levers that we can pull to combat climate change and facilitate the energy transition through our investments.

In 2021, we raised our climate ambition by committing to the goal of achieving net-zero portfolio emissions by 2050 (or sooner).

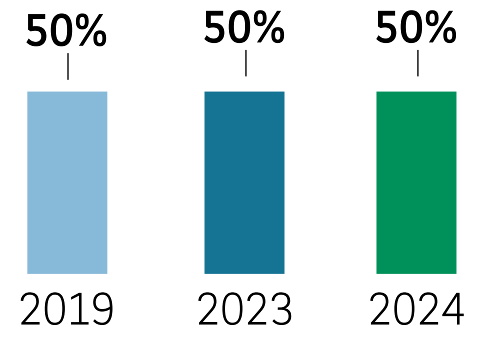
We then published our Net-Zero Roadmap in 2022, covering the progressive alignment of our portfolio investments with the goal of reaching net-zero emissions, together with associated efforts across our stewardship activities and operations. We started to report on our progress in our 2023 Sustainability Report.

To drive change, we have set a goal to decarbonise our investment portfolios. As an asset manager, we do not directly manage our strategic asset allocation per se. Rather, this 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. Based on our current asset allocation and because of the lack of available data and methodologies in other asset classes, we have decided to focus on listed equities and corporate bonds in the first phase of our commitment towards net-zero financed emissions. About half of our assets under management are within the scope of our initial commitment. They include Article 8 and 9 funds under the Sustainable Finance Disclosure Regulation (SFDR) and funds and mandates that are managed in line with our Responsible Business Conduct policy. It does not yet include investments in securities issued by governments and agencies, derivatives and private assets.

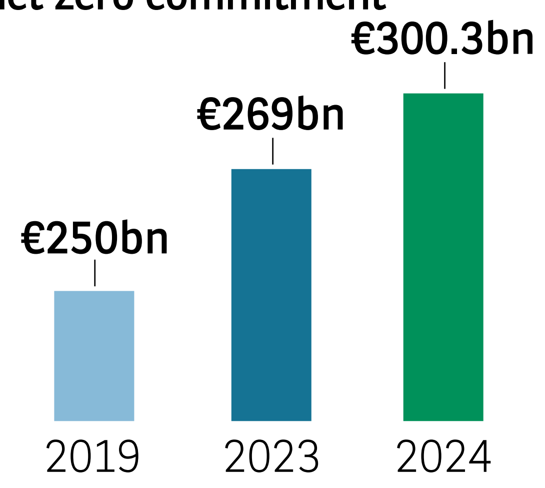
2024 metrics

While our in-scope AUM has not changed on a relative basis, our overall AUM that falls under the scope of our commitment has increased by almost €30 billion. We expect that our in-scope AUM will increase significantly as we introduce methodologies for sovereigns and agencies and add these to our scope.

% of our AUM within the scope of our net-zero commitment



Value of our AUM within the scope of our net-zero commitment



Climate is a key consideration in our product development and investment management practices. We have developed a range of policies, procedures, methodologies and tools to help us contribute to the net-zero goal, including our:

- Net Zero AAA (NZ:AAA) framework of Achieving, Aligned or Aligning, to measure the alignment of investments in corporates with climate goals.
- Sector-specific exclusion criteria within our Responsible Business Conduct (RBC) Policy, addressing the highest-emitting sectors.
- ESG scoring framework that places a strong emphasis on climate change.
- ESG Integration Guidelines that include better-than-benchmark goals for the carbon footprints of some portfolios.
- Consideration of climate-related Principal Adverse Impacts (PAIs) statement at the fund and entity level.
- Reporting of alignment with the EU Taxonomy on climate change mitigation.
- Many of our products have sustainability labels and therefore take climate into consideration from their conception.
- Methodology to identify Sustainable Investments as per the SFDR, including criteria related to the alignment of companies with EU Taxonomy climate objectives and climate-related Sustainable Development Goals (SDGs).
- Integration of climate change themes into our stewardship approach, including our voting, engagement and public policy advocacy activities.
- Development of investment products that allow our clients to proactively invest in the energy transition and/or meet decarbonisation objectives.

We have used climate-related scenarios in a number of ways to support and implement our approach. For example, we provide funding and are a strategic partner of the Inevitable Policy Response (IPR), an initiative which forecasts the speed and scale of the transition to net zero. IPR has developed a Forecast Policy Scenario, as well as a Required Policy Scenario, which identify the incremental progress needed to move to a net-zero-aligned scenario. We employ IPR tools, such as its Quarterly Briefing content, to educate and inspire debate among investment teams. We have also used climate scenarios from the International Energy Agency to inform carbon intensity reductions in the power sector.

Time horizons

The implementation horizon for the commitments in our Net-Zero Roadmap is 2022 to 2050. However, because the climate investment landscape is changing so rapidly, with new scenarios, data and tools becoming available frequently, we expect to evolve the commitments outlined in this roadmap as we progress on our net-zero journey.

We consider the following time horizons to be relevant with respect to climate change:

- Short-term horizon to be 2025 as this is relevant for our business planning and our clients;
- Medium-term horizon to be at or before 2030 as this is the date that the Intergovernmental Panel on Climate Change (IPCC) identifies as the point when carbon emissions must be halved; and
- Long-term horizon to be at or before 2050 as this is when we need to achieve net-zero emissions as a society.

We use a 2019 baseline for our carbon footprint reduction commitment.

Risks and opportunities to our business

Within our investment portfolios, we see risks associated with climate change mainly occurring in the following three ways:

- Transition risks: these are risks arising from a process of adjustment to a low-carbon economy and take the form of policy changes, or technological risks, that can lead to a revaluation of many assets as costs or opportunities materialise.
- Physical risks: risks arising from the physical effects of climate change and environmental degradation (such as floods and storms, sea level rise, heat waves or droughts, which cause material damage or disrupt trade).
- Liability risks: consequences arising if parties that have suffered losses or damage as a result of the effects of climate change make representations to companies they consider responsible in order to obtain compensation. Such actions could occur against companies that extract and emit carbon and, if they have liability insurance, against their insurers.

Indication of the economic sectors and geographical areas concerned

Our ESG scoring framework takes into account the fact that ESG risks are not always comparable between sectors and regions. It divides covered issuers into 20 sectors and four geographical areas, resulting in 80 peer groups of companies listed according to geographical and sectoral criteria.

Resilience of the organisation's strategy, taking into consideration different climate-related scenarios

To date, we are unable to provide a reliable quantitative estimate of the financial impact of key environmental, social and governance (ESG) quality risks on our assets under management. Nevertheless, work is under way to assess the financial impact of the main climate risks (temperature, precipitation and wind), and we will share additional analysis in due course.

Alex Bernhardt
Head of ESG Research

"We host quarterly forums with IPR for our investment teams. The purpose of the forums is to keep our portfolio managers up to date on the evolving climate policy landscape in the countries in which we invest and to provoke debate on the implications."

Risk management

Identifying and assessing climate-related risks

Materiality heatmap

We developed a materiality heatmap to underpin our ESG rating system. This materiality heatmap allows us to identify the sectors with the highest climate transition risks and adjust the weighting of our ESG scoring methodology accordingly to ensure risks are appropriately assessed.

In addition, through our ESG rating methodology, we aim to better anticipate climate risk. We can assess this both quantitatively and qualitatively. By creating a solid analytical framework around ESG research, we are able to make an independent assessment of companies' climate commitments and their exposure to various climate risks. The qualitative adjustment of the ESG rating takes into account a forward-looking analysis based on a company's strategy, vision and ambitions. This ESG analysis is enriched by several external research sources, enabling us to cover companies, sovereign issuers and supranational agencies.

The risk of liability is also incorporated into our tool for tracking climate-related controversies. All companies are monitored through a permanent flow of information from relevant sources (brokers, public data, media, etc.). The more controversial a company is, the greater the reputational risk to our funds. All controversies are ranked from level 1 to 5 and classification takes into account the impact of incidents based on severity and number of occurrences, level of recurrence, responsibility and exceptional character, and response and management by the company. A company is penalised if it faces one or more level 3 or higher controversies. If the controversy is extremely serious or has particularly negative consequences, the company could be excluded from our investment universe. In addition, the sectors most exposed to ESG controversies and scandals have structurally weaker ESG results in our rating system due to the weight given to controversies in our ESG scoring model.

For sovereign debt issuers, we obtain a physical climate risk assessment from Verisk Maplecroft, which considers seasonal and annual changes in temperature and precipitation in addition to extreme events.

Managing climate-related risks

Calculation, publication and reduction of the carbon footprint of our portfolios

As part of our net-zero target, we have committed to reducing the carbon footprint of our in-scope AUM by 50% by 2030. For some time now, carbon emissions measures have been a heavily weighted factor in our ESG scoring model. In our ESG Integration Guidelines, we articulate an objective for our portfolios to have a higher ESG score and a lower carbon footprint than their respective benchmarks. This commitment is grounded in the belief that as an investor, to evaluate the environmental impact of our investments and assess the associated climate risk, we need to be able to measure the greenhouse gas emissions (GHGs) embedded in those investments.

We also believe that ESG considerations, when combined with traditional financial analysis, can help investors to understand a wider set of risks and opportunities and, in turn, make better-informed investment decisions.

Thibaud Clisson
ESG Analyst and Climate Lead

"Reaching our first net-zero milestones marks a concrete step forward in our climate strategy. This progress reflects our ongoing commitment to turning ambition into measurable action. While significant progress has been made, there is still much left to be done to effectively combat climate change in the coming years. At BNPP AM, we are up to the challenge."

ENERGY TRANSITION & CLIMATE

2024 metrics

We have substantially reduced the carbon footprint of our portfolios since 2019. While it is difficult to isolate the various factors that led to this reduction, we have implemented a number of measures over the last few years that have impacted our financed emissions.

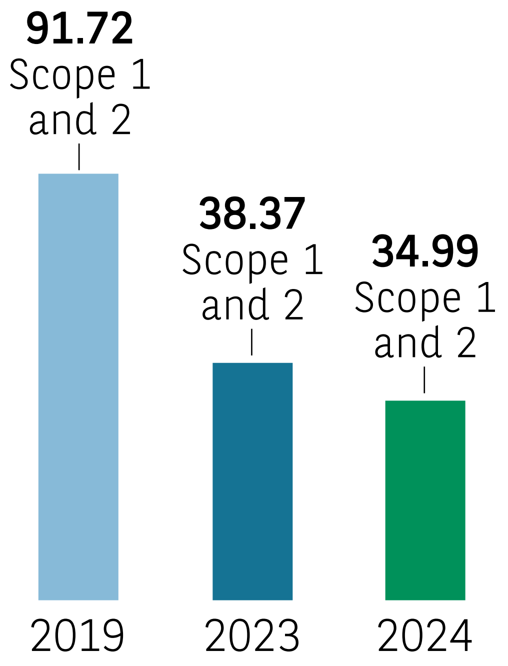
For example, the implementation of our coal policy in 2019 and then of our oil and gas policy in 2020 – and the ongoing tightening of these policies – have greatly reduced our exposure to the most carbon-intensive companies.

Our better-than-benchmark rule for certain strategies where we aim to hold portfolios with a lower carbon footprint than their respective benchmarks incentivises our portfolio managers to further reduce the level of financed emissions in their funds. In addition, we aim to hold portfolios with more positive ESG scores than their respective benchmarks, and several indicators related to GHG emissions are currently embedded in our proprietary ESG scoring framework.

With the introduction of the SFDR rules, our definition of Sustainable Investment has made oil and gas ineligible, meaning that they cannot be held in Article 9 funds or in the 'SI' component of Article 8 funds. We also announced in November 2024 that we now exclude bonds issued on the primary market by oil and gas exploration and production companies from our Investment Universe. We also have 173 funds with the French ISR or the Belgian Towards Sustainability labels and both of these labels have significantly enhanced their criteria vis-à-vis high-carbon industries, which has also contributed to a reduction of our overall exposure to carbon over time. In addition to this, our Paris-Aligned Benchmark funds are following the PAB rules on annual portfolio carbon footprint reduction.

Due to production delays with our carbon data providers, we have not yet been able to update our carbon emissions data to reflect corporate 2023-2024 disclosures. This means that the carbon footprint reduction we note in 2024 reflects a selection effect (i.e., a reduced weighting in carbon-intensive companies) rather than a change in the carbon emissions of invested companies themselves. We will share updated figures in the near future. We continue to work with data providers to look for ways to access more timely data, but for the time being, we accept that there will be a lag in reported emissions.

Carbon footprint of our in-scope AUM (tCO_2e/€m Enterprise Value including Cash)



ENERGY TRANSITION & CLIMATE

NZ:AAA Framework for Net Zero Alignment

We have developed a proprietary framework to measure alignment with global net-zero goals of our investments in companies, largely inspired by the Paris Aligned Investment Initiative Net Zero Investment Framework. This NZ:AAA framework assesses whether companies are Net Zero Achieving, Aligned or Aligning based on a number of data sources, including Transition Pathway Initiative, Science Based Targets initiative (SBTi), Climate Action 100+ and CDP. Most of these sources are publicly available and have objectives related to categorising companies according to their carbon emissions reduction pathways. This framework outlines the progressive alignment of our portfolio investments with our net-zero commitments and reinforces our goal to contribute to net-zero emissions by 2050. This framework helps us to better understand the carbon reduction targets of the corporates we finance, the credibility of their climate strategies as well as the climate value added by the products and services they offer.

Our assessment is based on an Implied Temperature Rise (ITR) indicator, which translates corporate GHG reduction targets into a projected global temperature change outcome to facilitate assessment and comparability between corporate commitments. This indicator is designed to translate greenhouse gas emissions pathways into predicted global temperature figures. Our ITR indicator is an implementation of the CDP and World Wildlife Fund methodology. In addition to using ITR in our NZ:AAA framework, we also assess the climate value added of the product and services offered by the companies we invest in using EU Taxonomy alignment, as well as our SDG framework.

2024 metrics

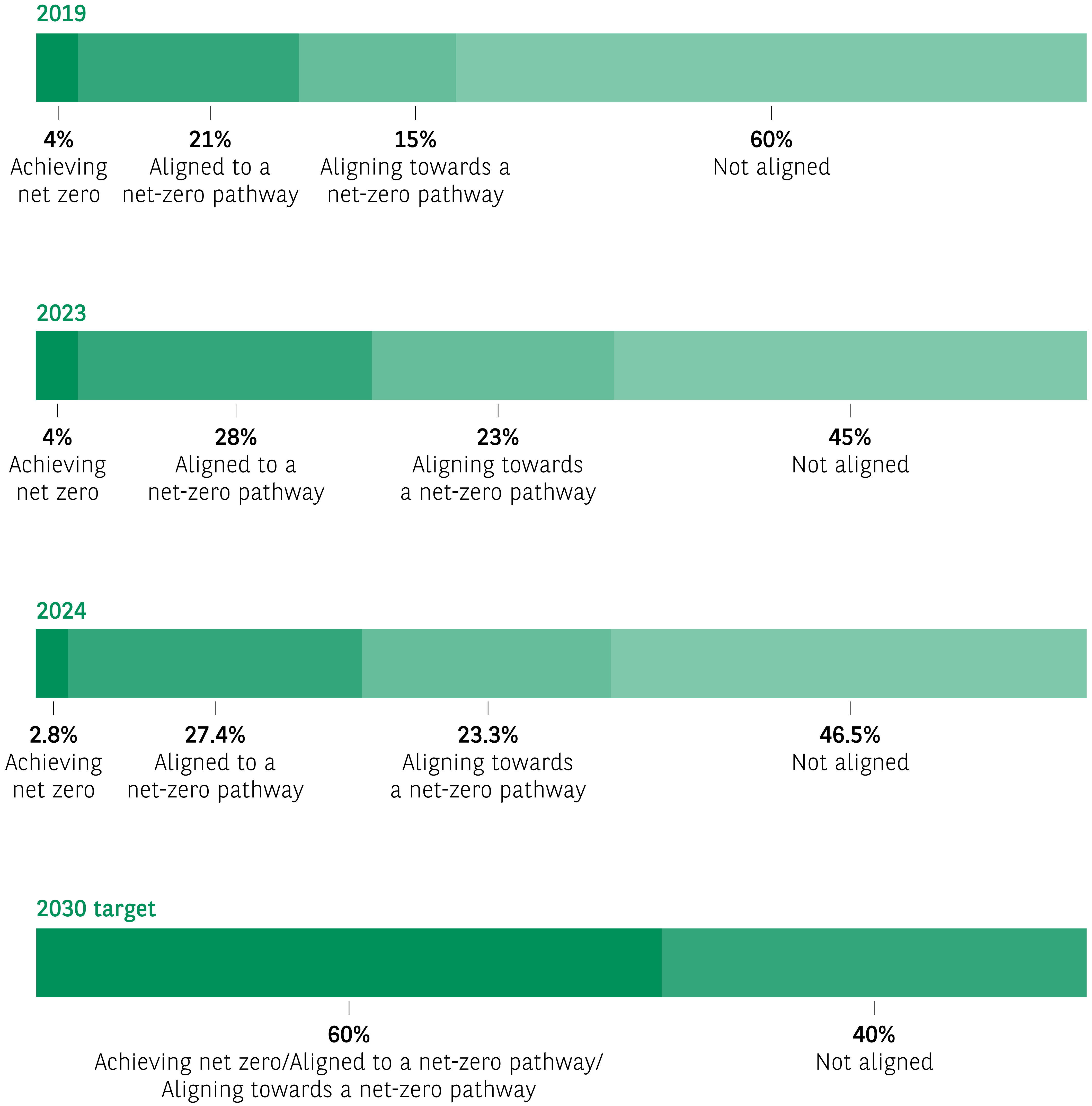
In 2024, the proportion of our holdings in companies not taking any concrete climate action has remained stable, with 46.5% of our in-scope AUM fitting in this category, down from 60% in 2019. This decrease since 2019 is a result of the growing number of companies making climate commitments*.

Nadia Grant
Head of Global Equities

"Achieving net zero requires a holistic approach including addressing the social risk and inequality resulting from climate change and the energy transition."

* Please note that the underlying data used for the NZ:AAA framework are so far only partially updated due to delays from our main data provider. This % will be further updated later on, once we receive the updated database.

% of in-scope AUM in net-zero alignment



Responsible Business Conduct Policy

Our Responsible Business Conduct Policy outlines our sector-specific exclusion approaches and scope of application and is a key tool in managing climate-related risks in our portfolios.

We exclude:

1 Thermal coal mining companies that meet any of the following criteria:

- are developing or planning to develop thermal coal extraction capacities such as new mines or expansion of existing ones;
- derive more than 10% of their revenues from the mining of thermal coal;
- produce more than 10 million tons of thermal coal per year;
- do not have a strategy to exit from thermal coal activities by 2030 in European Union and OECD countries and by 2040 for the rest of the world.

2 Power generators that meet any of the following criteria:

- are adding operational coal-fired power generation capacity to their power portfolio; or
- have a carbon intensity above 363 gCO_2/kWh;
- still have coal capacity in their generation mix in 2030 in European Union (EU) and OECD countries and by 2040 for the rest of the world.

3 Oil and gas companies that meet any of the following criteria:

- companies deriving more than 10% of their activities from unconventional oil and gas or more than 10% of their revenues from unconventional oil and gas;
- companies deriving more than 10% of their exploration and production activities from the Arctic region or with more than 10% of their revenues from activities in the Arctic region;
- companies with oil and gas reserves in the Amazon region;
- trading companies for which unconventional oil and gas resources represent more than 30% of their business, as well as companies that own or operate pipelines or LNG export terminals supplied with more than 30% of their volume from unconventional oil and gas; or
- bonds issued on the primary market by oil and gas exploration and production companies.

See our **Responsible Business Conduct Policy** on our website

These exclusions are implemented in all our funds that apply our Responsible Business Conduct Policy, which provides more details on our sector-specific exclusions. Some funds, depending on their goals or whether they have a label, have more stringent exclusion criteria.

ENERGY TRANSITION & CLIMATE

ESG Integration Guidelines (integration of transition and liability risk into ESG analysis)

As per our ESG Integration Guidelines, for a wide range of strategies, we aim to hold portfolios with more positive ESG characteristics than their respective benchmarks. This includes targeting a lower carbon footprint than their respective invested benchmarks, broadly encouraging investment in companies with higher-quality climate risk profiles.

We implement our ESG Integration Guidelines primarily by providing our investment teams with proprietary ESG scores. Our ESG scoring framework places strong emphasis on climate change risks within the Environmental pillar, including the GHG emissions of all companies. Climate change is one of the 11 themes of this framework, accounting for 11.8% of the ESG score on average across sectors, and up to 25% for the sectors most affected by climate change. The ESG ratings resulting from this analysis therefore also reflect the consideration of transition risk.

It is important to note that, in line with our objective to align our portfolios with net zero and given that the world is facing a serious carbon emissions problem, we have introduced an absolute bias to carbon emissions in our relative ESG rating system, mainly sectoral. As a result, sectors, regions and emitters that emit more GHG will have a structurally lower ESG score than those that emit less.

Our ESG score for sovereign debt issuers also includes a 22% weighting for climate change factors, including 11% for assessing physical climate risk within the country and 11% for taking into account each country's approach to climate change mitigation.

Consideration of Principal Adverse Impacts (PAIs)

Based on a combination of the different pillars of our sustainability approach, our Article 8 and Article 9 products consider and address or mitigate climate-related PAIs on a qualitative basis. We disclose climate-related PAI values in our entity-level statement and at the fund level in the European ESG Template (EET).

5.35% of our in-scope AUM is aligned with the EU Taxonomy for sustainable activities

The EU Taxonomy establishes the general framework for determining whether an economic activity qualifies as environmentally sustainable for the purpose of establishing the degree to which an investment is environmentally sustainable. We have developed an approach to calculating alignment with the EU Taxonomy, which we track and report on.

Investing in climate opportunities

While the transition to a low-carbon economy creates many risks, it also generates significant opportunities, which forward-looking investors may capture with the right investment tool.

We have a long history of helping our clients invest in the transition, launching our first SRI fund in 2002 and one of our first environmentally-focused funds in 2006. Our goal is to continue to increase our climate and environmentally-themed investment solutions while embedding climate and net-zero considerations across our range of investment strategies.

This year, we brought to market a new equity strategy: the Global Net Zero Transition strategy, where we apply our NZ:AAA framework with a Just Transition lens focusing on engagement in order to source companies in the MSCI ACWI Index. The strategy includes a charity class fund, where we donate part of our management fee to the charity Electriciens sans frontières, which builds small-scale renewable energy projects in communities predominantly located in the Global South.

We rank among the largest ESG passive managers in Europe and this reflects our long history in this class, starting with the first low-carbon ETF in 2008. This year, the primary focus was on developing ETFs with an active ESG approach, combining a traditional index approach with active integration of our ESG methodology. As of 31 December 2024, we manage €18.7 billion in Paris-Aligned Benchmarks and Climate Transition Benchmarks.

We launched a number of strategies in the area of private assets in 2024, including the Climate Impact Private Debt strategy, which is classified as Article 9 under SFDR, the Low Carbon Infra Equity strategy and our first fund with IWC focused on natural capital in core markets. See the Private Markets section of this report for more details.

Partnering with our clients on their net-zero journey

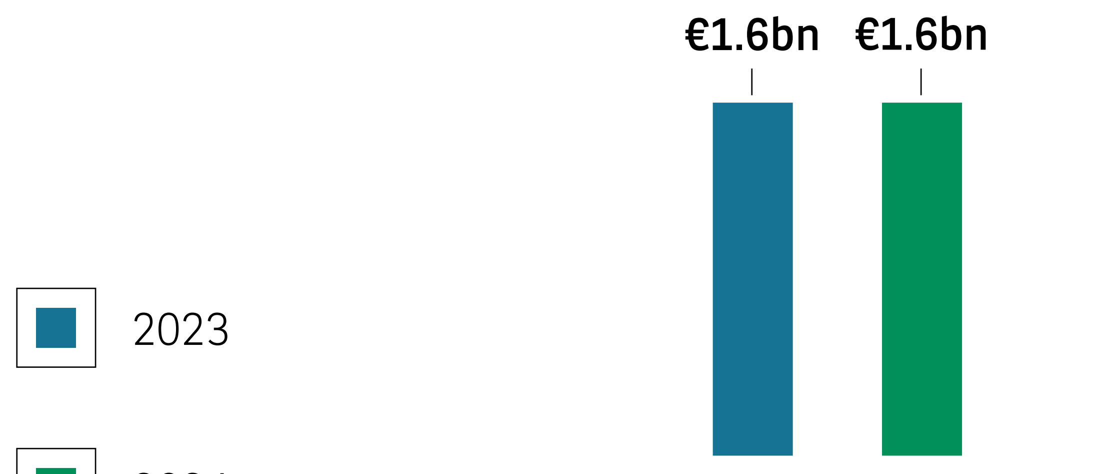
We engaged with clients to discuss the challenges and opportunities around net zero, explain our strategy to contribute to this goal, but above all, to better understand their needs around net zero.

We also continue to encourage our clients who have not done so to apply our Responsible Business Conduct policy to their existing segregated accounts, mandates and dedicated funds.

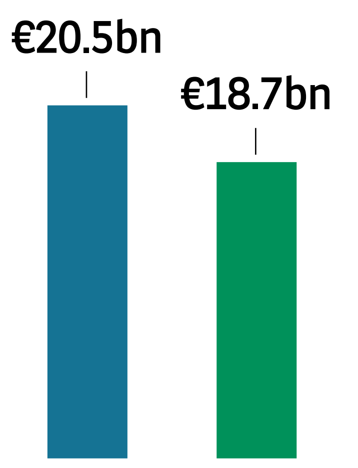
We also communicated with our clients about net zero and our net-zero strategy:

- We provided our clients with a range of educational tools on net zero.
- We continued to publish thought leadership pieces on climate change and net-zero topics throughout the year – articles, research papers and videos on our Viewpoint blog. For example, we published the following research papers and articles in 2024 exploring various strategies for institutional investors to align their equity portfolios with pathways targeting net-zero greenhouse gas emissions by 2050:
  - A practical handbook – Adjusting your investment approach to net zero
  - Aligning investments with the Paris Agreement – Frameworks for a net zero pathway
  - Greenhouse gas emissions 101 – Demystifying Scope 3
  - The finance COP – Key talking points ahead of COP29

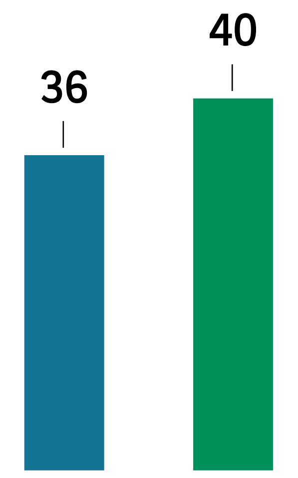
We continue to further develop climate and environmentally-themed investment solutions for clients with the launch of new products. In addition, our solutions team is working with some of our institutional clients to provide them with tailor-made climate and environmentally-themed investment solutions so they can align their existing and new portfolios toward net zero.



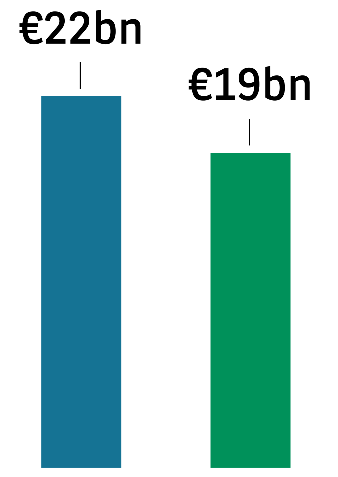
AUM in green bond funds



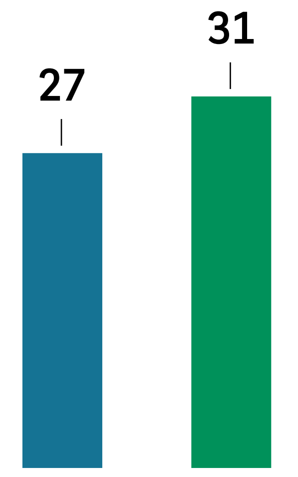
in AUM in Paris-aligned, climate transition-aligned, low-carbon or fossil-free open-end funds



Paris-aligned, climate transition-aligned, low-carbon or fossil-free open-end funds



in AUM in environmental and climate thematic funds



environmental and climate thematic open-end funds

ENERGY TRANSITION & CLIMATE

Integrating climate change into our voting, engagement and public policy advocacy

As a large shareholder, we vote, and have meaningful engagement with investees, on climate-related issues. This helps us manage climate-related risks by better understanding our investee companies' transition plans and encouraging them to enhance their approaches where needed. We also believe that helping to shape legal frameworks, regulations, standards and guidance relating to climate change is integral to reducing systemic risks related to climate change and is aligned with our duties to our clients.

Voting

- We apply climate-related expectations to our voting, as detailed in our voting policy. For example, we oppose management resolutions on the approval of discharge of the board, board re-elections or financial statements (depending on the market) at companies that do not properly report on their carbon footprint (Scope 1, 2 and 3, when appropriate) or their climate lobbying activities, nor communicate or constructively engage about their climate strategy. In addition, we expect companies identified as the world's largest corporate GHG emitters to publicly announce their ambition to achieve net-zero GHG emissions by 2050 or sooner. This results in a significant opposition vote at general meetings for climate-related considerations. In 2024, we opposed 1,215 resolutions at 192 companies based on our climate-related expectations.
- We support shareholder proposals when they align with our ESG expectations, as detailed in our Governance and Voting Policy. We opposed 53% of Say-On-Climate proposals that were within our scope in 2024, reflecting proposals that did not meet our expectations.

Engagement

- We co-lead engagement with 9 companies through the collaborative initiative Climate Action 100+. We also take part in dialogues led by other investors.
- We sit on the IIGCC Corporate Programme Advisory Group and participate in the Asia Investor Group on Climate Change (AIGCC) programme of engagement with Asian utilities.
- Engagement related to our RBC Coal Policy: We engage individually with portfolio companies to confirm the emissions intensity of their power generation and evaluate the potential for us to work with companies to enhance their decarbonisation ambitions. We also engage with those companies whose carbon intensities are close to, but still not in line with, our policy.
- Engagement with corporate issuers on physical risks: We met with Hong Kong developers HongKong Land, Link Real Estate Investment Trust (Link REIT), and New World Development, to discuss physical risks and adaptation, and climate mitigation measures.

Integration of climate risks into our overall risk management governance

We have a framework for the identification and review of sustainability risks, which includes climate-related risks, in our overall risk framework. We have defined roles and responsibilities for first and second lines of defence in the various departments involved. An action plan has been defined for each identified risk, and the assessment of sustainability risks, as well as the associated control plans, are presented at the internal control committee chaired by our CEO.

We have an Independent Risk department that aims to ensure centralised and cross-functional supervision of operational and investment risks, including climate change risks. The department is involved in three important dimensions:

- The independent review of climate-related models, along with the legal department when there are regulatory implications.
- Monitoring sustainability indicators in portfolios. Funds are tracked automatically, and divergences versus expectations are considered as breaches. Portfolio extra-financial guidelines are tracked automatically, and divergences versus expectations are considered as breaches. Voluntary commitments are monitored by the CIO office.

Our risk management team is involved in sustainability-related governance, including our net-zero workstream dedicated to climate change, and works closely with the RISK ESG team at BNP Paribas Group to ensure the sharing of best practices. Within the BNP Paribas Group's RISK Department, RISK ESG manages the integration of ESG risk factors into the BNP Paribas Group's risk management framework and into the activities of the Group's various risk teams.

Reducing our operational footprint

We implement a three-pronged strategy to minimise the environmental impact of our operations, prioritised as follows: investing in efficiency, purchasing green energy, and offsetting any residual emissions. We see building a culture of sustainability among our employees as part of the solution in reaching our objectives. In 2024, we conducted a week-long campaign with ambassadors to remind staff to turn off their monitors during breaks and at the end of the day, which is increasingly important due to the growing number of monitors in use. Additionally, we enhanced the delivery of our climate *fresques* by offering the 2tonnes workshop, which educates participants on techniques to live within a 2-tonne carbon budget. Since 2019, we have had 787 participants in environmentally-themed fresques.

BNP Paribas Foundation Climate & Biodiversity Initiative

The BNP Paribas Foundation Climate & Biodiversity Initiative focuses on addressing the pressing issues of climate change and biodiversity loss. It supports scientific research, innovative projects, and awareness programmes aimed at preserving natural ecosystems and mitigating climate impacts. The initiative involves collaboration with leading-edge researchers, non-profits, and community organisations, to study the root causes of climate change and biodiversity loss and work on solutions to enhance resilience related to these environmental challenges.

HEALTHY ECOSYSTEMS

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HEALTHY ECOSYSTEMS
EQUALITY
ESG INTEGRATION
VOTING AND ENGAGEMENT
PRIVATE ASSETS
PEOPLE, CULTURE AND CSR
ABOUT THIS REPORT
STEWARDSHIP CODES

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

As an asset manager with a broad range of clients that all depend upon a stable biosphere, we have the dual responsibility of understanding how our investments impact nature – our role in driving this crisis – and how nature loss may translate into financial risks. Our overall objective is to improve the environmental impact of our investments.

We have two targets with respect to our water and forest footprints:

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

In 2024, we provided a 3-year update on our Biodiversity Roadmap, detailing the progress we've made on meeting our objectives, as well as an initial mapping against the TNFD's recommended disclosures.

Robert-Alexandre Poujade
ESG Analyst and Biodiversity Lead

"Investing in biodiversity isn't just a responsibility – it's a necessity. Three years into our Biodiversity Roadmap, we've made strides in managing being more deliberate about biodiversity in our investments, but the urgency remains: there's no sustainable growth without healthy ecosystems."

€700M
in biodiversity-related investments

538
biodiversity-related engagements since 2021

83
participants in biodiversity-related *fresques*

HEALTHY ECOSYSTEMS

A closer look at our 'agri-food'-print

In May 2024, the Sustainability Centre analysed BNPP AM's exposure to the agri-food value chain using guidance from Planet Tracker. The goals were to:

- Understand to which agri-food value chain sectors BNPP AM is most exposed, primarily focusing on animal protein producers, manufacturers, and food services.
- Assess the ESG quality of BNPP AM's investments, which we determined are mainly in companies with high ESG scores.
- Compare our agri-food exposure relative to the market, using the MSCI ACWI as a benchmark; we discovered that we are underexposed to agri-food companies compared to the benchmark. However, our exposure is more concentrated in a few select companies, demonstrating high conviction from our investment teams.
- Pinpoint priority issuers for future engagements with companies in the agri-food value chain.
- Find solution providers with best practices.

This analysis helps identify key areas for the upcoming 2025 deep dive on planetary health diets and aligns with the FAO roadmap.

Developing an ocean sector framework

In June 2024, the Sustainability Centre launched an ocean sectors framework in order to provide a comprehensive overview of the major environmental impacts, risks and opportunities for sustainable investment in ocean sectors. It also highlights some of the most significant social issues where relevant.

This framework was developed in collaboration with Planet Tracker, an award-winning non-profit think tank focused on sustainable finance. We had previously partnered with Planet Tracker on several projects, including a research publication on Carrefour's seafood procurement and on the Nature Action 100 engagement initiative.

Similar to our agri-foodprint initiative, this framework seeks to compile statistics on our exposure to ocean sectors relative to benchmarks, thereby identifying priority areas for focus. Within the ocean sectors, we primarily focus on aquaculture, shipping and tourism. However, in defining best practice companies within these sectors, we encountered significant data gaps when applying the indicators from our ocean sectors framework.

In response to this issue, we participated in the investor statement for better ocean-related data. The statement strongly encourages ESG data providers to enhance their development of ocean-related data points and tools. It advocates for innovative methods to capture the dependencies, impacts, risks and opportunities related to ocean investments, thereby supporting the implementation of the Kunming-Montreal Agreement.

2025 Goal: Ocean and Poles!

Since 2010, the BNP Paribas Foundation has advanced research on climate change and biodiversity through its Climate & Biodiversity Initiative. In its 2025 call for projects, the Foundation is focusing on ocean and coastal ecosystems, recognising their critical role in climate regulation and the livelihoods of over 3.8 billion people residing within 150 km of coastlines. The Foundation has allocated a total budget of €7 million to support between 7 and 15 selected projects over a three-year period. Notably, this edition has been endorsed with the "Ocean Decade" label by UNESCO's Intergovernmental Oceanographic Commission, aligning with global efforts to promote sustainable ocean science and conservation.

HEALTHY ECOSYSTEMS

Funding a benchmark for Nature Action

We partnered with Ceres to support Nature Action 100, an investor-led initiative addressing biodiversity loss. As part of this, we funded a benchmarking study to assess how companies impact and depend on nature. This study is crucial for establishing clear metrics, helping investors identify leaders and laggards in biodiversity management.

By promoting transparency and accountability, the study enables more effective corporate engagement and encourages stronger nature-positive strategies. With biodiversity loss posing financial and operational risks, investors need reliable data to drive meaningful change. The initiative also aligns corporate action with global sustainability goals and complements frameworks like the Taskforce on Nature-related Financial Disclosures, ensuring long-term environmental and economic resilience.

The business of Marine Protect Areas

In October 2024, Blue Alliance Marine Protected Areas and BNP Paribas launched Blue Finance, a US$35 million impact loan facility aimed at supporting reef-positive businesses within Marine Protected Areas (MPAs) across Indonesia, the Philippines, Tanzania, and Cabo Verde. This initiative seeks to regenerate 1.8 million hectares of coral reef ecosystems and enhance the livelihoods and food security of approximately 110,000 local community members.

Blue Alliance is a global initiative dedicated to scaling marine conservation efforts by developing sustainable financing solutions for MPAs.

Its mission is to protect and restore vital ocean ecosystems while supporting local communities that depend on them. Through innovative impact-driven financing, Blue Alliance enables long-term conservation management, ensuring biodiversity protection, climate resilience, and sustainable livelihoods.

This initiative is an example of leveraging BNP Paribas' capabilities, where the Group provided an initial funding commitment of US$2.4 million and where BNP Paribas Asset Management along with BNP Paribas will manage the facility. The facility employs a blended finance model, combining philanthropic capital from partners with private investments to attract impact-focused investors. The targeted businesses include responsible ecotourism, community-based aquaculture, blue carbon credits, and sustainable fisheries, all designed to reduce coral reef degradation and promote economic opportunities for local communities.

Laurence Pessez
BNP Paribas Deputy Director of Company Engagement and Global Chief Sustainability Officer

"With initiatives such as Blue Alliance, we hope to inspire additional investors alongside us to support the development of this innovative approach that combines the protection of natural ecosystems and productive economic activities for local populations based on a responsible and ethical usage of the marine ecosystem."

Bringing the strength of BNP Paribas' Investment & Protection Services division

In late 2024, the IPS division brought together its different business units – asset management, wealth management, insurance and real estate – to work on a collective strategy and action plan for addressing biodiversity loss. Working in a coordinated fashion, these business units will create a plan aimed at expanding biodiversity-related products, embedding biodiversity into asset management activities and working with employees and clients to raise awareness of the issue. Stay tuned for more to come in 2025!

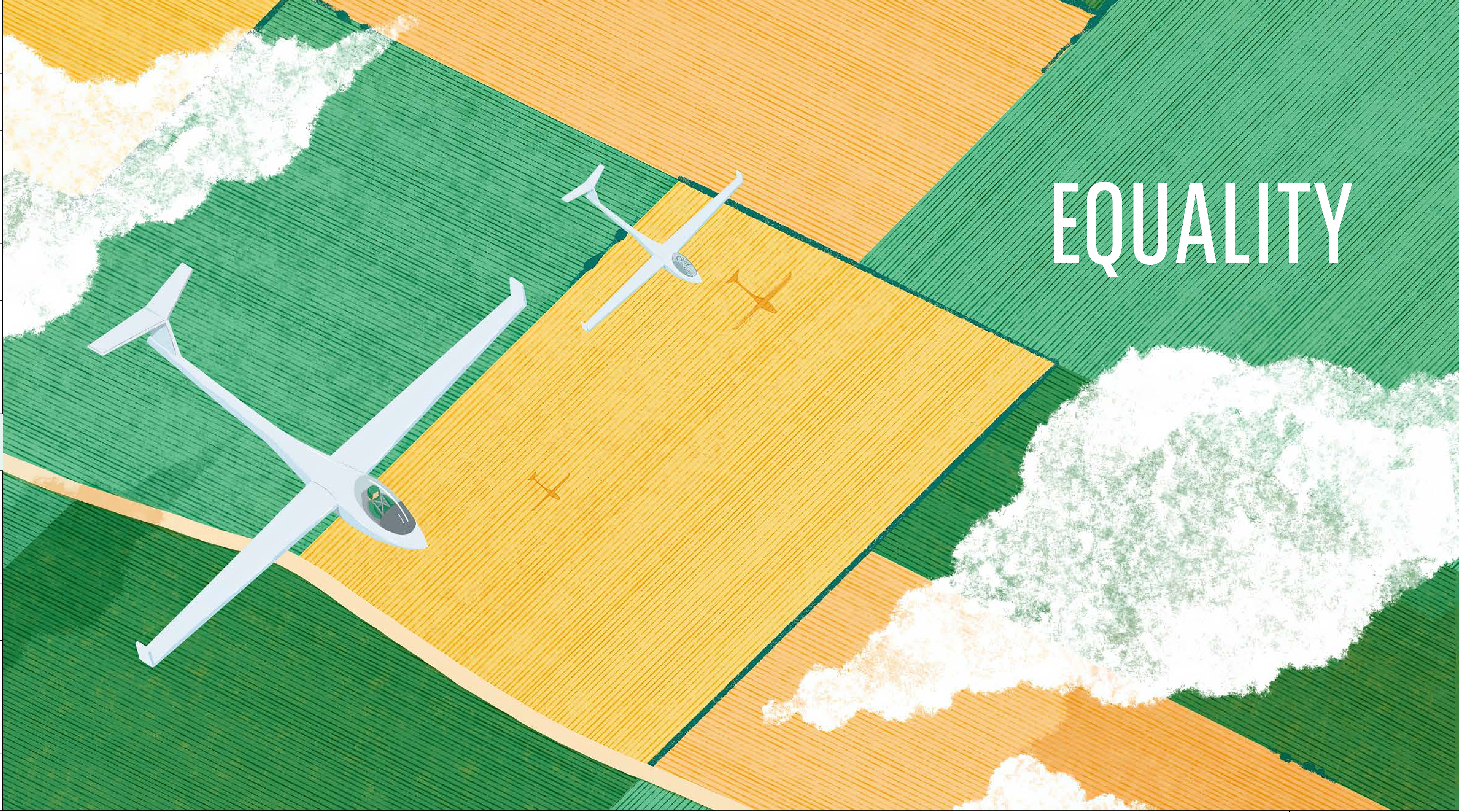
ETFs for nature

Sustainability-themed ETFs focus on areas like clean energy, climate tech and of course, biodiversity. Investors can play a role in preventing biodiversity decline in a number of ways, including through sustainability-themed ETFs focused on tackling nature-related issues. Our Easy ECPI Global ESG Blue Economy strategy aims to help support the objectives of SDG 14, Life Below Water, and the Easy ESG Eurozone Biodiversity Leaders strategy offers investors exposure to companies with a lower potential impact on biodiversity than their peers.

- Learn more about our **nature-related private assets**
- Read the **November issue of BNP Paribas Perspectives, dedicated to fresh water**

Lorraine Sereyjol-Garros
Global Head of ETF & Index Solutions Sales

"We launched our first ETFs 20 years ago. We were the first asset manager to launch a low-carbon ETF in 2008 and since then, we have launched ETFs on the circular economy, the blue economy, ESG infrastructure, sustainable listed real estate and biodiversity indices."



EQUALITY

EQUALITY

Inequality poses a systemic risk to markets and company-level risks to investees. It threatens market stability and long-term growth. It enables unequal access to opportunities, which widens the gap between the wealthy and the rest of society, threatens social mobility, cohesion and stability, and creates downward pressure on aggregate demand.

This year, we launched Levelling Up: Our Roadmap to Address Inequality, our strategy and action plan for addressing inequality risk.

Sindhu Janakiram
ESG Analyst and Equality Lead

"We prioritise addressing inequality in our investments, stewardship and operations because we believe it is financially material. As sustainable investors, it is incumbent on us to explore which company actions increase inequality outcomes and strengthen our practices to reduce them."

A framework for addressing inequality

In 2024, we introduced a framework to support corporate inequality assessments and linked it to how we can generate investment ideas, construct portfolios, control for risk, and engage with companies and markets. The framework maps key corporate actions that can impact inequality outcomes and identifies affected stakeholder groups.

We onboarded a new social data provider to assess the holistic impact of social risks in our portfolios. This data enables us to assess social data within diversity, human rights, health & safety, and labour rights. We also developed use cases that enhance our ESG scoring methodology to improve social factor analysis, enhance risk assessment, and align investment strategies with sustainability objectives.

The case for prioritising and addressing inequality

Inequality – or the unequal distribution of income, wealth, and well-being – has reached unsafe levels. The income gap between CEOs and workers, the wealth gap between billionaires and the rest of society, and the lack of health and education access for the least advantaged, even in wealthy countries, all point to the growing importance of inequality for society and the economic system we actively participate in. Inequality is causing real-world disruption. Labour strikes, protests against fuel taxes and other green policies, and the rise of populism all point to a growing global sentiment: Anger that the current economic system isn't working for everyone.

While climate change is caused by Greenhouse Gas (GHG) emissions, the causes of inequality are more diverse. For instance, companies engaging in human rights abuses in their supply chain may suffer reputational damage and stock price impacts; companies with relatively low wages and benefits could experience higher turnover reflected on their income statements, etc. Investors have historically addressed these issues in a piecemeal fashion. Our view is that inequality underpins and reinforces many of today's social issues and therefore requires a holistic approach. Moreover, inequality both multiplies climate risk and undermines climate risk. This so-called 'double bind' demonstrates that our ability to manage long-term and acute risks is strengthened by our work to minimise inequality and maximise opportunity for social mobility.

Our conviction is that inequality risk can manifest systemically in the market and idiosyncratically for individual companies, presenting risks and opportunities for investors. Thus, it is incumbent on us to explore which corporate actions increase inequality outcomes and seek how to strengthen practices to reduce them.

Fostering solidarity through the BNP Paribas Foundation

Promoting equal opportunity and fostering social inclusion is a key pillar of the BNP Paribas Foundation. For over 40 years, the Foundation has combatted various forms of exclusion by supporting initiatives that address social inequalities, assist young people through educational programs, fight against violence toward women, facilitate the integration of refugees in Europe, and encourage employee volunteerism.

Some of its key programmes include:

- Projet Banlieues, which supports local associations in underprivileged French neighbourhoods to prevent exclusion. To date, it has aided **1,350 associations**, benefiting **1.3 million people**.
- Help2Help, which encourages BNP Paribas France employees to engage in voluntary work with associations serving the public interest, both in France and internationally. Since 2003, it has supported over **1,100 associations** across approximately **20 countries**.
- Odyssée Jeunes, established in 2009, funds educational trips for middle school students in Seine-Saint-Denis, a suburb of Paris. **Over 15 years**, it has enabled **62,000 students** to participate in **1,530 school trips** from **130 middle schools**.
- Refugee Program has collaborated with **30 associations** across ten European countries since 2015 to promote the professional integration of refugees and assist them in learning the language of their host country.

Access to banking

BNP Paribas has set up programmes to facilitate access to banking networks through its Nickel subsidiary, which has opened **5,300 accounts** for refugees of **190 different nationalities**, and its network of commercial banking branches in France.

Teaming up with the Whitaker Peace & Development Initiative

In partnership with Group Networks and BNP Paribas Banque Privée France, we launched the Oasis Gender Equality and Inclusion II strategy and as part of this, we donated a portion of our management fee to the Whitaker Peace & Development Initiative (WPDI), founded by the actor Forest Whitaker.

WPDI launched a Community Learning Centre in Aubervilliers, France, in 2023, to provide free training in entrepreneurship, IT, and interpersonal skills for youth, women, and vulnerable groups. Our donation went towards its women's entrepreneurship programme, Les Battantes, which offers a three-month intensive course, followed by a business pitch competition where participants can win €1,500–€4,000 in funding and receive a year of mentorship and in 2024, it celebrated its first graduation event in Aubervilliers, awarding funding to innovative projects in women's health, energy renovation, and creative workshops.

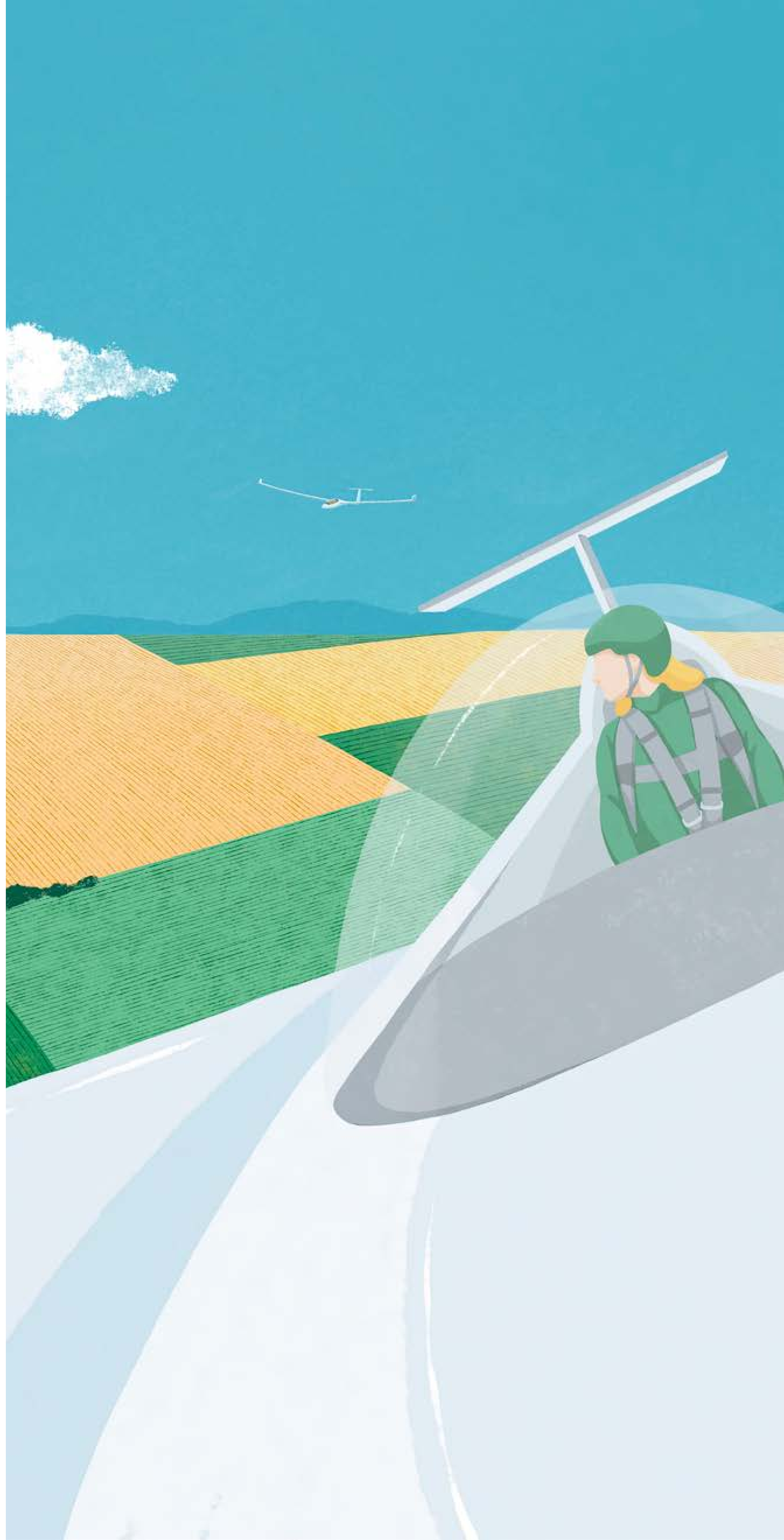
BNP Paribas Funds Inclusive Growth strategy

Our Inclusive Growth strategy invests in companies that implement best practices that contribute to inclusive growth and help to strengthen equality in our societies. To construct the Inclusive Growth investment universe, we developed a proprietary scoring model derived from our ESG scoring methodology that is specifically designed to identify what we call companies with inclusive practices. We identified five pillars of actions for companies to reduce inequalities and contribute to inclusive growth: Decent Work, Investing in Social Mobility, Access to Quality & Affordable Products, Respecting Business Ethics and Decarbonisation.

Anne Pointet
Head of Company Engagement,
BNP Paribas

"Projet Banlieues now covers 80% of the population in France living in underprivileged neighbourhoods, including the integration of French overseas territories since 2022: a necessity in regions that have been hit especially hard by the crisis and by inequalities."

- Learn more about our **investments in the social and solidarity economy**
- Learn more about our **corporate diversity, inclusion and equality practices**



ESG INTEGRATION

ESG INTEGRATION

By integrating considerations of relevant Environmental, Social and Governance (ESG) factors into our investment decisions, we can identify and assess potential areas of hidden risks and opportunities. Our ESG scoring and integration approach is applied across a wide range of investment strategies.

ESG considerations are interpreted and taken into account by market participants in different ways. Coupled with inconsistent levels of disclosure by companies, this can lead to market inefficiencies, which can create opportunities for ESG-savvy investors. While we expect corporate disclosure to increase, shifts in consumer, investor and regulatory expectations will likely persist in a dynamic environment experiencing secular change.

Guy Davies
Deputy Head of Investments and CIO, Fundamental Active Equities

"For fundamental investors, ESG integration is primarily bottom-up and embedded within our investment process. It broadens the information set for our investment decisions alongside many other elements within our fundamental analysis."

We accomplish this primarily in two ways: through our ESG Integration Guidelines and through the development of proprietary sustainability research, both on the quantitative and qualitative side:

- On the quant side, we continue to implement our ESG Data Programme, which oversees the implementation of our various research methodologies. Through this programme, we are developing internal capabilities to clean and manipulate data that can be used to support investment analysis, portfolio construction, and measurement and reporting. The functional relationship among our Sustainability Centre, Quantitative Research Group, Digital and IT teams is critical to our ability to develop and maintain our proprietary and third-party ESG datasets and deliver relevant results to our investment teams, clients and regulators.
- On the qualitative side, by the delivery of stock, sectoral and thematic qualitative insights to our investment teams and through on-going interaction between ESG research analysts and investment teams. A key area of focus for us is ensuring that our ESG scores reflect the convictions of our ESG analysts. In 2024, topics for sectoral and thematic research included:
  - Our 'Agri-Food' and Water footprints
  - Commodities in transition
  - ESG and performance
  - Inequality.

ESG Integration Guidelines

Our ESG Integration Guidelines shape how our analysts and portfolio managers incorporate relevant ESG factors into their company or asset evaluation and portfolio construction decision-making processes. Specifically:

- We avoid investing in entities without associated ESG research; and
- We recognise there is not a 'one size fits all' approach to ESG integration and apply a range of approaches depending on the asset class, investment objectives, and whether a fund is labelled or subjected to other regulatory classifications as examples.

Approaches can include:

- Better-than-benchmark (BTB) constraints on ESG and carbon;
- RBC screening;
- Use of ESG factors in fundamental security analysis.

We promote these guidelines to our existing delegated managers and managers we partner with, and we will not delegate to new external managers who do not incorporate sustainability policies and practices.

For client mandates, we will apply as many of these principles as we can and promote greater incorporation of sustainability principles, while respecting their wishes.

Proprietary Sustainability Datasets

The lack of correlation among ESG rating providers points to a lack of consensual ESG views and to the embedded biases in ESG rating model design and output. We chose to build a proprietary ESG scoring framework to ensure scores are tailored to our needs and investment beliefs.

In our ESG scoring models, we apply our own definition of materiality – built on the latest thought leadership, our ESG analysts' extensive track record, and the detailed industry and subject matter expertise of our sector analysts and portfolio managers – by selecting our own metrics and weights for model inclusion. We look beyond headline ESG scores to evaluate individual metrics that can give valuable insight into investment risk and opportunities.

We apply an additional layer of data quality and control to the data we source from third parties to narrow our focus to the indicators that we deem to have sufficient coverage, quality and insight. Covering over 14,000 issuers of securities and combined with the insights of the ESG research analysts, this helps our portfolio managers pinpoint an issuer's performance on material ESG issues and integrate this into their investment decisions. We believe our methodology is markedly differentiated versus other scores offered in the marketplace, with a more focused number of ESG metrics and a clear preference for 'performance' over 'policy' indicators.

We also built a proprietary Sustainable Development Goals (SDG) scoring framework in consultation with a fintech partner. Similar to our approach to ESG scoring, we wanted more insight into the SDG performance of companies than we could obtain from off-the-shelf third-party data solutions. The SDG framework embedded in our SDG model provides granularity at the SDG target level and assesses the alignment or misalignment of company revenues at the business line or activity level. This information informs our Sustainable Investment determination, which is critical for Article 9 and Article 8 portfolio construction and security selection.

Why integrate ESG?

We believe ESG integration can enhance the way we invest. Incorporating relevant data forms the basis for analysing any company or sovereign entity. As long-term investors, we consider a breadth of information that may impact the resilience and growth of assets and security prices. Incorporating ESG analysis broadens our information set alongside traditional financial analysis to assess the sustainability of businesses, management and industries (e.g., to climate-related and regulatory risks). For example, the impact of environment on businesses and financial metrics in some sectors is clear (e.g., climate change and its impact on insurers) while it is also clear that environmental and social regulations also impact businesses (e.g., EU ban on new sale of petrol and diesel cars from 2035 will materially impact car manufacturers). In this context, integrating ESG helps identify potential additional sources of risk based on extra-financial information that traditional financial analysis may not fully capture. Detailed financial analysis and knowledge combined with company engagement can also help to identify future ESG 'improvers' that may be currently under- or mis-valued by the market. Finally, ESG integration can be used as a tool to allocate positively to the people and planet, in line with some of our client and societal expectations.

ESG integration in fixed income: Green, social and sustainable bonds

BNPP AM's green, social and sustainable bond strategies, classified as Article 9 under SFDR, support projects, assets and activities that have positive environmental and social outcomes. These use-of-proceed bonds are issued by corporates, supranational entities, and central and local governments and agencies.

When the Social Bond Fund was launched in 2021, we noticed that the impact reporting by issuers was lacking clarity so we joined the International Capital Markets Association (ICMA) Executive Committee to work on additional guidance on impact reporting for the market. The Impact Reporting Working Group, which is coordinated by BNPP AM, the World Bank and IFC, is currently working on the update of the 'Harmonised Framework for Impact Reporting for Social Bonds', which was initially based on the SDGs, and measured by output, outcome and impact indicators. The aim is to change this approach towards using 'Core' and 'Other' indicators, similar to the guidance for Green Bonds. The working group has improved the guidance for the affordable housing sector and aims to complete the access to essential services guideline in 2025.

Based on the success of the Impact Reporting Working Group, BNPP AM joined additional working groups helping to provide guidance to issuers and the market:

- Climate transition finance
- Impact reporting related to green bond carbon footprint
- Impact reporting related to nature and biodiversity

As the topic of climate transition finance gains momentum, investors need additional guidance on how to classify activities considered to be enabling the transition. They need credible issuer-level strategies linked to the projects they are financing.

Carbon footprint metrics are essential for showing the additionality of green bonds versus their conventional peers. This is in part driving more stringent regulation on the aggregation and reporting of carbon footprint. A cornerstone of our work in the carbon footprint working group is to potentially make the absolute emissions metric a core indicator in ICMA's Impact Reporting Guidance for Green Bonds, as this will prompt issuers to provide the type of reporting investors need.

Another topic of increasing importance is nature and biodiversity. We see a lack of guidance on impact reporting for this space and our goal with ICMA is to define what kind of projects are eligible under this category, as well as which indicators issuers can best report on given a general lack of data in this area.

Arnaud-Guilhem Lamy
Portfolio Manager

"Our green and social bond funds include annual impact reports so investors can understand the positive outcomes their investments are contributing to."

Our proprietary ESG ratings

Our proprietary ESG scoring frameworks benefit from the combined knowledge and expertise of three teams, helping to generate robust ESG insights for better-informed decisions:

Sustainability Centre

- Selects data providers and assigns metrics and weights to sectors.
- Assesses data quality and coverage with the Quantitative Research Group.
- Manages data corrections and qualitative overlays.
- Reviews key themes and sectors to identify key trends and update data models and apply data corrections or overlays accordingly.

Quantitative Research Group

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

Investment teams

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

We believe our ESG scoring is a powerful tool to help investment teams generate long-term sustainable returns for investors.

The key features of our ESG corporate scoring framework include:

- Comprehensive, covering more than 14,000 issuers.
- Focused on materiality, using a limited number of material, insightful metrics for each sector.
- Investment insight-driven, built with and for investment professionals.
- Robust, with a statistically rigorous model developed with our Quantitative Research Group.
- Dynamic and forward-looking, integrating unique insights through qualitative overlays.

Recognising that rating the ESG performance of sovereigns is fundamentally different than it is for corporate issuers, we have adapted our corporate ESG scoring methodology to provide a view of the ESG performance of a country and enable us to compare countries with different levels of economic development across a variety of environmental, social and governance dimensions.

Key features of our ESG sovereign scoring framework include:

- Comprehensive and balanced: Covers 110 countries, has equal weighting for each of the E-pillar (14 themes), S-pillar (12 themes) and G-pillar (7 themes), comprising a total of 225 Key Performance Indicators (KPIs) structured around 33 key themes.
- Assesses countries' National Determined Contributions (NDCs) through detailed analysis of the policies adopted by countries to address climate change and their forward-looking physical climate risk exposure.
- Applies the BNP Paribas Group's sensitive countries framework, which includes risk mitigation measures for certain countries or activities that are considered particularly exposed to money laundering or terrorism financing.
- Dynamic and forward-looking.

Bérénice Lasfargues
Sustainability Integration Lead

"In 2024, our team performed more than 300 FAST sustainable investment reclassifications, applied data corrections to 185 issuers and qualitative overlays to more than 50 issuers. Combining our powerful data model with the deep sector expertise of our ESG analysts provides our investment teams with unparalleled insights on sustainability issues."

A quantamental approach: Qualitative adjustments to our ESG data

To address challenges with sourcing complete and timely ESG data, we supplement our ESG data models with qualitative analysis:

- In situations where no ESG scores are available, we have designed a standardised sector-specific questionnaire to assess issuers' potential areas of ESG risks.
- In addition to refining and combining third-party data, we augment our proprietary ESG scores by integrating data from our ESG analysts' and investment teams' research and interaction with issuers. These qualitative insights are used:
  - To correct provider data that was not available, factually incorrect or outdated, or which we disagree with (e.g., the assigned severity of an ESG controversy).
  - To capture insights about how ESG scores may evolve, and issues not captured by our selected metrics, in the form of a qualitative overlay. It is our view that our ESG scores should reflect ESG analysts' conviction.
- Where issuers fail our quantitative screens to be qualified as sustainable investment, investment teams can provide additional quantitative evidence (substantiated by a reputable source) to our ESG analysts, showing that a company meets our Sustainable Investment definition. These requests for the reclassification of specific companies as SI IN are part of the Fundamental Analysis Specific Thematic (FAST) process.

Data, research and voting service providers

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

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

Once we have selected a provider, we upload the data sets to our IT systems. We have a number of controls in place to ensure the completeness, accuracy and consistency of data. Our market data team oversees governance related to the relationship with the provider; as part of this process, we perform an annual review of our market data contracts. We have long-term relationships with our data providers and we work closely with them to ensure they are evolving their products and services in a way that meets our expectations. If after dialogue a data provider continues to fall short, we will look to terminate the relationship and replace the provider with one better suited to our needs.

ESG research brokers are selected, monitored and assessed through a formal process organised by our Sell-Side Relationship Management department. This means we count on and value the interactions our teams have with research brokers and follow up internally if we see declines in usage to understand why.

This feeds into a process where twice a year, we assess the quality of the research and rate the provider. Annually, we conduct a formal review involving our Chief Investment Officers, research users (including the Sustainability Centre) and Sell-Side Relationship Management where we decide whether to continue relationships with research brokers based on use and quality. We use proxy voting providers to help us implement our voting policies. We do not delegate decision-making authority to them and we will take each voting decision for every shareholder's meeting internally with no outsourcing of the final decision. This ensures that our service provider delivers the outcomes we are looking for. Arrangements with proxy voting providers are reviewed annually.

Zishan Cheema
ESG Quantitative Research and Data Lead

"The ESG data program plays a central role in ensuring our data systems and architecture is fit-for-purpose to service the variety of needs our stakeholders have."

ESG Data programme

In 2021, we launched our firm-wide multi-year ESG Data programme to improve our data architecture. The programme, which involves stakeholders from many different departments, is now in its fourth year and nearing the end of its initial phase. We identified several key strategic objectives for the programme, which helped to shape its direction. The outcomes we have seen thus far are as follows:

Objective	Outcome
Improve operational performance	Migrated all indicators to modern architecture, leading to improvements in the automation of production processes.
Increase data quality	Multiple departments conduct weekly checks on all data to evaluate data quality. This information is fed back to a wider stakeholder group as part of a quarterly meeting.
Improve mapping	Improved the mapping using a proprietary system (iRef) to conduct mapping in real time based on organisational needs.
Data dissemination	Migrated data to improved packages in Aladdin. Also migrated internal data to an improved data-sharing structure for group-wide dissemination.

Based on these outcomes, we are pleased with the progress of the ESG Data programme to date. Due to the changing nature of data and our requirements, we will continue to work to further improve our architecture and systems in coming years.

Our specialised external data providers

As a firm we continue to work to further integrate and improve the data in our systems. Since our last update we have onboarded new data vendors and are continuously identifying new partners to improve our data offering:

- Sustainalytics provides us with raw data metrics that we use selectively to feed our ESG scoring model. We also use this provider for United Nations Global Compact analysis and controversies offerings.
- Trucost, CDP, Bloomberg, TPI, SBTi and Climate Action 100+: we use these data sources for our climate change and physical risk analysis. Bloomberg and Trucost also provide us with corporate Scope 1 and 2 carbon emissions data.
- CDP, Trucost, Forest 500, SPOTT and Iceberg Data Lab provide us with water, deforestation and biodiversity metrics we use to assess and report on the biodiversity footprints of our portfolios and holdings.
- ISS provides us with governance research and data to feed our ESG scoring model.
- Beyond Ratings provides us with data and research used in our ESG sovereign research and scoring framework.
- FactSet provides us with financial and enterprise value data.
- Bloomberg and Fitch ratings provide us with EU Taxonomy alignment rate data, which we use as part of our Sustainable Investment definition and EU Taxonomy alignment thresholds.
- We partnered with Matter to create a revenue-based SDG alignment model for corporates leveraging FactSet Hierarchy data, which is used as part of the Sustainable Investment definition.
- CDP, Bloomberg, Trucost, FactSet, Sustainalytics and ISS are also used to source certain SFDR Principal Adverse Impact (PAI) indicators.
- ESG and mainstream brokers provide us with research papers and other market information.

Encouraging change in our value chain

We extend our analysis of companies' sustainability performance to some of our suppliers, and specifically our execution brokers. We have developed a process for assessing and rating the ESG performance of the brokers we use. The purpose is not only to encourage good corporate social responsibility practices within our value chain, but also the creation and expansion of the market for sustainability instruments.

We are part of Sustainable Trading, a non-profit organisation looking to better embed ESG practices in the financial markets trading industry. They achieve this in part by co-developing a set of best practices to be shared between members. The goal is to eventually assess members on the progress they are making in implementing these best practices within their respective organisation. Another goal is to provide benchmarking tools so that members can learn from each other.

Emmanuel Blanc
Head of Sell-Side Relationship Management

"We see Sustainable Trading as an important catalyst of change within the value chain of the asset management industry. Our ongoing dialogue and workshops help us to collectively have a deeper impact, as well as progress the goals of our Global Sustainability Strategy."

Examples of ESG integration

Euro high-yield bond (fixed income)

Credit strategy committee	Portfolio strategy committee	Issuer selection	Portfolio construction
• Discussion of macro and credit outlook. • **Definition of top-down views:** **sectors including ESG indicators from Sustainability Centre and Sustainability Risk Assessment,** rates and spread.	Based on top-down views, portfolio manager defines monthly model portfolio with Duration Time Spread contribution by rating and sectors based on credit research sector views and **ESG indicators.**	• Fundamental assessment of issuers **(including ESG indicators and Sustainability Risk Assessment).** • **Selection based on:** Fundamentals – Relative value – Pricing and Technicals – **ESG score.**	• Build a robust portfolio taking into consideration client and strategic objectives **including the overall ESG and carbon scores of the portfolio relative to the benchmark.** • Curve positioning, instrument choice, capital structure.

ESG Enhanced Index (index strategy)

Issuer selection	Issuer selection	Portfolio construction & risk management	Company monitoring & engagement
Track the performance of a broad market index while investing only in the index stocks compliant with international norms, respecting the BNPP AM RBC Policy and the European Sustainable labels. The investment process aims at improving several ESG KPIs.	Selection of the index stocks compliant with the BNPP AM RBC Policy, the Towards Sustainability label, the ISR label and the PAB criteria.	Build a model portfolio taking into consideration the minimum active risk objective and the overall ESG and carbon scores improvements to the benchmark (ESG score better than the score of the benchmark after removal of 30% lowest rated securities and at least 50% carbon footprint reduction).	• Ongoing monitoring of all relevant companies and ESG KPIs. • Firm-wide global coverage of voting, engagement and stewardship.

Global equities (equity)

Idea generation	Fundamental & ESG analysis	Portfolio construction & risk management	Company monitoring & engagement
Proprietary screening for companies with a combination of quality, business momentum and valuation.	• Comprehensive ESG process using in-house scoring methodology and RBC Policy. • Detailed company research including further ESG analysis, desk review, external research and company meetings for focus list companies. • Financial modelling integrating sustainability and non-financial criteria to establish price targets. • Peer review: Debating and validating investment thesis.	• Risk budget: Look for ideas with superior risk adjusted reward. • Position sizes: Equal active weight where liquidity and contribution to risk allow. • Better-than-benchmark ESG ratings and low carbon footprint.	• Ongoing monitoring of all relevant companies. • Continuous engagement by investment team on company performance including ESG. • Firm-wide global coverage of voting, engagement and stewardship.

Supporting cutting-edge research through GRASFI

In 2018, we established an academic partnership with the Global Research Alliance for Sustainable Finance and Investment (GRASFI) so that our teams would have access to leading research, helping to inform the broader debate, as well as our own methodologies and investment approaches.

The annual GRASFI conference brings together researchers from around the world to present their findings on a range of topics related to sustainability. Each year, prizes are awarded for the best work in several categories. The prize for best paper of 2024 was awarded to the paper: "Renaming with purpose: Investor response and fund manager behaviour after fund ESG-renaming".

The paper was chosen out of over 40 papers presented at last year's conference, hosted by Singapore Management University and attended by our Global Head of Sustainability, as well as members of our BNPP AM teams. We later shared a summary of the conference papers, giving investment staff the opportunity to incorporate the findings into their own thinking.

Sustainability focus at our annual Investment Forum

At our annual Investment Symposium held for all investment staff, one of the sessions this year was focused on the EV value chain.

Panelists included members of various investment teams and the Sustainability Centre. With the rapid change facing the transportation sector, the session focused on the Electric Vehicle value chain. Transportation is responsible for 16% of global emissions, meaning that zero-carbon vehicles will be central to the transition to a low-carbon economy. Around half of global Light Duty Vehicle sales are now covered by EV sales targets.

However, the EV sector faces several challenges across the value chain:

- ***Upstream:*** While the emission gains of an electric vehicle during its use phase are verified for almost all electric mixes combined, electric mobility presents challenges due to its high demand for various metals such as copper, lithium, cobalt and nickel, and potential supply disruptions. Mining operators have to deal with a decline in ore grade, climate risks affecting production, conflicts of use with local communities, states legislating to keep control of their mineral production.
- ***Midstream:*** Multiple chemistries compete to offer the best balance between energy density, cost, safety, and longevity. While lithium-ion batteries dominate today, alternatives such as solid-state and sodium-ion are emerging. This uncertainty complicates long-term investments in recycling infrastructure, as different chemistries require distinct recycling processes. Without efficient and cost-effective recycling solutions, the EV industry risks supply chain constraints and environmental challenges, making battery circularity a critical issue for sustainable mobility.
- ***Downstream:*** By 2030, the EV and Plug-in Hybrid EV market share should reach ~45% to 50% of global auto sales. Price parity between EVs and Internal Combustion Engine vehicles is a key success factor for EV penetration; the current gap is around 20 to 25%. Battery cost, the simplification of the line-up and of the production process will be key for future vehicle profitability. However, key bottlenecks remain: volatile commodity prices, supply chain disturbances, and the ability of carmakers to yield sufficient margins from cheaper electric models.

Quarterly net-zero investment forums

In 2024, we launched quarterly meetings with investment teams, chaired by the Sustainability Centre, as well as representatives from IPR, to discuss the consequences of the transition towards a NZ world on portfolios, sectors and companies. The goal is to identify key investment risks and opportunities arising from net-zero-related policy changes anticipated by the IPR forecast.

During each session, a representative of the IPR provided an overview of their quarterly forecast tracker on country-level climate policy implementation around the world. Portfolio managers and analysts from the Sustainability Centre then discussed the impacts of these developments on investment outlooks. Among the different topics discussed, we had sessions focused on the Just Energy Transition Partnerships at risk in different countries with announced postponement of coal phase-outs and coal expansion projects in India, Indonesia and South Africa. We also discussed the reshoring trend and evolution of LCOE for renewables projects and the consequences of Trump's election on renewable development in the U.S. and the potential evolutions of the Inflation Reduction Act.

Just Energy Transition Partnerships are innovative funding models working as financing cooperation mechanisms with the objective of helping heavy coal-dependent energy economies make a Just Transition by financing early coal phase-out.

Participating in regulatory and market-shaping initiatives: ESMA Guidelines on fund names

In 2024, ESMA published guidelines that define portfolio-level requirements for products that have sustainability-related keywords in their names. The objective of the guidelines is to better align the level of sustainability ambition of products with clients' expectations.

We welcomed this initiative as it set a level playing field across the EU when it comes to product naming. We have been calling for a European standard-setting initiative for some time as varying national labels and rules are an impediment to the implementation of the Capital Market Union.

The guidelines impacted over 250 products representing close to €140 billion of assets at BNPP AM. All of them follow our product naming strategy and implement sustainability characteristics that are evidenced by national labels, national rules or other types of criteria which we stand behind.

In the second half of 2024, we engaged with the industry and regulators to clarify some criteria and how to apply them in practice. In turn, ESMA clarified some of these issues in an important Q&A released in December 2024. We are now in a position to implement these clarifications over the first half of 2025.

Olivier Paté
Product Advisor – Sustainability

"We welcome and support the efforts of European institutions to set EU-wide standards in sustainable finance. This is a central step to integrate European capital markets and deepen the pool of capital financing the sustainable transition of the European economy."

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VOTING AND ENGAGEMENT

VOTING AND ENGAGEMENT

As long-term investors, we combine voting, issuer engagement and policy advocacy to influence companies and governments around the world to help shape sustainable and equitable economies. Promoting good ESG standards across all types of issuers and holdings is essential both to upholding our ownership responsibilities and protecting and enhancing clients' interests.

Our approach

We are committed to contributing to a successful energy transition, healthy ecosystems, and greater equality in our societies. We use the tools of voting, and engagement with issuers and policymakers, to realise this ambition. To ensure that our activities are effective, consistent and support our objectives and duties as fiduciaries, they are not only rooted in our GSS but also codified in our Stewardship Policy, which incorporates our detailed Governance and Voting Policy. This document is reviewed and revised annually and approved by the Stewardship Committee.

Our conviction: Voting and engagement are both an obligation and an opportunity

- We deliver on our commitment to clients by undertaking effective voting, engaging with issuers to improve their performance on sustainability, and wide-ranging policy advocacy.
- Meaningful engagement with issuers enhances our investment processes so that we can manage long-term risk for our clients by promoting strong ESG practices among corporate and government issuers.
- As ESG performance can be material to financial performance, our voting and engagement can reduce risk, unlock value and positively impact the world by encouraging both better corporate practices and transparency.
- We seek to exclude companies, sectors or activities that are in violation of international norms, or that cause unacceptable harm to society and/or the environment. We engage to drive change, but if our engagement is not effective, divestment can be a last resort.
- Appropriate and comprehensive corporate disclosure is fundamental to sound investment decision-making.
- Collaboration with other long-term investors and stakeholders can help achieve our common aims, particularly when engaging with companies and regulatory bodies.
- We advocate for policymakers to deliver legislation, regulation and standards that foster sustainable and equitable development, and that address systemic risks and market failures.

Voting	Engagement	Public policy advocacy
We exercise our rights and responsibilities by making considered voting decisions in line with our policy. Voting is core to discharging our fiduciary duty. This, we believe, drives better corporate governance, sustainability practices and long-term performance.	We use informed engagement with equity and bond issuers to improve their performance on governance and sustainability. Engagement in turn informs our votes and influences issuers' eligibility for investment and their ESG ratings. Our engagements are designed to enhance long-term performance by mitigating risk, including global systemic risks and market failures.	We actively engage with regulators and policymakers to help shape the markets in which we invest and the rules that guide and govern company behaviour.

Voting and engagement to shape issuers' policies and practices

An integral element of our investment process is to vote on behalf of our clients at Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) of companies in which we invest[1].
We are committed to consistently exercising our voting policy across portfolios and markets, subject to technical and legal constraints.
We coordinate dialogue with portfolio managers, ESG analysts and stewardship analysts so that final voting decisions can feed into the qualitative elements of our ESG ratings.

Our Governance and Voting Policy provides full details of our approach to voting.

Our engagement encompasses our public equity holdings and extends beyond them. We regularly engage with issuers of various types of bonds, and sovereign issuers and agencies, on material ESG issues, including climate change, which may impact the value of our investments in sovereign bonds or their ability to meet their obligations to investors.

Within our Private Assets business, we engage with investees in relation to a wide range of ESG matters specific to each asset and strategy. This can include discussing relevant issues with general partners when selecting external funds; setting expectations for management teams on ESG topics when investing in corporates; including ESG clauses in binding deal documentation; and voting at board meetings to promote ESG or impact considerations. We also participate in several initiatives on ESG and impact in private assets.

1 – We exercise voting rights for equities in mutual funds, UCITS, Accredited Investment Fiduciary (AIF), foreign investment funds, mandates and for Employee Investment Funds for which voting rights are delegated to BNPP AM.

Escalation process

Investor-issuer dialogue is the foundation of good stewardship – it enables trusting relationships to be built, permitting candid solution-oriented discussions about issues that might not otherwise be addressed.

Dialogue, however, is a two-way street and there are times when stronger measures are necessary to encourage a company to come to the table and discuss our concerns or to take the action we have asked for.

Our approach to stewardship provides for a variety of escalation strategies, including:

- voting against a company's board discharge or re-elections or financial accounts;
- submitting private questions to companies' top management;
- submitting public questions at general meetings;
- filing or co-filing shareholder proposals at general meetings;
- making public statements;
- rarely, but when deemed appropriate, announcing our voting intentions ahead of time; and
- additional legal strategies.

These decisions are taken on a case-by-case basis, to ensure that our concerns have been properly heard and dealt with. Our shareholder proposal filing strategy is approved annually by the Stewardship Committee, as are decisions about the filing of specific shareholder resolutions. We also regularly exclude from our actively managed portfolios companies that fail to meet our Responsible Business Conduct standards and Sector-Based Policies.

Public policy advocacy to shape markets

BNPP AM has a long-standing commitment to policy advocacy to advance our sustainability goals, contribute to a well-functioning financial system and mitigate systemic risks. We believe that helping to shape legal frameworks, regulation, standards and guidance relating to sustainable finance and sustainability issues that have serious implications for the real economy, including but not limited to climate change, nature loss and inequality, is integral to the fulfilment of our fiduciary duties to our clients.

One of the core tenets of the PRI, to which we are a signatory, is participation "in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)". We also operate within the provisions of the Group's Charter for Responsible Representation with Respect to the Public Authorities. Our approach is set out in our Stewardship Policy.

We contribute to initiatives at the international, regional and national levels on matters relating to sustainable finance, corporate governance and disclosure, as well as on a wide range of sustainability issues. While we sometimes meet agencies and policymakers individually, we favour engagements undertaken in partnership with other investors, through formal or informal networks, wherever possible, so as to be able to put forward a consistent position. Given the important role played by accounting and other professional bodies, we also aim to shape the standards and guidance they develop and oversee.

Our approaches include:

- public submissions to legislators, regulators and multilateral institutions, e.g., responding to public consultations;
- participation in the development of policy proposals in public and private forums, such as technical advisory committees and investor associations;
- meetings with policymakers;
- publication of white papers; and
- endorsement of public statements and commitments developed by investor and other stakeholder initiatives.

We present various examples of our public policy advocacy throughout this section to demonstrate how we take a joined-up approach to trying to shape the policies and practices of corporates and relevant public policy.

Michael Herskovich
Global Head of Stewardship

"We use proxy voting and engagement to encourage companies to improve their sustainability performance and transparency, and public policy advocacy to improve the functioning of markets and address systemic risks. Our approach to stewardship has yielded tangible results for many years, including in 2024. This approach delivers better outcomes for our clients in the short and long term, and we will continue engaging directly and collaboratively on various topics and report our results."

Michael Herskovich elected as Vice-Chair of ICGN

In recognition of his long experience and leadership in governance and stewardship, our Global Head of Stewardship, Michael Herskovich, was elected Vice-Chair of the International Corporate Governance Network (ICGN) at the organisation's AGM in April 2024. He also chairs ICGN's Audit and Finance Committee. The ICGN's members are responsible for assets of approximately US$77 trillion. ICGN brings together companies and stakeholders to advance high standards of corporate governance and investor stewardship worldwide.

VOTING

Our approach to voting is governed by a set of principles that underpin our expectations of the companies we invest in and guide how we exercise our ownership duties. Our Governance and Voting Policy sets the rules we apply to proxy voting, including on sustainability-related matters. We vote proxies in the best interests of our clients and the ultimate beneficiaries of the funds for which we are responsible.

We take a constructive and positive approach with the boards of companies we invest in, clearly setting out our expectations as a diligent steward of assets. However, we will not hesitate to abstain or oppose management, or to support shareholder proposals. When companies do not meet our expectations, we oppose key categories of management resolutions depending on the market: Board Elections; Discharge of Board and Management; or Financial Statements.

To help us implement our policies, we use the services of proxy voting providers ISS, which provides global voting research and a voting platform for all companies, and Glass Lewis and Proxinvest, which provide research on selected companies. However, we do not outsource or delegate decision-making authority to them and we make voting decisions at meetings.

Our 2024 full proxy voting record is publicly available and the following is a summary of our voting activity in 2024, including details on our most significant votes and our rationales.

Key revisions to our voting policy for the 2024 season

We review our Governance and Voting Policy annually to adapt to evolving market practices and challenges in the fields of corporate governance, and environmental and social responsibility. The Governance and Voting section of our Stewardship Policy strengthens and reinforces our expectations in these areas, specifically:

- Requiring measurable and quantified emissions reduction-related criteria in executive compensation: We sanctioned companies that did not include these criteria in the following high-emitting sectors (Energy, Utilities, Materials, and Industrials) and the world's largest GHG emitters. In 2026 we will expand this requirement to all sectors.

We also augmented our expectations related to Non-Financial Information Statements (e.g., in relation to votes in Switzerland), Say-on-Climate management proposals, shareholder proposals, and more broadly regarding the environmental and social considerations that apply to our votes on management proposals.

2024 voting scope

Each year, we monitor the total votable shares in the portfolios we manage and assess the percentage of votes exercised during the year in alignment with our Governance and Voting Policy. We use two principles to select the shares for which we exercise voting rights. We aim to concentrate our efforts on widely held positions and companies where our collective investment schemes hold a significant portion of the issuer's capital.

Specifically, the total number of meetings we vote at is defined where our aggregated positions meet at least one of the three following conditions:

- **represent 90%** of accrued total stock positions;
- **make up 0.1%** or more of the company's market capitalisation; or
- ad hoc demand.

This voting scope represents nearly 43% of meetings held by companies held in all our UCITS with mandates, which represented 73% of ballots voted.

Over the past three years, we have maintained a high opposition rate. This is due to the high expectations we have of companies as described above and because we make our own voting decisions.

This year the percentage of votes against management was 36%, in line with 2023. We voted at 2,063 general meetings in 2024, primarily in Europe, reflecting the split of our assets under management.

We opposed

36%

of management proposals in 2024

Total number and percentage of votes by region for the last 3 years

Year	Meetings voted	Europe	North America	APAC	Other*
2024	2,063	884 43%	535 26%	544 26%	100 5%
2023	1,931	898 47%	540 28%	414 21%	79 4%
2022	1,976	908 46%	526 27%	432 22%	110 6%

* Other includes markets such as Latin America and Africa.

Votes for and against, including abstentions, in 2024

The main focus of our opposition, excluding shareholder proposals (the analysis for which is presented on page 58), continued to concentrate on three topics:

- Executive compensation;
- Financial operations; and
- Board elections.

Similar detail on all other types of votes is available in our corporate website. We outline examples in a later section that illustrates how our engagement with several companies in the run-up to their AGMs informed our voting decisions. In some cases, we abstained or voted against an item on the ballot to indicate an escalation in our concern.

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Our votes on management and shareholder proposals

	Management proposals					Shareholder proposals
	Total	Board elections	Executive pay	Financial operations	Routine business and other[1]	
Total voted	**27,125**	13,401	3,786	2,440	6,482	1,016
Voted for	**17,516**	8,099	1,728	1,479	5,526	684
Voted against	**8,504**	4,914	1,686	836	830	238
Abstained	**1,105**	388	372	125	126	94
2024 Total Opposition Rate (abstained or against)	**35%**	40%	54%	39%	15%	33%
2023 Total Opposition Rate (abstained or against)	**36%**	42%	50%	40%	16%	34%
2022 Total Opposition Rate (abstained or against)	**33%**	36%	61%	38%	13%	28%

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

Nogoye Dieng
Senior Stewardship Analyst

"Our 35% opposition rate highlights our stringent governance policy. We opposed 40% of board elections due to lack of independence and board diversity and held directors accountable when companies failed to meet our environmental and social standards."

Executive pay
(54% opposition vs. 50% in 2023)

The reasons for our opposition to executive compensation plans (e.g., stock options, restricted stock plans, severance payments and 'say-on-pay' proposals) typically fall into the following general categories:

- **Poor transparency on aspects of the compensation policy** (volume, weight, nature of the performance criteria, targets, etc.);
- **Compensation practices** misaligned with stakeholders' interests, with excessive or disproportionate amounts relative to the company's performance;
- **Absent or weak environmental or social performance criteria**, not clearly linked to the company's sustainability strategy;
- **A 'pay for failure' approach** based on insufficiently challenging performance criteria; and/or
- **Compensation** not oriented towards rewarding good long-term performance.

Financial operations
(39% opposition vs. 40% in 2023)

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

- **The volume** was considered too significant (i.e., where authorisations exceeded 50% of the share capital); or
- **A share capital authorisation** was proposed without pre-emptive rights and without a specific objective (more than 5% of share capital or 20% with a specific purpose), which leads to excessive dilution for current shareholders.

We also voted systematically against all anti-takeover devices.

Board elections
(40% opposition vs. 42% in 2023)

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

- **A non-independent director** with insufficient overall board independence or tenures beyond our policy limit;
- **Inadequate board diversity;**
- **Directors** with poor attendance or term of mandate exceeding four years.

On pages 61-63, we provide several examples of how engagement has informed our votes.

CASE STUDY

Filing shareholder proposals

In 2024, we submitted 12 shareholder proposals: seven in Italy relating to governance and five in the U.S. on environmental topics.

Proposals with Assogestioni via the Voto di Lista system

The slate voting mechanism is used in Italy to elect directors and statutory auditors of listed Italian companies, selected and proposed by shareholders, including institutional investors. Assogestioni proposed for most Italian companies, and typically for three seats, a list of independent directors.

Another list is usually proposed by the largest shareholders. Most of these votes occur every three years. Assogestioni uses a head-hunter and independent selection process to choose candidates. We filed shareholder proposals in support of the Assogestioni list at seven companies. Directors were elected for all companies from the Assogestioni list. We thereby contributed to reinforcing good governance and board independence.

Shareholder proposals

Our experience submitting shareholder proposals in the U.S. in 2024 underscored that the purpose of submitting a proposal is not to win the vote, but to effect a change in corporate practice. Negotiated withdrawals of shareholder proposals can be more meaningful than strong vote results because they are based on dialogue and an effort to reach agreement that is acceptable to both sides.

Four of the five proposals we submitted for the 2024 proxy season were submitted because our requests for dialogue were either ignored or met with an inadequate response. In these cases – on biodiversity, illegal deforestation and degradation of the Canadian boreal – we reached agreement to withdraw the proposal and continued a constructive dialogue.

Voting matters

ShareAction again assessed the voting performance of 70 of the world's largest asset managers in 2024. They were ranked and analysed based on their voting on 279 environmentally and socially related shareholder resolutions selected by ShareAction. Asset managers that voted in favour of a higher percentage of these resolutions were given a higher overall score.

BNPP AM ranked second out of the 70 asset managers assessed, with a score of 97% (the highest score was 98%). This was based on our support for 97% of the social resolutions assessed, 99% of the environmental resolutions, and 95% of those relating to lobbying.

Our record of voting on environmental and social topics

Where companies do not meet our expectations on various environmental and social matters, as set out in our voting policy, we oppose management resolutions on the approval of discharge of the board, (re-)election of directors (depending on the market), or financial statements.

Opposition to company resolutions based on our environmental and social expectations

ESG topic	No. of company resolutions opposed	% of total	No. of company meetings	% of company meetings
Climate-related expectations only	1,215	54%	192	55%
Biodiversity-related expectations only	429	19%	67	19%
Climate and biodiversity-related	146	6%	22	6%
Responsible Business Conduct Policy	44	2%	13	4%
Low ESG score	406	18%	58	16%
Total	**2,240**		**352**	

Percentage figures may not total 100% due to rounding errors

In 2024, we opposed
2,240
company resolutions at
352
companies based on our environmental and social expectations

ISS Annual Policy Survey

Each year ISS conducts a survey to inform its voting policy development. The survey is split by theme and region, and open to all stakeholders including issuers. In summary, we commented as follows:

- **For the U.S. market**, we do not support a more lenient approach to poison pills (nor in any market); rather they should be systematically opposed, with no exceptions, or time-based equity awards in U.S. compensation packages; we believe all such awards should be performance-based.
- **For the European market**, virtual-only meetings are acceptable only in very exceptional circumstances when no alternative is possible. We support the proposal to extend the mandatory auditor rotation rules for companies that are not subject to these EU rules in Europe, and we believe that companies should set targets for their Scope 3 emissions.
- **We support shareholder proposals** intended to help shareholders evaluate whether the workplace is free from illegal discrimination and advancement is merit-based, by requesting better disclosure of racial/ethnic diversity or greater gender representation for positions across an organisation (such as EEO-1 data in the U.S.), or relating to board oversight of human capital.

ENGAGEMENT

Our long-term investment horizon places a company's corporate governance arrangements and the quality of its senior management teams at the heart of our investment decisions, alongside their sustainability performance. Sound governance and effective management of sustainability impacts, risks and opportunities are critical to companies' long-term success and financial performance.

They are therefore a centrepiece in our engagements during and outside the voting season. Engagement is undertaken for the benefit of clients and their beneficiaries, on behalf of our equity and debt holdings, with companies and with agency, sovereign and sub-sovereign issuers. This supports the implementation of our RBC policies, informs our ESG research ratings and enhances our investment decision-making.

Engagement with companies primarily takes three forms, although there can be overlap:

1. **Discussions on governance matters in the run-up to annual meetings,** which inform our annual voting decisions. These discussions address how boards are composed and function, and ensure that the appropriate incentives are provided to management within remuneration plans to deliver companies' strategic objectives, including sustainability objectives.

2. **Dialogue over one or more years to improve companies' management of sustainability risks**, opportunities, dependencies and impacts, particularly in relation to the 3Es (Energy transition, healthy Ecosystems and Equality).

3. **Engagement linked to ESG performance.** This can be triggered by new information that indicates a company might be in breach of one of our RBC polices, stimulated by regular revisions to our ESG ratings or in relation to a new bond issuance. We also engage with companies in relation to their issuance of green, social or sustainability bonds, as well as agencies, states and regional issuers of sovereign debt. The purpose of this engagement is to provide feedback on the structure of their bonds, evaluate the bonds' linkages to the issuers' environmental and social policies and to encourage clear annual reporting.

Given our global presence and the wide geographic scope of our clients' holdings, we endeavour to engage consistently across all regions on key ESG issues and in line with the 3Es. Our approach varies by region only to the extent that we adapt it to the prevailing regulations, the policy environment, norms and cultural sensitivities.

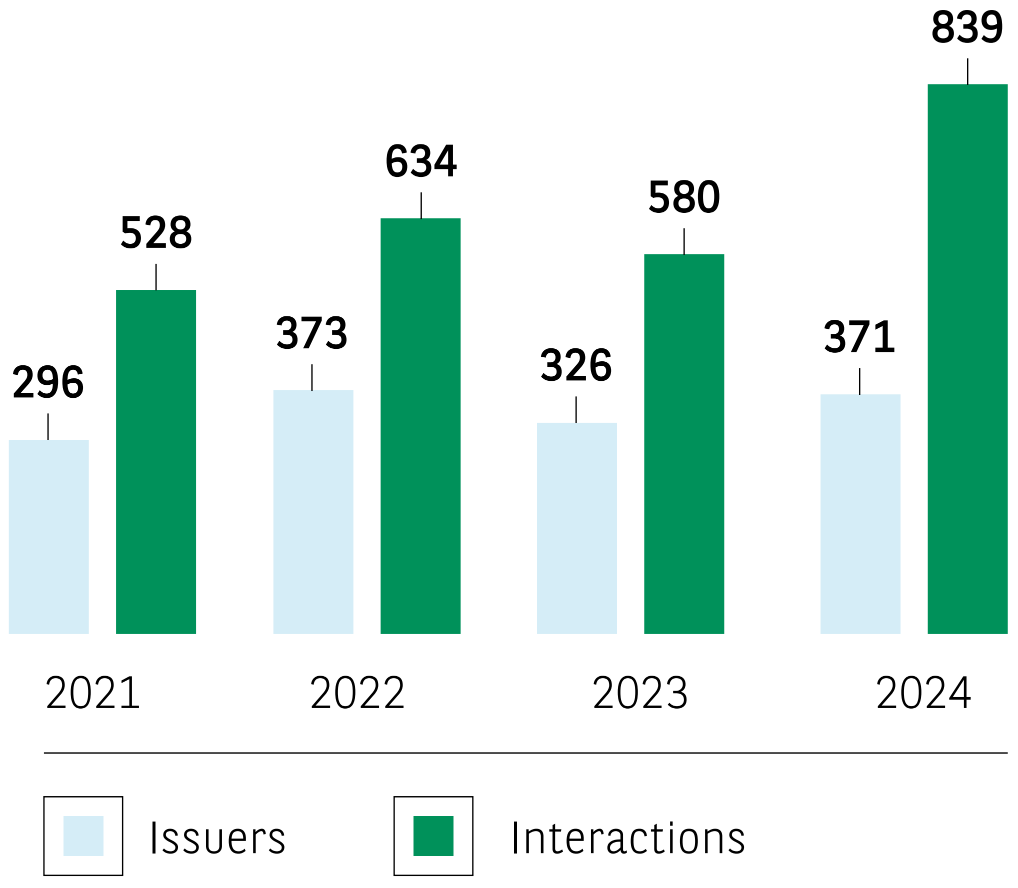
We undertake our engagement individually, i.e., on a one-to-one basis with companies, as well as collaboratively, i.e., with other institutional investors with aligned goals.

Our engagement in figures

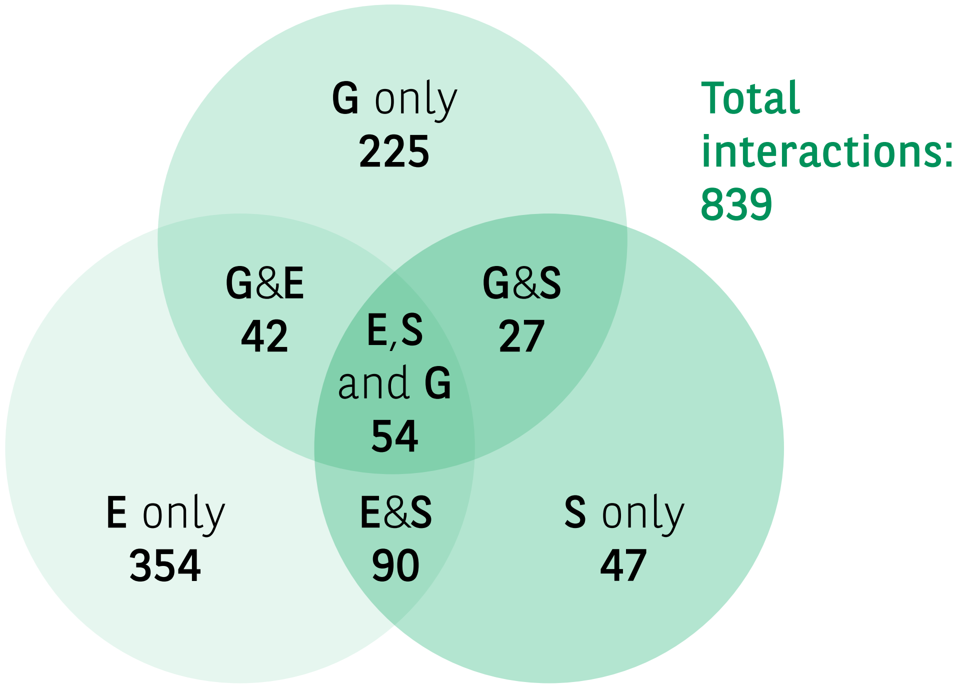
In 2024, we engaged with 371 issuers through 839 interactions. We engaged with 71% by sending letters or emails or having discussions with the issuers individually. For the remaining 29% we engaged through collaborative initiatives or on an ad hoc basis with other investors.

We also signed a number of letters sent to companies through collaborative organisations we've joined or support, e.g., Business Benchmark on Farm Animal Welfare (BBFAW), CDP's Non-Disclosure Campaign, Investor Initiative on Hazardous Chemicals (IIHC), Farm Animal Investment Risk and Return initiative (FAIRR), Global Real Estate Sustainability Benchmark (GRESB) and the Net Zero Engagement Initiative (NZEI).

Total number of issuers we engaged with directly and number of interactions



In most of our engagements we address multiple ESG topics. Total interactions covering each topic are as follows:



E > Environmental – S > Social – G > Governance

Engagement with issuers, by region

	All regions	Europe	North America	APAC	Other
Number	371	199	70	75	27
%	100%	54%	19%	20%	7%

Most of our engagement took place in Europe, followed by North America, APAC and other.

Breakdown of our interactions with issuers

Interactions	No. of interactions
3Es/theme-specific	437
Corporate governance/voting	215
Multiple ESG topics*	112
Bond issuances	56
RBC policies	8
Low ESG ratings	11
TOTAL	**839**

* This category covers engagement that is not exclusive to one topic or theme, i.e., corporate governance, the 3Es, ESG performance.

Sometimes we address multiple topics or themes, and the engagement can take place for various reasons (e.g., addressing an issue related to an RBC policy, a low ESG rating, etc.).

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Engagement with our top equity holdings

One way we prioritise our engagement each year is by identifying our top holdings across all portfolios and geographies. This year we engaged with 54 such companies across various sustainability themes. The regional breakdown was five in Asia-Pacific, 15 in the Americas and 34 in Europe. For each company, at the beginning of each year we identify three key relevant themes or topics, and engage with them directly or through collaborative initiatives. Many of these companies feature in the following sections.

1 Engagement to improve governance and inform our votes

During proxy season, we asked selected companies to engage with us or responded to their requests for dialogue. In this section, we set out selected engagement case studies on governance topics to provide an idea of our overall activities.

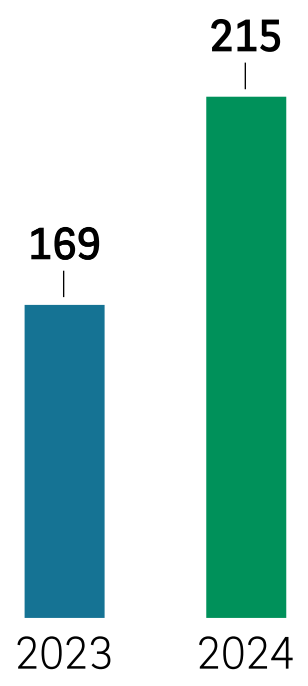
We generally concentrate on our largest holdings. The goal of such engagements is to:

- communicate our voting policy to promote good corporate governance and to prepare for the next general meeting;
- obtain additional information on individual resolutions; and
- express our concerns about specific resolutions that do not meet the expectations set out in our voting policy.

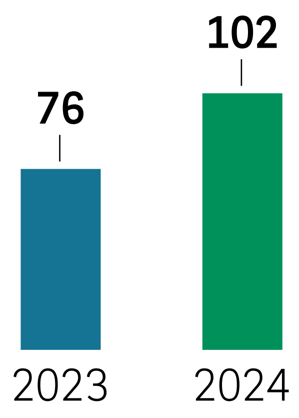
Beyond the proxy season, we also have discussions with companies on topics such as strategy, long-term performance, risk management, ESG issues or other concerns.

We consider a voting-related engagement to be successful if the company withdraws the proposal we are opposing, if we can change our vote to support the proposal following its modification by the issuer, or where we obtain additional pertinent information. Often, companies modify their practices the following year, in which case they are not counted in the current year's successful engagement statistics.

Interactions with companies related only to voting



Number of companies



Governance-related engagement

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INDIVIDUAL ENGAGEMENT

Each year, we focus our governance-related engagements on practices that do not meet our expectations, as set out in our Governance and Voting Policy. A failure to fully meet these expectations means we often oppose certain items at an AGM or EGM.

Engagement to promote better remuneration practices

One of the most common topics we discuss with Boards is executive remuneration. While our policy is one of the most stringent among asset managers (illustrated by our 54% opposition rate on remuneration-related votes in 2024), we aim to drive improvements through our engagement. We explain our expectations to companies and share examples of best practice. Three examples of positive outcomes from our dialogue are outlined below; a wider range of examples can be found in our corporate website.

Company	Sector/Country	Positive outcomes	Link to 2024 vote
Mediobanca SpA	Banking, Italy	• Enhanced the peer set for the remuneration benchmark and bonus scorecard, with financial criteria more aligned with the Italian market. • Harmonised the quantitative ESG targets on the percentage of SFDR Article 8 and 9 funds across business segments. • Transitioned from qualitative ESG modifiers to more transparent stand-alone criteria, raising the overall weight of ESG criteria from 10% to 25%. • Raised the CEO's shareholding requirement guidelines from 200% to 300%.	Supported the 2025 Remuneration Policy at the October AGM.
Carrefour SA	Consumer Staples, France	• Removal of compensation effects between performance criteria in the LTIP. • Weighting of the financial KPIs in the short-term incentive plan (STIP) increased from 50% to 60%. • Changes made to the CSR criteria in the LTIP to avoid using the same KPIs as the STIP.	Supported the Remuneration Policy of Chair and CEO at the AGM in March, having voted against it the previous year.
Sopra Steria Group	ICT, France	• CEO's compensation report provided the target level for the climate-related criterion. • Also added detailed information on the vesting scale and target attached to the LTIP granted during the year under review. • Information also provided on the severance payment linked to the CEO's employment contract.	Shifted from an abstain vote in 2023 to a positive vote in 2024 on the compensation report of the CEO.

CASE STUDIES

INDIVIDUAL ENGAGEMENT

Engagement to encourage the best possible scenarios in succession planning

We often advocate for independent Board leadership in our engagements, and for robust succession planning. One example this year was our continued dialogue with the Board chair of **Allianz SE** in the context of the 2025 and 2026 board elections. The current chair is not considered independent because he did not observe a five-year 'cooling off period' after stepping down as CEO. We were pleased to hear this year that Allianz SE nominated Jörg Schneider, who qualifies as independent, as the current Chair's successor. Having been elected at the 2024 AGM, he will become Chair at the 2026 AGM, barring an exceptional event. Thus, the independence ratio of the full Supervisory Board will increase from 42% to 50%, which will also enhance our ESG profile of the company.

Engagement to reinforce the prerogatives of the Supervisory Board within a Limited Partnership Structure

This year, we engaged intensively with **Rubis SCA** ahead of and after its AGM. Our engagement took place in the context of a proxy contest between the company and some of the company's major shareholders.

While our in-depth engagement allowed us to take the appropriate voting decisions at the 2024 AGM (i.e., we decided to vote for the proposals supported by the board, which passed), it also raised questions around the limited powers of the Supervisory Board within a Limited Partnership Structure. Noting that the Supervisory Board's role was limited to overseeing accounts, operations, and remuneration, we used our dialogue to encourage stronger prerogatives. We stressed that, in our view, the Supervisory Board should also be consulted on the General Partners' succession plans and strategic M&A cases.

We were encouraged by the company's immediate response, announcing positive changes to the Internal Rules of the Board of Directors. Some aspects were clarified and formalised, such as the organisation of annual information on Managing Partners' succession planning and potential changes of control, and the duty of loyalty and collegiality from all Board members. New powers and rights were also introduced: annual presentations and discussions with the Supervisory Board about the group strategy as well as the budget and its main parameters, an opinion to be issued by the Board prior to any transaction over €100 million and any strategic transaction, Board members' entitlement to request training on any topic deemed important to their board responsibilities, and the Remuneration, Nomination and Governance Committee's review of the top management succession plan for the branch head subsidiaries and for the Group Management Committee. While there is still some way to go, these changes point in the right direction. We will continue the dialogue about potential further enhancements.

Beginning engagement to promote responsible AI governance

This year we also launched engagement on AI, given how quickly it is being adopted and the extensive risks and opportunities it presents to companies and investors.

Artificial Intelligence (AI) presents tremendous opportunities, from accelerating scientific advances, to personalised education, improved diagnostics in healthcare and helping solve climate change. However, it also presents major risks to humanity. The dangers from AI range from immediate societal harms from current models to catastrophic risks as models increase in capability towards human-level intelligence and beyond. Ten key risks identified by experts include societal harms including: discrimination; generation and spread of harmful content; spread of misinformation; data privacy and manipulation; copyright and intellectual property violations; competition concerns; impacts on employment; and cyber-security. Catastrophic risks include use by bad actors and loss of control. Further, regulation is lagging real-world development and deployment, which means it is critical that companies themselves identify and assess their exposure to AI risks and take steps to mitigate them rather than waiting for regulation to be introduced.

As a global, diversified, long-term investor, BNPP AM is particularly exposed to this systemic risk. Late in 2024, we therefore initiated engagement with selected European and U.S. companies. We aim to develop an understanding of how companies are approaching the critical and rapidly emerging set of challenges associated with AI development and deployment. Importantly, we also want to understand how companies seek to deploy AI to address some of their sustainability impacts. We will report on our progress next year.

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Policy engagement

We contributed to several initiatives again this year to shape public policy and/or market practices relating to governance and voting.

Working group and guide on engagement in France (Paris Europlace)

In response to multiple reports on shareholder activism published in the past few years, several institutional investors called for a good practice guide on shareholder dialogues with corporates. Our Global Head of Stewardship participated in a working group organised by Paris Europlace with several institutional participants and the French financial services regulator, AMF. The group took input from multiple stakeholders and published the resulting guide in June 2024.

This guide is not intended to create new obligations and it is not prescriptive. Rather, it sets out principles for constructive shareholder dialogue and presents recommendations for issuers and investors.

Hong Kong Stock Exchange (HKEx) Corporate Governance Code Enhancements

HKEx published a consultation on the Review of the Corporate Governance Code and related Listing Rules in June 2024 focused on improving board effectiveness. The measures proposed, such as limiting tenure of independent directors and number of directorships, would strengthen the existing code, aligning it better with global best practice. We strongly supported these proposals and responded through two associations, the Asia Corporate Governance Association (ACGA) and Asia Securities Industry & Financial Markets Association Asset Management Group (ASIFMA AMG). We also participated in an ACGA roundtable with listed companies' representatives, as well as several directors of listed companies, to try to mitigate strong pushback from the local corporate community on HKEx's proposals.

In mid-December, HKEx published the conclusions of its consultation. We were pleased to see that many of our recommendations were taken on board; for example, the adoption of a lead independent non-executive directors (INED) as best recommended practice, imposition of a hard cap of six listed issuer directorships and tenure cap for INEDs of nine years with transition periods. The changes will take effect from 1 July 2025.

Asia Corporate Governance Association (ACGA): Open Letter on Japanese Strategic Shareholdings

Allegiant and cross-shareholdings are prevalent among Japanese companies historically. This has long been an issue of concern for investors as it can have a detrimental impact on companies' capital efficiencies. ACGA issued an open letter to Tokyo Stock Exchange (TSE) issuers, Japan Financial Services Agency and the TSE, urging issuers and policymakers to act on this issue as a matter of urgency. Recommendations include introducing clear targets to reduce these shareholdings to zero and strengthening board of directors' and audit board members' roles in overseeing these stakes. The letter also calls for better disclosure on strategic shareholdings, including reasons for maintaining these holdings, and visibility on how issuers plan to vote on these shares. BNPP AM co-signed the letter as one of the ACGA's 31 member firms.

2 Thematic engagement

Our thematic engagement is central to our commitment to being a future maker. We focus on the **'3Es' – 'ENERGY TRANSITION', 'HEALTHY ECOSYSTEMS' and 'EQUALITY'**. This is because we believe climate change, nature loss and widening inequalities to be global systemic risks. Our engagement is designed to deliver a low-carbon global economy that operates within the nine planetary boundaries while providing everyone with the opportunity to play their part in that economy and to be treated in accordance with international human rights principles and standards. However, we also engage on other important themes as relevant to key holdings and sectors.

We aim to establish in-depth dialogues with companies both directly or via collaborative initiatives, by, for example, urging them to:

- align their corporate strategies and capital deployment with the goals of the Paris Agreement;
- reduce their impacts and dependency on nature and determine how they can make a positive contribution to the restoration of ecosystems in line with the goals of the Global Biodiversity Framework;
- provide equal opportunities for all at all levels of the organisation;
- respect human rights within their own operations and across their supply chains;
- adopt more equitable and transparent remuneration policies that ensure that profits are distributed more fairly across the business; and
- ensure that their products are accessible and affordable for all.

All collaborative engagements we participate in are governed by a series of principles to ensure that participants adhere to competition law and uphold good practice. Thus, in all cases, we:

- set our own strategies, policies and practices to serve our clients' best interests;
- do not discuss or agree on collective action in relation to our investment or commercial decisions, including our proxy voting decisions; and
- do not share commercially sensitive information among participating investors or with companies.

3Es: Climate change mitigation and adaptation

We engage extensively across many sectors to try to secure commitments from issuers to reduce their emissions across all scopes, to adopt a net-zero ambition, and to ask them to publish comprehensive climate transition plans that demonstrate how they will achieve their transformation to low-carbon businesses. In addition, we have urged companies to address the climate-driven physical risks to their businesses.
As set out in our Governance and Voting Policy, we also link our votes at the largest GHG emitters within key sectors to their progress on climate change mitigation.

Here we outline bilateral engagement through our new global Net-Zero Engagement Programme and with Asian companies on adapting to physical climate risk. Additional case studies are presented on the engagement we continued to conduct collaboratively through AIGCC's Asian Utilities Engagement Programme and CA100+.

CASE STUDY

INDIVIDUAL ENGAGEMENT

BNPP AM Global Net-Zero Engagement Programme

CONTEXT: Having committed in our 2022 Net Zero Roadmap to engage with portfolio companies in support of our net-zero objectives, in 2024, we launched a dedicated Net-Zero Engagement Programme in support of this commitment.

SCOPE: 70% of our portfolio's financed emissions in material sectors that are not yet classified as Achieving, Aligned or Aligning with Net-Zero (NZ:AAA) using our triple A framework. (The first stage focuses on portfolio companies that are not currently covered by CA100+ and our programme targets are closely aligned to the Net-Zero Company Benchmark).

OBJECTIVE: To encourage the 16 selected companies to put in place a robust Net-Zero Transition Plan, including a comprehensive net-zero commitment, aligned GHG targets to 1.5°C, emissions performance disclosure and a credible decarbonisation strategy. By so doing, they will improve their NZ:AAA rating.

ACTIVITY: All companies received a letter outlining our expectations and asking them to provide additional information on their net-zero commitments and plans and/or requesting a call. We will report on progress next year.

CASE STUDY

COLLABORATIVE ENGAGEMENT

AIGCC Asian Utilities Engagement Programme

As Asian power utilities currently have a high dependence on coal, our objective was to encourage companies in this sector to accelerate their coal phase-out by 2040 at the latest (for non-OECD based companies) and transition towards net zero by 2050 at the latest. We engaged with both **CLP and Tenaga Nasional Berhad** (TNB) as co-lead, which resulted in several important outcomes:

CLP: An updated target for emissions intensity in 2030 which brings down the implied temperature rise for the company from 1.8°C to 1.73°C. The company also committed to report according to ISSB standards.

TNB: As a state-owned enterprise, though TNB must balance government policy with corporate strategy and stakeholder expectations, we continue to advocate for coal phase-out by 2040, in line with our own commitments to reduce financed emissions.

We had active discussions with several stakeholders based on asset-level analysis of early coal phase-out and the possibility of bringing forward TNB's early phase-out commitment to 2040. On just transition, a topic we continue to engage with TNB on, the company has set up an energy transition academy to reskill employees and vendors. We were also pleased to see consolidation of the company's climate governance structure but will look for effective implementation and improved KPIs in the coming year. We will explore options to continue our engagement both via the collaborative engagement group and bilaterally.

We hope to engage with new management team members, and potentially with the relatively new board sub-committee on sustainability (BSRC).

CASE STUDY

Adapting to physical climate risks

CONTEXT: As the physical effects of climate change become increasingly acute, the risks they pose to companies come into sharper focus. Extreme weather events like flooding, heatwaves and storms will have an immense impact on the value of real assets and exposed sectors such as real estate and property development. It is therefore important that we ensure companies in our portfolios assess their vulnerabilities and adopt sound adaptation and climate resilience measures to safeguard asset value. We have been more focused on this aspect of climate change in Asia this year, both with corporates and policymakers.

INDIVIDUAL ENGAGEMENT

Corporate engagement

We met with three Hong Kong developers to discuss physical risks and adaptation, and climate mitigation measures. All three companies acknowledged that physical risk is highly material to their industry and that assets are potentially vulnerable. Each is at a different stage of developing an approach to addressing these risks.

HongKong Land is updating its adaptation plan with 2030, 2050 and 2080 time horizons, and is incorporating climate resilience into the planning, design and review of assets. The company is also seemingly taking a leading role in trying to galvanise the industry to advocate for government action in Hong Kong and other jurisdictions in Asia.

With **Link REIT** we specifically enquired about action taken after the flooding of its Temple Mall in 2023. Adaptation measures include the installation of flood gates to withstand 40 minutes of flooding and the improvement of drainage by up to 150%. The company is also currently involved in industry working groups, including CRREM, to develop regional decarbonisation pathways.

While **New World Development** has committed to prepare adaptation plans for all investment and operations by 2030 and has conducted vulnerability assessments to identify assets most at risk, we advocated for more transparency on the scenarios used. We will continue to advocate on industry collaboration, as well as working with policymakers, and accelerated adaptation planning based on the latest science. We will report on our progress next year.

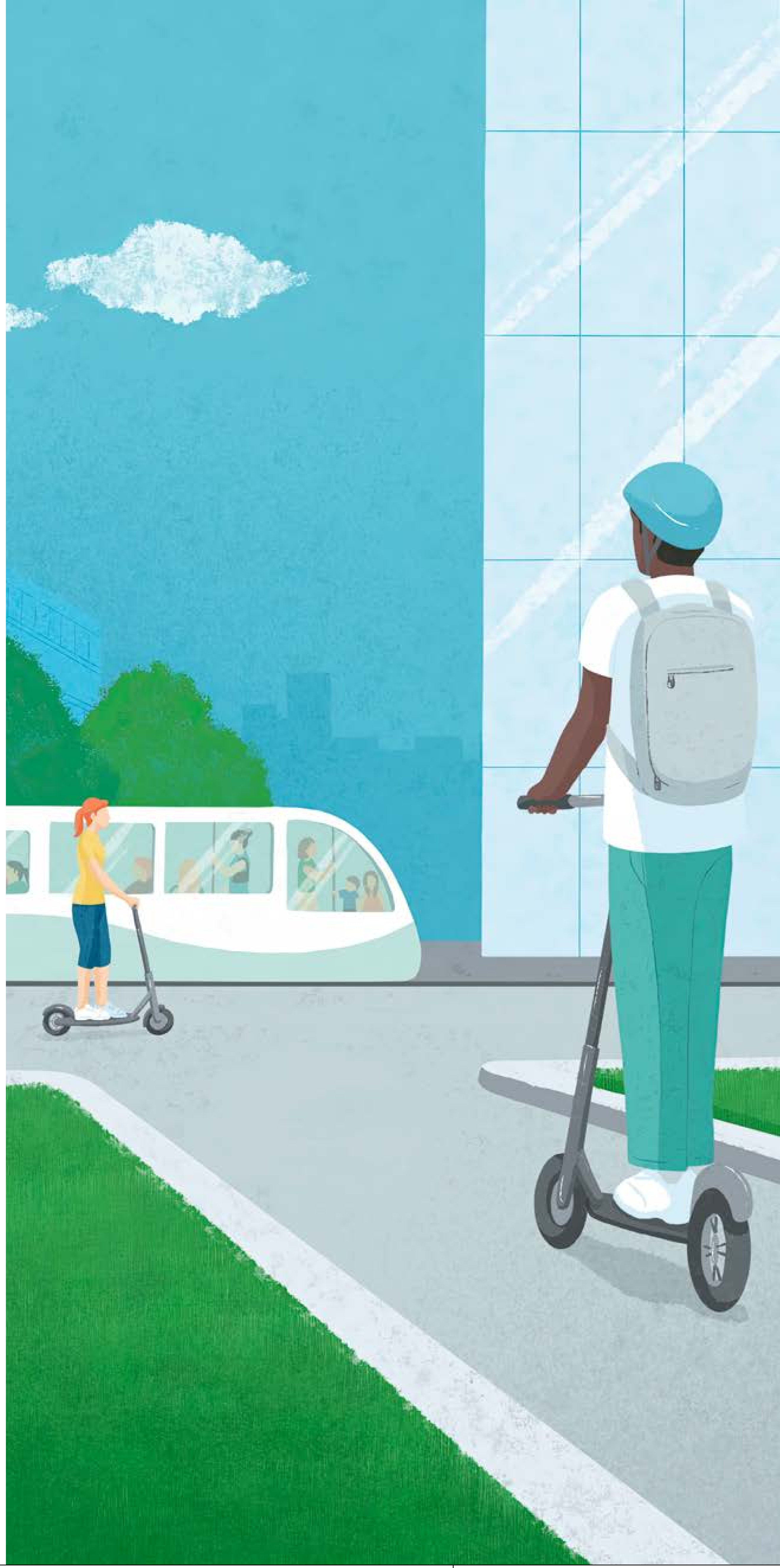
Public policy engagement

The AIGCC Physical Risks Working Group (PRR WG), which BNPP AM is a member of, was established to equip investors with the tools and knowledge necessary to integrate physical risk considerations and resilience in their portfolio management and to catalyse investment in adaptation solutions. In the last year, it has also developed a new sovereign collaborative engagement programme to facilitate physical risks engagement with Asian policymakers. BNPP AM is a co-lead for engagement with Hong Kong policymakers and is an active participant in engagement with the Singapore government.

In November, we held a roundtable between investors and multiple Hong Kong government agencies, facilitated by the **Hong Kong Monetary Authority (HKMA)**, to discuss physical risks and adaptation. Government representatives attended from the Environment and Ecology Bureau, the Hong Kong Observatory, the Development Bureau and the Civil Engineering and Drainage Services departments. On the investor side, we shared best practice examples from the region on adaptation and discussed the current coordination and governance structure for Hong Kong on physical risks. We also explored potential financing mechanisms for these projects and current barriers to private participation. We were pleased to see the HKMA propose the addition of a climate adaptation segment to its sustainable taxonomy, which is due for public consultation in the first half of 2025.

Jane Ho
Head of Stewardship, APAC

"Adaptation is not an option for Asia, it's a necessity. The region's vulnerability, coupled with potential social and economic consequences, underscores the need for adaptation. We are actively engaging with companies, policymakers and other stakeholders on resilience measures and how to increase private financing of these solutions."



CASE STUDY

COLLABORATIVE ENGAGEMENT

ESCALATION

Engaging on climate

CONTEXT: As noted last year, we are a member of CA100+, which facilitates investor engagement with the world's 168 biggest emitters responsible for around 85% of global emissions. Companies' progress on disclosure is measured against 11 metrics within the Net-Zero Company Benchmark (NZCB), supplemented by alignment assessments on climate accounting and auditing, and climate lobbying.

OBJECTIVE: To encourage companies to meet the expectations embedded in the NZCB to reduce the long-term systemic risk of climate change to our portfolios.

ACTIVITY: We adjust our involvement with company engagement groups based on our holdings and other considerations. During 2024 we:

- Co-led engagements, including with **Danone, China Petroleum & Chemical Corp (Sinopec), Iberdrola, Nestlé, Power Assets Holdings, PTT, Saint-Gobain and Stellantis.**
- Were a contributing investor for other companies and continued to be a co-chair of the European Climate Lobbying Working Group of CA100+ and to represent Asia-Pacific on the CA100+ Steering Committee.

OUTCOMES: The receptivity of the companies we actively engaged with continued to vary as did their willingness to take the steps we requested to improve their performance and transparency. Our engagement yielded notable progress with Iberdrola, Nestlé, Power Asset Holdings and Unilever, and saw results from our previous engagement as co-lead with Repsol. The most substantive improvements included:

Iberdrola: The company disclosed, as we had requested, much more information about its decarbonisation levers and capex allocation. It is now aligned to four NZCB metrics, having improved its rating between 2023 and 2024 overall on Indicators 6 and 9. We were pleased to see Iberdrola's sustainability executives participate in the IIGCC Steel Purchasing Roundtable.

Nestlé: We noted four important improvements to the company's practices and disclosure in the 2023 Creating Shared Value report that we had asked for, including calculating and presenting its GHG emission reductions against a 2018 baseline, disclosing the relative contribution of each decarbonisation lever to annual total GHG emissions reduction, adding a metric relating to GHG reductions to its LTIP with a 20% weighting, and increasing its score on the InfluenceMap platform for its Climate Lobbying Review to 64% from 36% previously. InfluenceMap also named the company as one of the three climate policy engagement leaders in its sector, along with Danone and Unilever. Nestlé is now aligned to four NZCB metrics.

Power Assets Holdings (PAH): The company made significant strides including: initiating work on a framework linking climate change performance with executive remuneration; explicitly disclosing its phase-out schedule for all coal assets in the 2030s; better transparency about how it intends to achieve its GHG reduction targets, such as expanding renewable energy and blending green hydrogen and biogenic gas into existing gas distribution network; and a commitment to decarbonise in line with defined Just Transition principles. PAH is now aligned to four NZCB metrics.

Repsol SA: Following years of engagement reiterating several key points important to investors, Repsol finally confirmed that it would make changes to its decarbonisation metrics methodology, and define a new net-zero emissions target by 2050 considering absolute Scope 1, 2 and 3 emissions based on product sales. It had steadfastly refused to take into account fuel sales previously, a major contributor to its Scope 3 emissions. However, Repsol is still only aligned to one of the NZCB expectations overall, Indicator 10 on climate-related disclosures.

Unilever: Following our in-depth engagement with Unilever last year as a contributing investor, we had five further interactions with the company this year. Unilever published in early March its first Climate Policy Engagement Review as we had requested, following closely the Global Standard on Corporate Climate Lobbying. InfluenceMap gave this Review a score of 100%, the first company to achieve this impressive full score. The company now meets the NZCB disclosure expectations for Indicator 7 in full – the only company to do so. It also achieves all but one of the sub-indicators in the alignment assessment.

Our approach to advocating for Net Zero

For several years we have placed substantial emphasis on climate policy stewardship, in line with the commitment in our Net Zero Roadmap to *'advocate for net-zero-aligned national and international climate policies.'* Paris-aligned regional, national and state government policies are critical to facilitating the private sector's delivery of the climate transition, as well as to guiding investors to direct capital towards climate transition and solutions-oriented companies. Corporate lobbying designed to delay, water down or prevent public authorities passing Paris-aligned climate-related laws and regulations hinder both our efforts to decarbonise our portfolios and many other companies' efforts to reduce their emissions.

Our engagement with portfolio companies: We continued this year to ask selected companies to publish reports on the alignment of their direct and indirect (through trade associations) lobbying with the Paris Agreement. We urged them to ensure that their reports meet the Global Standard on Responsible Corporate Climate Lobbying, which we developed and published with other investors in 2022. We continue to co-chair the CA100+ European Climate Lobbying Working Group.

During 2024, we engaged with numerous companies on climate lobbying in the context of CA100+, alongside other investors, including: **Iberdrola SA/Avangrid Inc, BASF SE, Carrefour SA, Saint-Gobain SA, Danone SA, OMV AG, Stellantis NV, and Unilever plc.** **OMV** informed us that it is in the process of updating its report. In June, UPS (not a CA100+ company) published its first climate lobbying report, in compliance with a 2023 agreement with BNPP AM and other investors.

BNPP AM's Climate Policy Engagement: As a signatory to the PRI, we aim to uphold the core tenet of *'participation in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)'*. We also operate within the provisions of the Charter for Responsible Representation with Respect to the Public Authorities of our parent company, BNP Paribas. At BNP Paribas Asset Management, our CEO has ultimate responsibility for delivering our Net-Zero commitments, including the one on policy. As described on page 16, our Sustainability Committee, chaired by our CEO, and our Stewardship Committee play roles in governing our approach to climate policy engagement.

Direct climate policy engagement: We set out in our 2024 Stewardship Policy our commitment and approach to climate policy engagement. Over recent years we have engaged directly through various initiatives in support of realisation of the Paris Agreement, by lending our name to investor statements or to letters to policymakers. We also engage directly with policymakers on climate policy in our capacity as investors in sovereign bonds (see page 81).

Indirect climate policy engagement: Indirect policy engagement is undertaken on our behalf by organisations we belong to, including membership organisations that are explicitly climate-focused, others that cover a wide range of sustainability issues, as well as finance industry bodies. Our membership in these bodies can be found here. Some of the most active organisations are IIGCC, AIGCC, CERES, IPDD and the PRI. One example of a statement we signed this year was the annual Investor Agenda 'Global Investor Statement to Governments on the Climate Crisis' presented to governments at the UN Climate Conference (COP29) in Baku, Azerbaijan.

This year the Stewardship team also conducted an exercise to identify the finance industry and trade associations we belong to around the world, and to contact those we believed might lobby on climate issues. We sent them a series of questions about whether and how they engage on sustainable finance policy development and/or climate-focused policy, and how that work is governed. Most responded, but some did not. We then had calls with several of the associations that responded to discuss their approaches further.

We found that some are not involved in climate lobbying at all. Of the remainder, while many work with their members on sustainability issues, including climate change, by – for example – helping them to keep up to date with the science, regulatory developments and emerging investment and operational practice, not all get involved in policy advocacy. Among those that do, we found that while they often contribute to policy debates and formal regulatory consultations on sustainable finance, which indirectly relate to climate change, only one – the UK's Investment Association – provided any examples of getting involved in 'real economy' climate policy development in the UK some years ago.[1] Further, very few are involved in global, regional or national initiatives on climate finance. This work tends to be led by organisations like those listed above, established explicitly to work on climate change. We found that the transparency of these associations' submissions on laws, regulations or standards is limited; most indicated that these documents are available only via member-only webpages, but not on publicly available pages. In our calls, we urged them to make this information available to a wider range of stakeholders and to communicate more about how they advocate for Paris-aligned investment on behalf of their members.

1 – These associations have made many submissions and taken part in many consultations in recent years on sustainable finance policy. We did not assess the alignment with the Paris Agreement of these responses, given the enormity of that task. InfluenceMap has done this exercise for three of these associations, which can be found here.

3Es: Ecosystems – addressing companies' nature dependencies and impacts

During 2024, we continued to engage with companies to urge them to assess and reduce their dependencies and impacts on nature. We engaged through several collaborative initiatives, such as those coordinated by FAIRR and CDP, which we outline here. We also provide an update on NA100, as well as on the bilateral engagement we have been conducting for several years with pharmaceutical companies on their use of horseshoe crab blood in endotoxin testing. Finally, we illustrate shareholder proposals we filed at U.S. companies and how we have supported wider nature-related initiatives to shape public policy and industry standards.

COLLABORATIVE ENGAGEMENT

Examples of our collaborative engagement included:

FAIRR's Sustainable Aquaculture Engagement programme, which focuses on the world's major salmon aquaculture companies. The goals are to encourage them to transition away from wild-caught fish and fish oil to use more sustainable feed ingredients, improve feed traceability and report against TNFD. In September we signed letters to the CEOs of five companies we hold to request a response to our questions and to meet to discuss these topics further.

CDP's Non-Disclosure Campaign to encourage non-responding companies to disclose to CDP on climate change, deforestation, and water security. We co-signed letters to 1,998 companies and acted as lead for the engagement with five companies on Water Security disclosure. The campaign was successful in securing disclosure from 352 companies out of nearly 2,000 in total (up from 320 last year out of 1,600 companies). As none of the five companies we contacted completed the CDP Water Security questionnaire, we voted against items on the agenda at their AGMs.

Examples of engagement to shape public policy and industry practices

We signed the Finance Statement on Plastic Pollution issued immediately before the fourth round of negotiation (INC-4) of the Global Plastics Treaty held in Ottawa, Canada. Supported by 160 financial institutions representing over US$15.5 trillion in combined assets, the statement is reported to have had a positive reception at several high-level events and at the start of the negotiations. For more details, see here.

Also, as a member of the PRI's Global Policy Reference Group – a group of PRI members that provides input to PRI's public policy positions – we reviewed a draft of PRI's Nature Policy Roadmap. The final Nature Policy Roadmap was published in early July. The paper framed the issue of nature loss as a systemic risk and the fact that investors need corporate impact reporting to assess the drivers of systemic risks, including nature loss and climate change. We were pleased to see our input on the importance of taking a 'double materiality' approach reflected in the final document.

COLLABORATIVE ENGAGEMENT

BNPP AM continues to play a leading role overseeing and rolling out Nature Action 100 (NA100)

As we noted in last year's report (page 81), following two years of preparatory work, we helped to launch the new collaborative investor engagement initiative Nature Action 100 (NA100) at the end of 2022. Our Head of Stewardship for the Americas continues to co-chair the NA100 steering group. Support has grown to more than 230 institutional investors – representing over US$30 trillion in assets under management or advice. During the year, we provided funding to NA100 to support the development of the benchmark methodology to assess companies' progress towards meeting the six investor expectations. It has six principal indicators, 17 sub-indicators and 50 metrics. NA100 published the first results in October at COP16. The results revealed that most companies are only in the early stages of addressing their nature-related impacts and dependencies. Urgent and ambitious action is needed to achieve investor expectations, mitigate the growing nature-related risks their businesses face, and deliver the private sector's contribution to reaching global biodiversity goals. We began our engagement with nine companies.

CASE STUDIES

ESCALATION

Filing shareholder proposals to eliminate deforestation in the Cambodian apparel industry

CONTEXT: In 2021, several outlets reported that Cambodia's garment sector was driving illegal deforestation by using wood to boil the water needed to wash, dye and steam-iron garments and to generate electricity for the factories, which in turn contributes to their GHG emissions. Two U.S. brands allegedly sourcing from such factories were **Target Corp** and **VF Corp**.

OBJECTIVE: To work with **Target** and **VF** to enhance systems to eliminate illegal deforestation from their Cambodian supply chains, and to address the root causes of the problem.

ACTIVITY: After outreach to Target and VF failed to produce satisfactory responses, we submitted shareholder proposals to both companies. Fruitful conversations with both companies enabled us to reach an agreement to withdraw both proposals.

VF believes the wood being used by its suppliers in Cambodia today is legal plantation wood and sees no reason to believe that any comes from the forest, however VF is collaborating with GIZ, the main German Development Agency, to implement a wood traceability system at its factories to provide greater assurance. VF has joined and provided funding for a pilot project led by the GIZ to develop a wood traceability system, and upscale the use of sustainable biomass fuel for the Cambodian garment industry. The project includes nine factories, including all five VF suppliers the company identified as using wood for fuel. VF has taken two trips to Cambodia since the withdrawal of our proposal, including to a tree plantation that is in scope for the GIZ project. They have also reviewed all their suppliers in Cambodia that are using wood as a fuel source and have surveyed all factories to know how much they use, where it is coming from, and how much they are paying for it. VF has also met with government officials, the local industry association, WWF and PEFC, a forestry certification body. The company will include a section on this work in its next Environmental and Social Responsibility report.

Our proposal to Target was withdrawn in exchange for its agreement to visit selected Cambodian facilities to better understand whether they could be contributing to illegal deforestation, and to continue dialogue with us about its findings and next steps. Although Target has requested that we keep our conversations confidential, we can share that we believe the company is complying with our agreement and is making meaningful progress.

Filing a shareholder proposal at Procter & Gamble on degradation of the Canadian Boreal region

CONTEXT: The boreal is the world's largest intact forest system, a key carbon sink and a cradle of biodiversity. Although Canada has a good reputation for managing deforestation, which generally refers to the conversion of a forest to another use (e.g., a road or a tree plantation), concerns are increasing about boreal 'degradation', which refers to impairments to a forest's ability to continue to provide ecosystem services. Degradation of the boreal threatens iconic species, such as the woodland caribou, as well as the forest's ability to sequester carbon.

OBJECTIVE: Ensure that **Procter & Gamble (P&G)**, which sources pulp from the boreal to produce tissue and toilet paper, is taking all necessary steps to eliminate deforestation and forest degradation from its pulp supply chain, with a focus on the Canadian Boreal region.

ACTIVITY: We began a focused dialogue with the company in the spring of 2023, largely in response to the company's decision to remove a commitment to end forest 'degradation' from its Forest Commodities Policies, without any public explanation. We ultimately joined other investors to engage with the company. Though P&G was responsive to our inquiries, we found the company's disclosures and explanations to be confusing at times and that escalation was warranted, as we were not making progress. In April 2024, we co-filed a shareholder proposal seeking a report on how P&G's sourcing practices negatively impact the biodiversity and resilience of boreal forests, and if so, to identify and take corrective measures to address them.

OUTCOME: We were able to negotiate a successful withdrawal of our shareholder proposal. P&G agreed to a variety of enhancements to its public reporting, which we hope will present a clearer picture of P&G's impacts to the boreal, as well as its efforts to protect it. In addition, P&G committed to invest an additional US$20 million in R&D on alternative fibres, to decrease its dependency on the boreal. We look forward to continuing our engagement.

Focusing our attention on the Canadian Boreal

Research on the Canadian Boreal

In December, we were pleased to find that a piece of research we initiated and for which we provided partial funding won Environmental Finance's award for impact research. *The Degradation of Canada's Boreal: Laws, Lobbying, and Links to Degradation* was written by Canbury Insights, the consultancy that laid the groundwork for the PRI's Spring initiative. It provides up-to-date research on the status of the Canadian Boreal region, the world's largest land-based carbon sink and an important cradle of biodiversity. It outlines for investors the Boreal forest's importance, the threats it faces, and identifies key industry players to help investors initiate informed engagements. Adam Kanzer (Head of Stewardship, Americas) joined Canbury and the Natural Resources Defense Council (NRDC) on a field trip to the boreal to witness forest degradation firsthand, and to help launch the research at a very well-attended side event at the PRI in Person conference in Toronto.

CASE STUDY

INDIVIDUAL ENGAGEMENT

Biodiversity and human health: Addressing the pharmaceutical industry's dependency on horseshoe crab

CONTEXT: As introduced in last year's report (pages 83-84), we ramped up our engagement with companies in the pharmaceutical sector to urge them to switch from endotoxin testing based on horseshoe crab blood to synthetic alternatives. Here we provide a few highlights, while more detail on our discussion and outcomes is available in this article on our website.

OBJECTIVES:

1 – To reduce the pharmaceutical industry's dependency and impact on horseshoe crabs for endotoxin testing while placing human health on a more secure foundation, by adopting the three best practices set out by the Pharmaceutical Supply Chain Initiative (PSCI) in 2023.

2 – To improve companies' reporting on this issue in their nature-related disclosure.

ACTIVITY: Having begun our engagement with the pharmaceutical sector towards the end of 2021, we have continued ever since, ramping up our activity this year.

- In total we had **104 interactions with 28 companies**, and filed one shareholder resolution.
- We took part in various initiatives throughout the year to amplify our messages and impact.
- In May, we co-hosted an event in Cape May, New Jersey to witness the annual horseshoe crab spawn and red knot migration. Several companies attended the event.

OUTCOMES: The European companies we asked confirmed they no longer use or are phasing out the use of Tachypleus tridentatus lysate (TAL) derived from the endangered Asian species, either in their own testing labs and/or in third-party suppliers' labs. Other companies have committed to replacing TAL with Limulus amebocyte lysate (LAL) as an interim step; while welcome, this will temporarily increase demand for LAL, which is a concern.

Examples of particularly good progress in phasing out LAL include:

- **Novo Nordisk** disclosed to us a comprehensive time-bound plan for the phase-out of LAL.
- **Orion Oyj** has had discussions with its contract research agencies and integrated alternative testing methods into relevant investment consideration processes. It confirmed that it plans to include commentary on both its impact and related actions regarding horseshoe crabs in its 2025 CSRD statement, as we had suggested.
- **AstraZeneca** is working on setting internal targets for its raw materials and responsible sourcing, which will include horseshoe crab lysate. It has also made progress through switching to microfluidic technology in its water testing, which has reduced its consumption of horseshoe crab lysate by over 90%, in line with the company's commitment to the 3Rs principles (Replacement, Reduction and Refinement) and its values. The company has also begun the process to transition all locations that perform water testing to recombinant alternatives. Finally, it aims to begin proposing recombinant endotoxin testing alternatives as an option for all regulatory submissions post-2025.
- **Amgen** published, in response to our engagement, its first public report describing its plan to phase out the use of horseshoe crab-derived reagents in favour of synthetic alternatives, including its water testing, among other things.
- **BMS** has begun the process of developing the method to transition water testing at its manufacturing sites, which is a large percentage of LAL testing, to synthetic reagents, and is in the process of actively testing synthetic alternatives for some products. It also included a new section in its ESG Report disclosing a commitment to use "synthetic alternatives to LAL reagents for new medicines in our development pipeline."

Several companies also outlined how they are working to better understand the wider animal welfare and conservation position dimensions of this topic, detailed in our article. We are pleased that our engagement has continued to reveal progress across the industry, with companies at various stages of exploring the equivalence of synthetic alternatives to horseshoe crab-based tests and/or switching to alternatives. We have heard from various sources that our outreach has raised awareness and is generating discussion among industry players.

Adam Kanzer
Head of Stewardship, Americas

"Nature loss is too urgent to be addressed through calls and emails alone. If your operations impact an ecosystem, seeing it firsthand is essential. That's why we invited pharmaceutical companies to Cape May, New Jersey, to witness the migratory shorebirds and horseshoe crabs they rely on. Our goal was for them to return to their labs with a deeper understanding and a strong motivation to take the recommended steps to preserve this fragile ecosystem."

Update on our engagement on food system transformation

CONTEXT AND OBJECTIVES: We set out in last year's report (pages 85-88) our view that the world's food system needs wide-ranging reform to address its substantial emissions, its impacts on nature and human health, and to improve the working conditions and ensure a Just Transition for its 1.3 billion strong global workforce. We therefore continue to pursue our overarching goal of a transformation of the global food system so that it delivers sustainable healthy diets for all. This in turn addresses the sector's contribution to several systemic investment risks to our portfolios.

Corporate engagement summary

- We engaged directly with three food companies on this agenda: **Sodexo**, and two other food companies. With the latter two, we aim to ensure that they urgently and actively address the highly polluting methane emissions associated with dairy production.
- In addition to the engagement with several food sector companies already outlined through CA100+, NA100, FAIRR's Sustainable Aquaculture programme and BBFAW, we also continued to tackle the need to reduce our consumption of animal proteins by participating in the Asia Protein Transition Platform (ARE) and FAIRR's Protein Diversification Programme.
  We led calls with two key holdings in Europe early in 2024, **Carrefour** and **Ahold Delhaize**.

OUTCOMES: Though too early to capture extensive company responses to this round of engagement, there are two important highlights. **Carrefour** has become FAIRR's lead practice example for integration of protein diversification in climate transition planning. In 2024, the company updated its definition of alternative proteins to include legumes, as requested by stakeholders, in line with FAIRR's definition, and increased its target for their sales to €650 million by 2026 (up from €500 million by 2026, the target set in 2022, which it had calculated would abate 7% of Scope 3 emissions by 2030). **Ahold Delhaize** has announced that across its European brands (apart from one) it has set a consolidated target aiming for 50% plant-based food sales by 2030. Previously the company had estimated that by transitioning to lower-emitting protein sources, including plant-based proteins, it could reduce its emissions by 1.6 – 4.6 million tCO_2e by 2030.

Public policy engagement summary

- We supported an investor statement calling on **global health leaders** attending the UN General Assembly in September to take faster and more coordinated action to address the growing impacts and costs of **anti-microbial resistance (AMR)**, driven in large part by their use in animal agriculture. (For a deeper exploration of the economic impacts and investment risks associated with AMR, see here).
- We took part in a small private roundtable organised by The UK Food Foundation at the House of Lords hosted by Baroness Anne Jenkin, attended by the then **Shadow Minister for Food within the Department for Environment, Food and Rural Affairs**, Daniel Zeichner MP. The purpose was to demonstrate to the Minister the support from both major investors and leading food businesses for wholesale reform to UK food policy to address climate change, nature loss and the high and rising levels of diet-related illnesses. See here for a more detailed commentary.

Update on our engagement to drive the transition to safe and sustainable chemicals

CONTEXT AND OBJECTIVES: As outlined in last year's report (pages 89-90), we continued our engagement to try to drive an essential and urgent transition to safe and sustainable chemicals. While synthetic chemicals are integral to modern life, used in around 95% of all manufactured products and central to solving the climate crisis, few sectors are as firmly implicated in driving the triple global planetary crises of climate change, biodiversity loss and pollution, nor in damaging human health. The case of investor action on hazardous chemicals, particularly PFAS, was very well made in a report published by ChemSec during the year, called 'A Profitable Detox', to which we were pleased to have contributed. Here we provide a short summary of the collaborative engagement we have taken part in via the Investor Initiative on Hazardous Chemicals (IIHC), the ShareAction Chemical Sector Investor Decarbonisation Programme, our own direct engagement with the demand-side and the related public policy engagement. Further detail is available in this article.

Investor Initiative on Hazardous Chemicals (IIHC) – supply-side

COLLABORATIVE ENGAGEMENT

ACTIVITY

- Retained our role on the Steering Committee. By the end of November, IIHC was supported by more than 70 investors and their representatives, with over US$20 trillion under management or advice, reflecting the increasing recognition among investors of the risks associated with this sector.
- Engaged as last year on the annual cycle, based on the results of ChemScore produced by Swedish NGO ChemSec. Objectives remained the same as last year.
- Co-signed two letters to the CEOs of each of the 51 companies within the ChemScore universe: the first in July to urge the companies to engage with ChemSec about their draft ChemScore rating to ensure it was accurate; the second in November to announce the results of the 2024 ChemScore and reiterate the expectations of IIHC.
- Co-led engagement with **AkzoNobel NV** and joined calls with **Evonik Industries AG, LG Chem Ltd, Syensqo** and **Yara International ASA**.

OUTCOMES

Yara International ASA rose to the top of the ChemScore ranking, though it still only scores 32 out of 48 points. The scores of the other companies remained more or less the same as the previous year, illustrating the slow progress the industry is making overall in phasing out hazardous chemicals or improving their disclosure about their reliance on them.

Eliminating PFAS from consumer products – demand-side

INDIVIDUAL ENGAGEMENT

ACTIVITY

- Began engagement in November with selected 'demand-side' European companies that use chemicals in their products or in packaging that will be affected by new EU regulation on PFHxA.
- The goal was to encourage these companies to phase out their use of PFHxA and other PFAS as quickly as possible – and ahead of expected tighter regulation in the EU and elsewhere.
- Wrote to nine companies in our portfolios we believed would be subject to the new PFHxA regulation: **Beiersdorf AG, Carrefour SA, Colruyt Group NV, Danone SA, Essity GMBH, Moncler SPA, Nestlé SA, Ontex Group NV** and **Stora Enso AB**.
- Asked companies to provide information about their existing commitments, targets and policy in relation to PFHxA and/or PFAS more broadly, and to outline the steps they are taking to be compliant with the EU regulation on PFHxA by the deadline.

OUTCOMES

All companies except Stora Enso AB replied. Some are clearly well aware of the issue and working to phase out PFAS/PFHxA or have already done so. Others are much less advanced. We will continue this engagement with these companies and others in 2025.

COLLABORATIVE ENGAGEMENT
ESCALATION

ShareAction chemical sector investor decarbonisation

- Joined in 2023.
- The goal is to demand greater and urgent action to reduce the substantial GHG emissions of this sector, with the support of ShareAction.
- Engaged with **Covestro AG, Evonik Industries AG, Croda International plc, Air Liquide SA, BASF SE** and **Yara International ASA.**.
- Substantial focus was placed on Yara International, as Europe's biggest fertiliser company, because fertiliser production and use accounts for around 5% of global GHG emissions.
- Though three-quarters of Yara's emissions fall into Scope 3, Yara has not set comprehensive, short- and long-term Scope 3 targets, covering upstream and downstream emissions, aligned with a 1.5°C warming trajectory.
- Despite ShareAction having sent three letters to the CEO since 2021 on behalf of investors making clear requests for action and for a call, the company has only responded to one letter.

Overall, though, we saw little progress with any of the companies. This is in part due to the scale and complexity of the challenges this sector faces but also – importantly – because public policy does not yet mandate or incentivise sufficiently many aspects of the needed transition. We are hopeful that in 2025 mandatory disclosure of climate transition plans under CSRD and the publication of the SBTi Chemical Sector Guidance will spur progress.

Public policy engagement investor letter to the European Commission on proposed PFAS regulation

In early December, along with other members of the IIHC, we signed a private letter to the European Commission to convey our strong support for new regulations to restrict PFAS. The Commission was due imminently to consider the 'Universal PFAS Restriction' package of proposals. Our central argument was that any weakening would increase our exposure to a range of financially material risks associated with PFAS. We urged the Commission to push forward with the proposed restrictions and phase out the production and use of PFAS, only temporarily allowing their use where no alternatives are available. We emphasised how important legal predictability is for institutional investors to be able to support chemical producers in developing a path towards long-term sustainable value creation.

Rachel Crossley
Head of Stewardship – Europe

"We have yet to see meaningful progress towards safe and sustainable chemistry. This is despite chemicals producers facing mounting and potentially enormously costly litigation relating to persistent chemicals, as well as likely regulation. We want to see greater transparency about the sales they derive from hazardous chemicals and credible plans to rapidly transition to genuinely sustainable business models."

3Es: Equality and human rights-related engagement

Our [2024 Equality Roadmap] elaborates our strategy and commitments to address structural inequality, which persists when circumstances at birth are more determinative of income, wealth and well-being than individual talent and effort. We believe that promoting equality of opportunity and improving social mobility strengthens human potential and innovation, promotes social cohesion and inclusion, and fosters trust in public and private institutions. These are the building blocks of economic growth and market stability.

In this section we outline examples of engagement designed to address various forms of inequality and social injustice, including a new set of dialogues with companies on sugar sourcing from India and a comprehensive update on our engagement via the PRI Advance initiative.

CASE STUDY

COLLABORATIVE ENGAGEMENT

ESCALATION

Forced and child labour in the Indian sugar industry

CONTEXT: A series of New York Times articles alleged widespread human rights abuses in the sugarcane fields in Maharashtra, India, the country that is the world's largest supplier of sugar. Several major brands are purportedly purchasing sugar from mills in the state that are based on a system of abuses that includes forced and child labour, a lack of shelter, fresh water and healthcare, and even a system to coerce women to have hysterectomies 'to enable them to work more'. The workers are recruited from other parts of India by intermediaries and, once outside their home state, are considered migrant workers, without the full legal protections afforded to citizens. Local experts tell us that these issues also occur in other states that supply sugar.

OBJECTIVE: To engage with global brands in our portfolios that purchase sugar from India to encourage them to work to put an end to these abuses, in collaboration with other investors, coordinated by the Interfaith Center on Corporate Responsibility (ICCR).

ACTIVITIES:

- Discussions with a representative of the Working Peoples Charter India, a local labour rights group, to discuss the situation and possible solutions.
- Participation in an informal steering committee to coordinate ICCR's work.
- Initial engagement with several U.S. and European companies that source sugar from Maharashtra, India.
- Two shareholder proposals submitted with other investors, due to a lack of progress via our engagement, including joint investor letters to their Boards of Directors. The companies were asked to detail the effectiveness of their efforts to uphold human rights standards throughout their sugar supply chains in India via a report.

OUTCOMES: By the end of the year, we had successfully encouraged Coca-Cola to update its website with a description of some of its efforts. In 2025, we hope to secure better information and, where needed, tangible changes to these companies' oversight of their sugar suppliers, as well as commitments to work with local stakeholders to drive the systemic changes needed to alleviate these abusive conditions.

CASE STUDY

COLLABORATIVE ENGAGEMENT

PRI Advance: Human rights and Occupational Health & Safety (OHS)

The engagement we introduced last year with ArcelorMittal continued during 2024. We had 12 interactions as co-lead under the PRI Advance programme, which yielded many important outcomes. We followed up on the Kostenko mine accident and formalised our recommendations to the Board and the management in January. Our dialogue covered human rights, stakeholder engagement and grievance/remediation processes. We also contacted affected rightsholders and stakeholders to understand their perspectives.

Topic(s)	Advance investor group's expectations	Positive engagement outcomes
Governance framework	Reinforce the roles and responsibilities at Board and Management levels on Human Rights and OHS.	• Launch of a **group-wide safety audit (dss+)** under CEO's direct supervision. • Appointment of an executive with strong OHS record as **CEO of Mining** after the Kostenko mine accident.
Operational health and safety (OHS)	Develop more consistent and granular data as part of annual reporting.	• New disclosure in 2023 annual report (published in 2024): - **Fatalities and LTIFR:** country-by-country data for ACIS (Kazakhstan, Ukraine, South Africa) and Brazil (beyond LATAM) in addition to workers versus contractors. - **Fatalities Frequency Rate (FFR):** new KPI aligning with peer disclosure under ICMM and detailed breakdown per region and type of population. - **Frequency Rate Proactive PSIF:** new detailed breakdown per region and for mining. • Audit conclusions released in October 2024; remediation plan being deployed.
	Set responsible targets on OHS performance; adopt a 'zero fatalities' target from 2024 onward.	• Explicit reference to a **'zero fatalities'** target in corporate disclosure.
Human rights	Conduct a human rights salient risk exercise.	• Launch of a **saliency risk assessment** exercise based on the UN GPs (12 issues identified). • Publication of **case studies** on relations with local communities within 2023 annual report (e.g., cultural heritage protection in Canada).
Grievance mechanisms	Implement grievance mechanisms for external stakeholders, publicly and easily accessible.	• Adoption of the first **group-wide grievance mechanism**, accessible to all on its corporate website Whistleblower | ArcelorMittal. • Revision of the **Human Rights policy** with new commitment to implement human rights due diligence, manage human rights impacts, and provide access to remedy.

Paula Meissirel
Senior Stewardship Analyst

"Our engagement has been an intensive yet rewarding journey. By focusing on the social challenges associated with the energy transition and the global race for critical minerals, PRI Advance fills a gap in the stewardship landscape by addressing issues that generate heightened risks to our portfolios. We reinforced our role in 2024 by joining the Signatory Advisory Committee and several working groups."

3 Engagement linked to issuers' ESG scores

Engagement with companies with low ESG ratings

As outlined in our ESG Integration Guidelines, for active portfolios we avoid investing in companies with a low ESG performance per our internal ESG scoring framework, without documenting the risks and/or engaging or planning to actively engage them within a specified time frame. Our investment teams and the Sustainability Centre work closely together to implement this process.

Our approach also involves escalation measures for companies that are not responsive to our engagement and/or do not sufficiently improve their performance over time. For equities holdings, we may escalate through voting against or abstaining on strategic resolutions on the agenda of companies' AGMs, e.g., on board re-elections or financial statements. For any type of holdings, we can also address an insufficient response or action by reducing our holding in such companies or divesting completely.

In 2024, 28 companies were included in this programme. Investment teams completed qualitative assessments for 14 of them, while a dialogue was initiated or conducted with 14 companies about the principal weaknesses identified in their ESG disclosure and practices. Follow-up exchanges are expected to take place in 2025 and future revisions of ESG scores later that year will reveal whether our efforts contributed to improving their assessment.

Engagement related to our Responsible Business Conduct (RBC) policy

We seek to ensure that companies we invest in:

- meet their fundamental obligations in the areas of human and labour rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles and OECD MNE Guidelines;
- comply with a series of Sector Policies (e.g., coal policies), established to set out the conditions for investing in particularly sensitive sectors; and
- maintain good ESG performance to mitigate ESG risks across portfolios.

These expectations are codified in our Responsible Business Conduct (RBC) policy. In relation to our passive investments, where the RBC policy cannot be fully applied, we aim to address ESG risks through active corporate engagement and voting. As a last resort, we may divest entities that do not respond to engagement and show no signs of improving, which are therefore considered as not in line with our RBC.

CASE STUDIES

INDIVIDUAL ENGAGEMENT

Engagement related to our sector policies

CONTEXT: We engaged with **Astra International TBK PT**, an Indonesian conglomerate, on our coal and palm sector policies, as well as its subsidiary, **United Tractors**.

OBJECTIVES: Our goal was to secure an explicit public confirmation of Astra's 'no new coal policy' and an accelerated phase-out of coal mining by 2040 at United Tractors, as well as for its subsidiary Astra Agro Lestari (AAL) to adopt Roundtable on Sustainable Palm Oil (RSPO) standards for palm oil.

ACTIVITY: We had two calls with these entities during the year.

OUTCOMES: The company made notable improvements:

- A 'No new coal commitment' was stated on the company's website following our first meeting. However, at our meeting with Astra's senior management and the board member in charge of sustainability in October 2024, we were informed that though the company has not committed to early coal phase-out fully in line with our expectations, the company will not be extending thermal and coking coal licenses, which are set to expire in the early 2040s. We continue to advocate for a 2040 phase-out through our engagement with the company.
- Regarding palm oil, AAL applied for membership in RSPO in December 2023, but to be accepted as a new member the company first needs to conduct a land use change assessment. AAL is confident that it will be able to become a member as soon as assessment is completed and already has approval by its board to bear all the joining costs. We will continue to monitor this situation.

Engagement related to the UN Global Compact

CONTEXT: Two companies, **Shimano** and **Giant**, were accused in press articles of unethical recruitment practices, calling into question their compliance with UNGC's Principle 4 on the elimination of all forms of forced and compulsory labour.

OBJECTIVES: To verify the information in the articles, and, if confirmed, to request appropriate remediation and preventative measures going forward.

ACTIVITY: We had several interactions with both companies. **Shimano** acknowledged that it had engaged a third party to investigate the case and confirmed the veracity of the allegations. We asked for remediations as soon as possible. Conversely, during our engagement with **Giant** alongside our portfolio management team, it became clear that the issue had not been escalated to senior management as there was no formal response to the accusations. We pressed for a quick follow-up meeting with a Board member with oversight of labour issues. We met this board member and the head of the ESG Team a week later to discuss the allegations. **Giant** did not initially commit to follow global best practices set out by the ILO of zero recruitment fees; we provided extensive additional information to help the company understand our and wider stakeholder expectations.

OUTCOMES: Shimano ensured that all recruitment fees for all affected workers who could be traced were fully refunded. The affected vendor has also ceased relationships with the non-compliant recruitment agencies. Shimano also improved its due diligence measures, updated its human rights policy (in July 2024) and mapped supply chain risks to prioritise high-risk areas like Malaysia. In November 2024, **Giant** stated that from 2025, it intends to cover the full cost of recruitment fees and plans to disclose this change in its next sustainability report.

OUTLOOK: The bike-making industry has been subject to scrutiny relating to debt-bonded workers at manufacturing sites in Asia. Particularly in Taiwan, the issue of excessive recruitment fees borne by contract workers are further exacerbated by a monthly service fee charged by Taiwanese labour brokers. We are therefore looking to widen action on this issue through policy engagement, as a wholesale change to the monthly salary deduction system may require action by policymakers.

Engagement with fixed income asset issuers

We continued to strengthen our fixed income engagement practices at the issuer level for conventional bonds, as well as at the instrument level. We engage during the assessment of all labelled bonds, and our frameworks for assessing green, social and sustainability bonds provide the basis for our engagement with issuers of those bonds. We engage with corporate, national and multinational issuers.

Engagement on conventional corporate bond issuances

Our fixed income teams engage with issuers of various types of corporate bonds as part of their investment and portfolio monitoring processes. The global corporate credits team joins Q&A sessions with loan issuers and arranging banks to carry out due diligence of various aspects of the credit and to negotiate financial and legal loans transaction documents (term-sheet and SFA key terms).

In respect of European high-yield bonds, investments in the funds are constantly re-evaluated and monitored; and ad hoc interactions occur with management when warranted, as well as one-to-one meetings with management during conferences.

We outlined on page 48 how ESG ratings are integrated into fixed income instrument selection and how our ESG Research team assigns the ESG scores to corporate issuers according to our proprietary ESG scoring methodology for corporates. In addition, each year or prior to initial investment, the credit analysts within our ESG private assets teams, where an ESG rating is not available (most typically for middle market-sized issuers), ask the issuer to complete an ESG questionnaire. The Sustainability Centre uses that information to maintain the ESG score, which feeds into fund construction.

Engagement on Green, Social and Sustainability (GSS) bond issuances

We seek to engage with corporate issuers in both developed and emerging markets, as well as with multilateral agencies, on a one-to-one basis or by joining roadshows where issuers present to multiple investors at the same time. The thematic bond engagements take place both at the ex-ante stage, i.e., at the time of issuance of GSS bonds, framework details discussions, as well as at the ex-post step, i.e., 12 – 24 months after bond issuance, to find out about reporting commitments and the timeline for an impact report publication. If there is no response from issuers, we exclude the GSS bonds from the investment universe.

Overall, during 2024, our bond specialists in the ESG research team had 62 interactions in relation to all types of thematic bond issuances. Of those, 54 were within developed markets, and eight were within emerging markets. With respect to corporate thematic bond issuances only, our bond specialists within the ESG research team had 38 interactions, of which 35 were within developed markets and three were with emerging markets issuers.

We aim to participate in ex-ante investor meetings with thematic bond issuers either via the roadshow related to a specific issuance or 'non-deal roadshows' where issuers sound out investors' comments or expectations. Some of those engagements were ex-post to discuss issuers' impact reporting commitments, metrics and methodologies used to calculate those metrics, demonstrating the positive impact issuers try to achieve through the Use of Proceeds (UoP). Our ESG research team together with our dedicated Investment teams must produce annual impact reporting for thematic strategies, such as dedicated green and social bond funds.

Our engagement typically focuses on:

- **information discovery** – gathering information that is not expressed in documentation that can help us form a more complete assessment of the proposed thematic bond;
- **encouraging improvements in the structure of the thematic bond** that could lead to 'greener' assets selected, or 'less desirable' assets dropped from the eligible portfolio; and
- **pressing Sovereign, SSA and Corporate issuers to be transparent** about the use of proceeds and positive impacts generated by the bonds.

Examples of engagement with corporate thematic bond issuers

Asian housing financing company (Emerging market)

An ESG bond specialist and a Fixed Income Portfolio Manager engaged with this social bond issuer to better understand the UoP of its Social Bond Framework. Proceeds from the social bond fund loans are designed to support moderate- to low-income households, single-parent households, households with disabled members, and other groups based in the country to purchase affordable housing. In our engagement, we focused on the social benefits of these loans from the borrowers' perspective. The issuer explained that in their country, the prevalence of floating rate bullet loans places borrowers in a risky financial situation when the loans reach maturity, whereas the loans funded by this social bond were fixed-rate amortising loans that balanced the financial risks better for borrowers. Another social benefit of these loans is that their rates may be slightly cheaper than commercial equivalents, and in the current interest rate environment, such benefits are material. Overall, we were convinced that the social bond met our expectations and was aligned with the BNPP AM's Social Bond Framework.

European utility company (developed markets)

One of our pre-issuance roadshow engagements was with a European green bond issuer. Its Green Bond Framework included two new categories: storage of electricity and conservation, including restoration of habitats, ecosystems and species. We wanted to gain a deeper understanding of the newly added conservation category and its eligible projects, as this is a topic that has gained momentum and assumed greater importance within green and sustainable bond issuances throughout 2024. The eligible projects under this category included, for example, the restoration and enhancement of fish habitats around existing hydropower plants. Our bond specialists believe these projects complement the framework and demonstrate the issuer has a strong and coherent strategy. On the hydrogen strategy, the issuer explained that only expenditures for green hydrogen are eligible under the framework, which is aligned with BNPP AM's Green Bond Taxonomy, with a minor allocation to a pilot project on pumped storage in order to integrate more renewable power.

Xuan Sheng Ou Yong
Green Bond & ESG Analyst

"We believe engagement with green, social and sustainable bond issuers can help us understand better the potential positive impact from their bonds and give us more conviction in our investments in these bonds."

Engagement with sovereign and sub-sovereign issuers and agencies

We also engage in dialogue with sovereign and sub-sovereign bond issuers and agencies about the terms of their bonds and on the countries' policies and frameworks that govern their GSS bond issuances. During 2024, the sustainable finance market saw some sovereign issuers bring inaugural thematic bonds to the market; some sovereigns also issued sovereign GSS bonds with a heightened focus on biodiversity projects for the first time.

During 2024, our bond specialists within the ESG research team had 25 interactions in relation to sovereign, sub-sovereign and supranational thematic bond issuances. Of those, 20 were within developed markets, and five were within emerging markets.

Autonomous Community of Andalucía	Commonwealth of Australia
The context was to discuss updates to the region's sustainability bond framework. The regional government undertook a climate risk assessment and 15% of government expenditures are now allocated towards the environmental proceeds, versus 5% previously. • The issuer provided a legitimate explanation about why water resources have a low share in the framework, despite this being a critical physical climate risk affecting the region (e.g., extensive droughts). • Updated look-back period of two years prior to the issuance versus one year previously. We recommended that the issuer include greater focus on physical climate risks facing the region, as well as other environmental areas, such as biodiversity in future frameworks. This will determine the investment recommendation and whether it is eligible for our green or social bond strategies.	We engaged with the Commonwealth of Australia during a pre-issuance green bond roadshow so that we could better understand the use of proceeds for their bond. We learned that about 88% of the proceeds would be allocated to climate change adaptation and 5% to climate change mitigation to support the government's ambitious renewable energy target. We welcomed this approach and the government's intention to make another green issuance within the next few years, as this shows the issuers' intention to build a curve. We will use this engagement to determine the investment recommendation and whether the issuer follows our recommendation to demonstrate a clear expected allocation breakdown, in addition to the need to demonstrate a clear coherence with the issuer-level physical climate-related risks.

Collaborative sovereign engagement

This year we continued to expand our engagement with sovereign issuers through collaborative initiatives. This form of engagement is designed to complement engagement on specific sovereign issuances to create national or regional policy environments on a range of sustainability issues. This is critical not only to set countries on a path to sustainable and equitable economies, but also critical to create an enabling environment in which companies operate.

Having joined the Investor Policy Dialogue on Deforestation (IPDD) in 2023, as outlined last year, we continued engaging with Brazil and Indonesia and joined the Consumer Countries Working Group. We participated in the PRI Collaborative Sovereign Engagement Initiative, as detailed below. We also engaged with the Governments of Japan and Canada while attending two PRI conferences during the year.

CASE STUDIES
COLLABORATIVE ENGAGEMENT

PRI collaborative sovereign engagement

We joined many meetings in the context of the pilot PRI-led Collaborative Sovereign Engagement on Climate - Australia, Japan and Canada.

Government of Australia

In 2022, BNPP AM joined the pilot PRI-coordinated Collaborative Sovereign Engagement on Climate Change as one of the Advisory Committee members with six other investors and as co-lead of the Federal Working Group. The Australian engagement was extended to the group of 27 global investors seeking engagement with sovereigns to reduce their exposure to risks associated with a failure to rapidly transition to a net-zero global economy, including:

- The value of sovereign debt investments;
- The continued competitiveness of national economies and investee companies; and
- Systemic risks through exposure to the global economy.

The participating investors aim to support governments and associated entities, such as financial regulators and central banks, to take all possible steps to mitigate climate change risks in line with the Paris Agreement. Australia was selected as the first country for engagement.

During 2024, we participated in a large number of discussions in person in Canberra, Sydney and Brisbane, including with the Australian Treasurer, Advisers to the opposition climate change spokesman, Australian Minister for Climate Change & Energy, Prime Minister's Office, Assistant Minister for Climate Change & Minister for Emergency Management & Cities, Independent Teal MPS, Australian Office for Financial Management & Treasury, Commonwealth Treasury, Department of Foreign Affairs & Trade, Queensland Treasury, Queensland Treasury Corporation & Queensland Department of Energy & Climate; and Clean Energy Finance Corporation.

CASE STUDIES

COLLABORATIVE ENGAGEMENT

The topics of discussion covered:

- The sovereign green bond impact reporting needs of investors, particularly on climate risk.
- Investors' interests and expectations related to the next Nationally Determined Contribution plan (NDC), including support for sectoral pathways and more contextual information and clarity around priorities.
- The importance of certainty around targets and policy.
- The likely passage of mandatory disclosure regulations and investors' support for a continued focus on supporting the development of the sectoral pathways and net-zero plan to underpin the NDC.

By participating in the initiative, BNPP AM together with other investors has supported government efforts to achieve existing climate-related policy commitments. Sharing best practices on how investors assess sovereign alignment and their expectations on climate risks and opportunities has been a valuable part of the process.

Overall, the review found that the pilot had:

- reinforced the positive direction of travel on Australian climate policy;
- informed development of the Australian Government Green Bond Framework;
- reinforced economic arguments on transition where it was subject to politicisation;
- raised awareness among government stakeholders on how policy and action can be integrated into investment decisions and impact capital flows into the country; and
- built investor confidence to engage with sovereign actors.

Government of Japan

We used the opportunity of our attendance at the PRI Conference in September in Tokyo to participate in collaborative engagement meetings with Japan's Ministry of Finance (MOF) and Ministry of Economy, Trade and Industry (METI). Members of the Collaborative Sovereign Engagement on Climate Change, alongside other interested signatories, PRI staff and organisational partners, met with various officials from the two ministries. We introduced the role of sovereign engagement and shared our in-house assessment process on sovereign ESG performance.

We also discussed Japan's 'Green Transformation' (GX) Transition Policy and the planned issuance of GX Economic Transition Bonds. While at an early stage in its framework development, we urged policymakers to provide further information regarding use of proceeds for the GX climate transition bonds and underlying assumptions used in policy setting to further assist our investment decisions. We noted that activities such as the use and production of ammonia and hydrogen can have a wide range of environmental impacts. Hydrogen produced using electrolysis powered by renewable energy, more commonly known as green hydrogen, will have very positive environmental benefits, but hydrogen produced using methane reforming, or grey hydrogen, will more likely hinder climate mitigation.
We explained that it would be highly beneficial for investor decision-making for the GX framework to include detail on the criteria for eligible activities to provide greater confidence about the environmental benefits and avoid the risks of greenwashing.

Government of Canada

We attended two exploratory meetings with the Government of Canada in Toronto during PRI in Person in October 2024. Topics discussed included Canada's National Climate Change Plan and its 2030 Emissions Reduction Plan. Canada's four key priorities for the near future are: Addressing Climate Change, Managing Waste, Protecting Biodiversity and Climate Adaptation and Resilience. Moreover, Canada has a robust green bonds programme aimed at mobilising capital in support of climate and environmental objectives, as well as outstanding issuance of CAD11 billion, while planning two issuances in FY 2024-25 for a total of CAD4 billion (CAD2 billion already issued).

Malika Takhtayeva
Sovereign ESG Analyst, Sustainable Fixed-Income Lead EMEA

"Despite the complexity of sovereign engagement, there is a growing recognition that regulators and policymakers are major actors in shaping future sustainable economies as they set the rules that guide and govern companies' behaviour. The Collaborative Sovereign Engagement on Climate Change and Policy Dialogue on Deforestation are powerful initiatives through which investors can engage with sovereigns including developed and emerging markets."

IIGCC Sovereign Bonds and Country Pathways – towards greater integration of sovereign bonds into net-zero investment strategies

We joined this IIGCC initiative in 2023. Our Sovereign ESG analyst co-led the Sovereign Bonds and Country Pathways Working Group, which developed a discussion paper on this topic that was published in April 2024. A key recommendation was that investors should enhance the integration of sovereign bonds into net-zero investment strategies to drive greater investor influence on real-economy emissions reductions globally.
In addition, in June 2024, our Sovereign ESG Analyst contributed to the development of the IIGCC's discussion paper 'Making NDCs investable – the investor perspective' to identify key recommendations for countries preparing their updated NDCs in 2025.

PRIVATE ASSETS

PRIVATE ASSETS

Our dedicated platform for Private Assets is rooted in BNPP AM's mission to deliver long-term sustainable returns to our clients. By 'sustainable', we mean both returns that can be sustained over the long term, and returns that are in balance with society and the environment.

These two meanings of sustainable are inseparable – we cannot deliver long-term returns without helping to achieve the energy transition, environmental sustainability and a more equal and inclusive financial system. To do so, the Private Assets platform brings together strong internal expertise while expanding its product range to new asset classes through several acquisitions.

Ten experts from BNPP AM's Sustainability Centre work on sustainability within Private Assets, designing and implementing dedicated ESG and impact analysis methodologies adapted to the specificities of each sub-asset class alongside investment teams.

David Bouchoucha
Head of Private Assets

*"Our goal is **to become the European leader in sustainable and impact private assets.** We work hand-in-hand with ESG experts specialised in private assets in our Sustainability Centre."*

Direct investing

We offer direct investment opportunities across a broad range of private asset segments:

Corporate assets | Real assets | Portfolio solutions | Dynamic credit group | Natural resources

Indirect investing

We operate as a large-scale and experienced investor in third-party private asset funds:

Fund platform

- Diverse client base with strong alignment of interests with BNP Paribas Group

€41bn
AUM & Advisory

+20 GW
total renewable energy capacity of projects financed alongside other investors

Energy Transition

Climate change represents both an important challenge and an opportunity for private asset investors. Climate change is especially pertinent to real assets, as they not only possess substantial environmental footprints but also play a critical role in mitigation efforts.

€1.1bn

invested in the energy transition

Mortgages

In 2024, Dynamic Credit and BNPP AM's Sustainability Centre collaborated closely to refine the Dutch Residential Mortgages strategy by incorporating sustainable features aimed at addressing renovations in mortgage loans. This innovative and customised strategy offers straightforward modules for financing and implementing sustainable home improvements. By promoting sustainable upgrades in residential properties, this framework supports the transition to greener housing and aligns with the EU climate objectives.

Commercial Real Estate

Our investment teams and the Sustainability Centre developed a bespoke ESG scoring methodology for Commercial Real Estate (CRE) debt strategies. The framework incorporates sector-specific metrics such as energy efficiency, refurbishment measures and tenant well-being. This CRE ESG rating tool aims to evaluate the sustainability performance at the asset level, as well as the ESG credentials of the sponsor, enhancing investment decisions, and aligning projects with sustainability and long-term value objectives.

Solar Impulse Venture strategy

The Solar Impulse venture strategy directly invests in early- to late-stage companies in technology or services, the acceleration of which will have an impact on the energy and ecological transition.

The strategy leverages the Solar Impulse Foundation's strong expertise in climate, which confirms the positive environmental impact of the underlying investments. Each company's business model must also be aligned with at least one specific targeted SDG. In early 2025, this strategy (classified as Article 9 under SFDR) announced its final close, surpassing its target size and reaching €172 million, thanks in part to our partners BNP Paribas, BNP Paribas Cardif and a group of like-minded corporate, institutional and individual investors.

Infrastructure

The energy transition is one of the mega trends supporting the infrastructure market in Europe representing more than 50% of the investment opportunities, and it is at the core of BNPP AM's strategy in the asset class. The transition to a lower-carbon economy requires massive investment in green energy generation and storage, energy efficiency, the electrification of transport, the decarbonisation of heavy industries and the development of recycling. Our long-term oriented approach is well matched to this criteria and we have launched a number of strategies, including a Climate Impact Infrastructure Debt strategy in 2023, classified as Article 9 under SFDR, and a Low-Carbon Transition Infrastructure Equity strategy in 2024.

Karen Azoulay
Head of Real Assets

"Since the establishment of our Private Assets investment division, environmental solutions have been a key strategic focus. The launch of several climate strategies marks a significant step forward in our ongoing efforts to support financing the transition to a low-carbon economy and offering our clients BNP Paribas' unique origination capacity within this asset class."

Healthy Ecosystems

The OECD states that over half of the world's GDP – US$44 trillion – is dependent on nature and ecosystem services, yet human activity and climate change are causing biodiversity loss at an alarming rate, putting at risk economic development, as well as human prosperity prospects. According to the IPBES, biodiversity loss threatens the achievement of 80% of the United Nations' Sustainable Development Goals sub-targets related to poverty, hunger, health, water, cities, climate, oceans and land.

Our latest biodiversity roadmap outlines how we are tackling biodiversity loss and the impact it has on the companies and countries we invest in, as well as the impact and dependencies companies have on biodiversity.

Integrating biodiversity considerations in Infrastructure Debt

Our team of experts conducts biodiversity assessments for each project we invest in. An example is the ESG due diligence conducted for the financing of three onshore wind farms located in Italy, with a total capacity of approximately 82 MW. With iBAT, the Integrated Biodiversity Assessment Tool, we assessed whether the project directly overlapped with biodiversity sensitive areas, and endangered or vulnerable species. We analysed a bird sensitivity map related to wind energy development, which reflected potential controversies if the windfarms were to be located in areas defined as incompatible with the conservation of bird species. We analysed whether Environmental Impact Assessments had been conducted, and what the mitigation measures might be. Finally, we suggested to implement the IUCN recommended mitigation practices.

Natural Capital as an investment solution

Natural capital is emerging as a compelling component of asset allocation strategies, providing both financial and environmental benefits. Forestry, for example, offers not only appealing investment returns and inflation protection, but also carbon capture and conservation, as well as biodiversity preservation and water management, providing a critical global climate regulation service. As an investment market, natural capital is still at a nascent stage. Nonetheless, it is evolving rapidly, encouraged by initiatives from the UN and other supranational agencies, and is expected to be accompanied by the continued development of associated investment and growing client awareness.

In 2023, we decided to broaden our private markets investment platform by acquiring leading Danish natural capital expert International Woodland Company. In 2024, we launched in partnership with IWC our first forestry strategy. Classified as Article 9 under SFDR, the strategy will target sustainable timberland to generate financial returns to investors and combine sustainable investment practices to mitigate climate change, improve asset resilience, and enhance biodiversity.

The most recent year we have data for is 2023:

708,000
hectares of sustainable productive forests

648
species protected

194,543 $MtCO_2$
stored in forests

Maxence Foucault
ESG Specialist – Private Assets Lead

"Private assets offer an interesting array of options to address growing challenges around water, soil quality and ecosystems. Integrating biodiversity in investment decisions is choosing long-term growth where both nature and humanity can thrive together."

CASE STUDIES

Blue Alliance

BNP Paribas's Positive Impact Accelerator has established a unique financing facility to support ocean conservation activities by providing funding to aquaculture and eco-tourism activities within local communities in the Philippines, Indonesia, Tanzania and Cape Verde. This initiative aims to generate sustainable revenue sources for Blue Alliance entities managing Marine Protected Areas in these countries. The innovative 10-year private debt financing structure combines a blended finance mechanism to de-risk the structure for private investors and an impact-linked interest rate based on KPIs related to biodiversity and local communities' livelihoods. Our goal is to attract co-investors so we can scale up private financing for the management of Marine Protected Areas.

NatureMetrics

BNP Paribas also invested in NatureMetrics, which commoditises the sequencing of the DNA of any organism collected in samples in the environment from air, water and soil. Its solution enables the generation of biodiversity data at scale using eDNA technology. It also gathers diverse sources of data on its digital Intelligence platform so that companies can assess their risks and monitor their impact on nature.

See our **forestry strategy** on our website

Equality

Inequality presents both systemic and company-level challenges and links to both social and environmental risks and opportunities. Private assets provide a unique opportunity to tackle social aspects by both actively investing in social businesses and by integrating social considerations in investment decisions. This can cover a wide array of themes such as human and labour rights but also profit sharing, diversity, health and safety, as well as supply chain management and impact on local communities.

More than

374,570 individual investors **gathering...**

€237M of social assets under management **invested in...**

31 social businesses

€308M

AUM

52

investments

Sophie Méchin
Sustainability Centre, Private Assets Lead

"As a long-term investor targeting small- and medium-sized businesses and projects, we have more room to act on equality factors, either by influencing the fund managers and businesses in our portfolios in adopting best practices as they scale, or by supporting solution providers."

PRIVATE ASSETS

Social Business Investment

The BNP Paribas Social Business Impact strategy centralises social investments from several of our 90/10 funds. Its goal is to invest up to 10% of its assets to support the development of charities, cooperatives and social companies that address vulnerable people and environmental issues in society. In 2024, we continued our support of a number of social businesses through our funds.

Phenix

1.3 billion tonnes: this is the amount of food wasted every year in the world. With this in mind, Phenix, created in 2014, set itself the mission of combatting food waste. Today, the start up is present in 27 branches in France and four other countries. To address this problem, Phenix developed a number of technological solutions aimed at large retailers such as Leclerc, Intermarché or Franprix, and agri-food companies such as Danone or Coca-Cola, through donations to associations, resale to consumers and animal feed. We have been invested in Phenix since 2022.

Vitamin T Group

Established in 1978, the Vitamin T Group focuses on integrating individuals who face employment challenges in France. With 31 subsidiaries in various sectors, including personal services, circular economy, organic markets, and gardening, Vitamin T hires individuals, provides them training in one or more occupations, and supports them to secure permanent professional positions. Additionally, Vitamin T develops and oversees programmes designed to assist those with limited employment opportunities.

Familles Solidaires

Familles Solidaires was established in 2013 with the objective of developing inclusive housing projects. Inclusive housing consists of residential units arranged around a communal living space or co-located accommodations for elderly and/or disabled individuals, aiming to foster social connections, promote solidarity among residents, and provide respite for close caregivers. Familles Solidaires acquires land, renovates or constructs human-scaled habitats – accommodating five to ten people – to make them available to individuals experiencing a loss of autonomy. More recently, Familles Solidaires has undertaken the development of 'Solidarity Buildings', which integrate both inclusive habitats and housing for conventional households, thereby promoting diversity and social cohesion among residents.

FMS

Founded in 2008, FaCylities Multi Services (FMS) is one of the main companies focused on integrating people with handicaps into the economy in France, with revenues of €22 million and over 800 employees at the end of 2023. FMS covers five major sectors: computer engineering, logistics, textiles, building, and human resources. The company promotes the professional inclusion of people with disabilities by providing job opportunities, training and support. BNPP AM invested €2 million in 2024 to assist in the company's growth and enhance its social impact.

Social Impact Bonds

Social Impact Bonds involve finding private investors to fund a social/environmental impact programme that has been designed by an association or a social enterprise. The investors will be repaid, with interest, by a third-party, often a government or public funder, if the predefined impact objectives are achieved and approved by an independent evaluator.

2 funds gathering more than...

€71M invested in...

21 impact bonds that have a significant impact:

- more than **60,800 beneficiaries** helped (refugees, vulnerable youth and people with disabilities find lasting employment or take a training course leading to a qualification)
- more than **4,000 tons** of CO_2 emissions avoided
- more than **6,000 m³** of drinkable water saved.

See our **investment in Phenix** on our website

What is a 90/10 solidarity employee investment fund?

A 90/10 solidarity employee investment fund allocates 90% of its capital to traditional investments, such as stocks and bonds, aimed at generating financial returns. The remaining 10% is dedicated to investments in the social and solidarity economy, which prioritise environmental sustainability, social impact, and ethical governance. This fund structure not only seeks financial growth but also supports initiatives that benefit the broader community, fostering solidarity among employees by aligning their investments with shared values and social responsibility. Companies in France with over 50 employees must offer their staff an option to invest in a 90/10 fund. At the end of 2024, we managed €2.9 billion in 90/10 funds.

54,208 people employed or supported

10,337 people provided with housing

28,591 business projects supported or financed (microfinance)

294,258 beneficiaries of healthcare and autonomy support

9,776 hectares of biological land cultivated

ESG integration

We believe that analysing investments using ESG criteria helps us account for a wider set of risks and opportunities and better understand the role companies have in driving systemic risks and addressing the challenges of the transition towards a more sustainable and inclusive economy.

Private Assets investments are made with long time horizons so ESG integration is even more crucial as sustainability stakes often develop over the long term.

As private markets are covering a wide array of asset types, our ESG integration approaches have been designed for each of them, taking into account their specificities and the wide array of realities they cover.

Examples of ESG integration within Private Assets

Fund platform

We have a proprietary ESG integration methodology for our fund platform wherein we invest in other private asset funds, either directly through funds of funds or through advisory mandates. The methodology unfolds across the investment process in five steps, which are applied on a case-by-case basis.

ESG questionnaire	ESG scoring	Side letter	Minimum thresholds	Engagement
Questionnaire based on PRI and other frameworks, sent to GPs pre-investment	Granular ESG score for 8 categories, aggregated for a final ESG score	Implementation of BNPP AM exclusions in side letters, as well as engagement when needed	Minimum criteria specific to each strategy, relating to ESG score and RBC Policy	Post-investment follow-up and discussions with GPs that need to strengthen their ESG integration setup

Private Equity Co-Investments

We use the same ESG scoring methodology from our fund platform in our Private Equity Co-Investment strategy:

- ESG score based on the combination of the score of the target company and its majority (or minority) financial shareholder with a minimum threshold; and
- Materiality assessment with a qualitative analysis of the company's sectorial ESG risks.

Innovation in Private Assets

Greenscope

The need for ESG reporting is increasing due to demands from regulators and investors, while access to ESG data can be more difficult compared to listed assets. To enhance our data collection, we have decided to explore ESG data collection solutions such as Greenscope. This has allowed us to standardise and scale our ESG data collection across private assets. Greenscope is a French startup that facilitates systematic and regular ESG data management.

Kayrros

Through our corporate venture activities, we invest in advanced solutions to deliver tangible innovations to our clients. In 2022, we invested in Kayrros and subsequently conducted a proof of concept in 2024 to evaluate biodiversity risks associated with infrastructure assets. Kayrros, a prominent company in environmental intelligence, leverages AI and geoanalytics on satellite imagery and ground-truth data to provide essential insights on energy, environment and sustainability, thereby facilitating more informed decision-making.

Responsible business conduct

We expect private assets to meet their fundamental obligations to respect human and labour rights, protect the environment and ensure anti-corruption safeguards wherever they operate. We also have a series of policies that set out the conditions for investing in specific sectors and guide our screening requirements and engagement approach.

Engagement

We are committed to being a 'future maker', using our investments and our influence with companies, policymakers and standard setters, to contribute to a successful energy transition, healthy ecosystems, and greater equality in our societies.

Engagement in our impact fund of funds

The BNPP AM impact fund invests in funds with strong impact potential and private equity credentials. These funds allocate capital in impactful sectors like healthcare, climate change mitigation, and the circular economy. However, their expertise in managing Impact and ESG factors may vary greatly.

Our objective is to help these funds progress to higher levels of ambition and practice, guiding them towards becoming system change enablers.

Since we began deploying investments in this fund, we have organised meetings with underlying funds to evaluate their maturity on impact and ESG considerations, suggest areas for improvement, and follow up on results. These meetings involved managing partners, investment teams, operational teams, and ESG or impact experts. We shared impact tools, frameworks, and guidance on defining and formalising their intentionality, impact objectives, and ways of measuring their impact.

As a portion of the fund of funds' carried interest is related to the improvement of the underlying funds' impact practices, several elements are monitored regularly. Since inception, the practices of all underlying funds have evolved, with some recruiting impact specialists and improving how they report on their impact activities and eventually on the impact performance of their portfolio. Some GPs, initially 'impact-friendly,' are now leading impact investing managers. These engagement efforts take time to materialise, but palpable changes are happening in the private equity investing ecosystem.

Corporate Social Responsibility

Walking the talk is critical to achieving excellence. As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest. To achieve this, we have a four-pronged approach to integrating sustainability into our operations and as an employer: decreasing our operational CO_2 emissions, reducing our waste to landfill, a diverse workforce, and focusing our community initiatives on youth inclusion. We implement this approach in our Private Assets business unit, notably through training and staff volunteering.

See our **policies** on our website

PEOPLE, CULTURE AND CSR

2024 IN FIGURES
INTRODUCTION
ABOUT US
OUR STRATEGY AND APPROACH
ENERGY TRANSITION & CLIMATE
HEALTHY ECOSYSTEMS
EQUALITY
ESG INTEGRATION
VOTING AND ENGAGEMENT
PRIVATE ASSETS
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CULTURE

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. Over the last five years, we have focused on immersing our employees in a sustainable workplace, one where they can have impact through their work, and we encourage them to carry this through to their personal lives.

We believe that sustainable investment practices have the potential to contribute positively to global economic, environmental and societal conditions while achieving long-term sustainable returns for our clients.

The key to achieving these outcomes lies in our people. At BNPP AM, this is at the heart of what we do; our people are proud of the impact they make, **notably through helping our clients achieve their objectives, and contributing to a better future.**

Building sustainability into our culture

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

We include questions about our culture and strategy in our employee engagement surveys, and we ask these questions annually in order to track our progress. **In 2024, the responses continued to be overwhelmingly positive, with 83% of respondents saying it is important to them that we become a fully sustainable asset manager and 71% of respondents saying they could see how their role supports our commitment to sustainability.** We believe that these results speak to the effectiveness of our approach, but we know we must remain vigilant in this area, as it is a vital component of maintaining our leading position on sustainability[1].

Our updated Global Sustainability Strategy, released in 2024, now includes a pillar on 'walking the talk', and we see corporate social responsibility and operational sustainability as important differentiators in our recruitment strategy and for achieving our business objectives. We have dedicated resources on these topics to help us achieve our goals.

Chris Ouellette
Global Head of Corporate Social Responsibility

*"We believe that through our objective to embed sustainability in all we do – **our investments, our people, our processes, our operations and other aspects of our business** – we can build a culture of sustainability that will help us to deliver our business strategy more effectively."*

83%
of respondents say it is important to them that we become a fully sustainable asset manager

71%
of respondents say they could see how their role supports our commitment to sustainability

1 – 2nd in Europe for sustainable thematic strategies, according to an analysis made by BNP Paribas Asset Management based on Morningstar data as at 31/12/2024.

Sustainability Academy @AM

We recognise that the sustainable investing space and ESG issues are rapidly evolving, and it is critical that our employees keep up to date if they are to be successful in achieving their objectives. We also believe that sustainability education is a key lever to building a strong culture of sustainability so that we can attract and retain employees, and to ensure we successfully deliver on our business strategy.

We have invested significantly in ensuring that our employees have the most current knowledge on sustainability issues. This is primarily done through our Sustainability Academy @AM, our in-house sustainability education platform.

Every employee is assigned a specific training path depending on the level of sustainability knowledge they require in their roles, with each training path requiring between 4 and 15 hours to complete.
In addition to this, certain employee populations need to complete external certifications on sustainable investment, some of which can take up to 100 hours of study time.

Some highlights from the Sustainability Academy @AM in 2024 include:

- Launched an all-employee training programme on greenwashing, which had over 1,200 participants.
- Hosted three masterclasses on the new SFDR indicators, with over 600 participants.
- Held a 1.5-hour workshop on real-life examples of ESG integration in our portfolios, attended by over 450 participants.
- Included plenaries on critical minerals, the EV supply chain and net zero in our annual Investment Symposium, with over 330 attendees.
- Hosted a webinar on our Equality Roadmap.
- Put on a number of *fresques* on climate change and other environmental topics, 3-hour participative workshops, which one quarter of our employees have completed.
- Rolled out a sustainability toolkit and specific training approach for new joiners.
- Rolled out sustainability training to a number of BNPP AM operating company board members.

In addition to internal training:

- 807 employees have received an external sustainable finance certification such as Certification AMF Durable, CFA Certificate in ESG Investing or Certificate in Climate and Investing, EFFAS Certified ESG Analyst, or one of the certificates offered by the PRI.
- Of the employees with external certifications, 32 completed a certification programme developed by BNP Paribas Group 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 and in person, over a three-month period and tailored to sustainability and finance. On completion, graduates became Positive Impact Pioneers, a community of internal sustainability experts who develop projects that drive positive impact within the organisation.
- Seven members of our Executive Committee, including our CEO, have completed a specially designed version of the CISL programme for executive management across BNP Paribas. It includes live focus sessions on each pillar of BNP Paribas's sustainability strategy.

We have added questions on sustainability skills to our employee engagement survey, and 73% of employees said they had the correct level of sustainability-related training to perform their role.

We believe we have developed an effective strategy for ensuring that our employees have the skills and knowledge they need to help us deliver our strategy over the long term.
We believe we have an effective approach to ensuring our employees have the right training; however, sustainability is evolving rapidly and we plan on introducing new topics and dive deeper into existing topics in 2025 to continue to keep them current.

807
employees have received a sustainable finance external certification

73%
of employees said they had the correct level of sustainability-related training to perform their role

787
participants in environmentally-themed workshops (*fresques*) since 2019

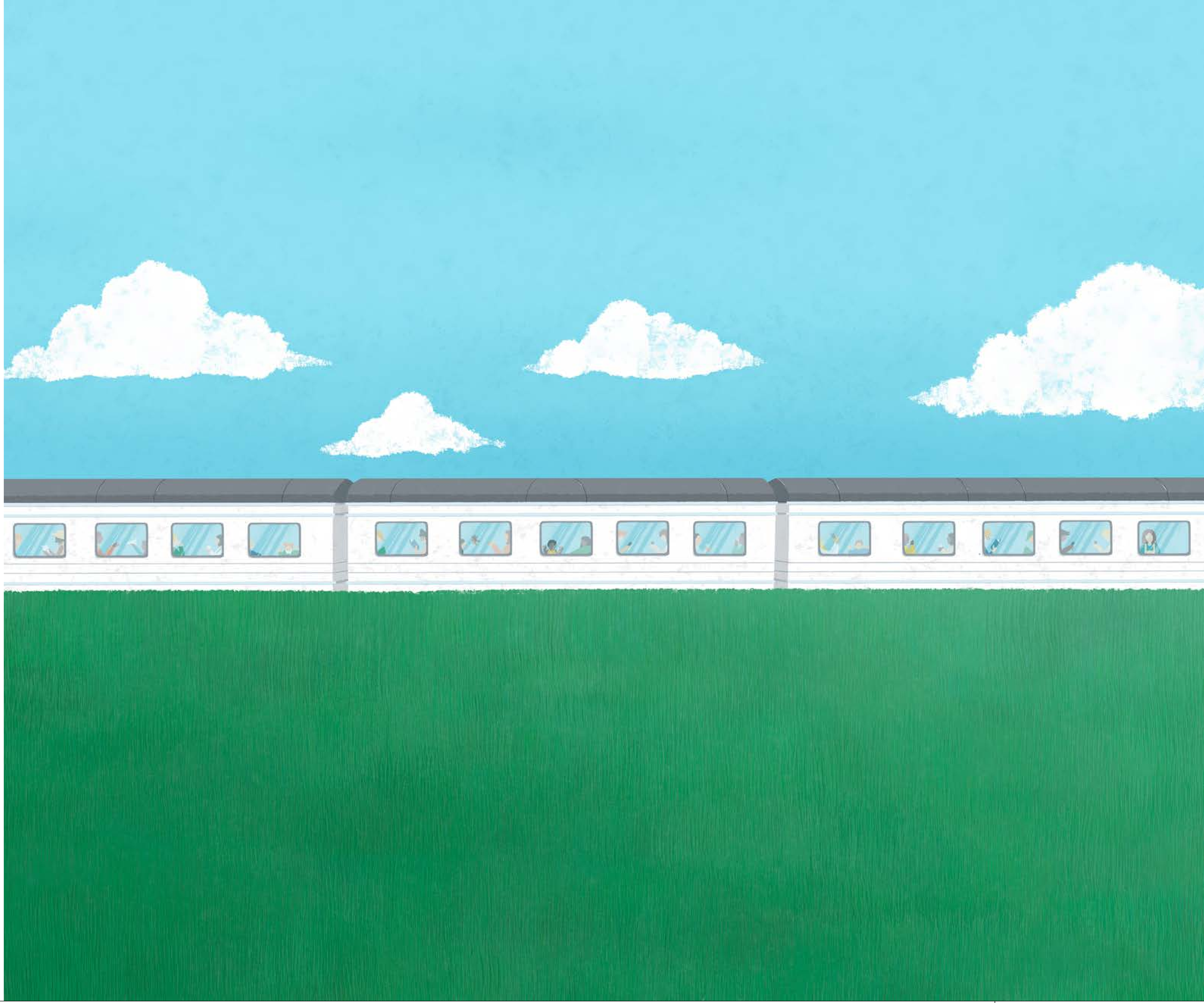
We are proud to have received the Brandon Hall Gold award for our approach to sustainability education.

- Learn more about our **ESG Champions**
- Learn more about our **GRASFI partnership**

Network of Experts in Sustainability Transition

Many members of the Sustainability Centre and a number of our ESG Champions count themselves as part of the BNP Paribas Group's Network of Experts in Sustainability Transition, or NEST. The members of NEST work not only within their businesses and entities, but also across the Group to share knowledge and support clients in their transitions.

The network, comprised of hundreds of experts, organised 19 internal webinars attended by more than 3,000 participants. In addition to this, they hosted NEST days, a two-day sustainability conference where 320 participants attended a combination of 20 hours of seminars and workshops featuring 37 external speakers. NEST also published four newsletters in 2024 on the ecological and just transition, capitalising on the knowledge of more than 100 internal and external experts. This included a special edition on the Just Transition, based on a survey of almost 10,000 Europeans on the speed and consequences of the energy transition.



Reducing the environmental impact of our operations

We have committed to aligning our investment portfolios to a trajectory in line with the objectives of the Paris Agreement, and we plan to do the same with our operational emissions. This commitment has also been included as one of the 10 commitments we have made in our Net-Zero Roadmap. Our building energy use, business travel and paper use were down significantly in 2020 and 2021 due to the pandemic, and we continued some of these habits, helping to keep our emissions in line. The BNP Paribas Group has established a target for greenhouse gas emissions of 1.85 tCO_2e per employee by 2025, and we find ourselves at 2.1 tCO_2e by the end of 2024.

We use three approaches to achieve this goal, in order of priority:

Increase the efficiency of our operations

- Nearly all our office spaces are in green-certified buildings.
- The Group's data centres in France are all ISO 50001-certified.

Buy green or low-carbon electricity

- The majority of our employees work from offices that are powered by green or low-carbon electricity.
- BNP Paribas entered into a 10-year Corporate Power Purchase Agreement, allowing it to source 25% of its annual electricity needs in France from 12 photovoltaic farms in EDF Renouvelables' power portfolio.

Offset any residual emissions

- BNP Paribas has been offsetting any remaining emissions associated with our office space and business travel since 2017, through the following projects in 2024:
  - in Kenya, the Kasigau project is a programme to preserve and restore 200,000 hectares of forest. Led by the NGO Wildlife Works, it also finances access to healthcare, water and education for local populations;
  - in India, the project is based on a ten-year voluntary carbon offset programme as part of a partnership between BNP Paribas and the GoodPlanet Foundation, via the construction of 13,000 biodigesters;
  - in Guatemala, hundreds of landowners including local communities have come together to protect nearly 60,000 hectares of forest;
  - in Peru, a programme to deploy improved woodburning stoves in several regions of the country, which reduces the amount of wood used and reduces carbon emissions while removing noxious smoke from homes.

Sustainable mobility

We have spent the last few years building out our programmes to encourage our employees to commute more sustainably to the office. In 2024, we introduced the Arval Mobility Pass for our employees in France.

The pass gives more flexibility to employees to use different modes of sustainable transportation, as well as to pay for mobility-related expenses such as repairing a bike tyre or buying a new helmet.

By paying for eligible expenses with the pass, which can be loaded onto mobile phones, BNPP AM pays the costs up-front and the employee pays for 50% of the costs either by a bank card they have connected to the pass, or through a payroll deduction. We hope that the enhanced flexibility and removal of paperwork will encourage employees to use their sustainable mobility credit.

Mission zero waste

Recognising the relationship between greenhouse gas emissions and resource management, one of our long-term environmental goals is to eliminate waste to landfill and to help protect the natural environment around us and halt biodiversity loss. We educate our employees on this topic in a number of ways:

- In 2024, we offered gardening workshops to our employees on the grounds of our head office in the region of Paris. The purpose of these workshops was to teach employees useful skills while imparting important knowledge on how to reinforce biodiversity in urban settings. Employees planted, maintained and harvested more than 60 varieties of vegetables, flowers, fruits and herbs throughout the year. These actions complement the beehives we host on the roof of our office and the honey we collect from them.
- A number of our employees have participated in half-day workshops (or '*fresques*') on biodiversity and the circular economy. The biodiversity workshop walks participants through biodiversity issues and pressures based on the IPBES report.
- Our employees were offered a number of web events through BNP Paribas and its partnership with Naturalis.
- Employees from our London office participated in local park clean-ups.

GreenIT@AM

With the increasing digitalisation of our activities, IT has taken an important place in our daily lives at the cost of ever-increasing energy demand.
As well, beyond IT's role in contributing to climate change, the production and disposal of digital equipment is associated with harmful impacts on the environment that we can no longer ignore.

We currently have a number of initiatives in place to reduce the environmental impact of our IT operations, including:

- Closing old data centres and data rooms and streamlining them into state-of-the-art facilities with improved cooling technologies that reduce the use of primary resources by up to 50%.
- Engaging and working with our top 25 IT suppliers to communicate our environmental goals and update contracts accordingly. We purchased some new IT equipment when relocating our head office and we made sure that this equipment was more energy efficient.
- Rolling out partnerships such as BNP Paribas 3StepIT, to ensure better reuse and recycling of our old IT equipment. In 2024, 3StepIT repurposed 1,287 pieces of equipment on our behalf and recycled another 205 pieces at certified facilities.

In 2024, BNP Paribas 3StepIT opened a new refurbishment and remarketing centre in France, which will be able to process 400,000 units a year, a significant milestone in BNP Paribas' commitment to the circular economy.

A first in the French banking sector

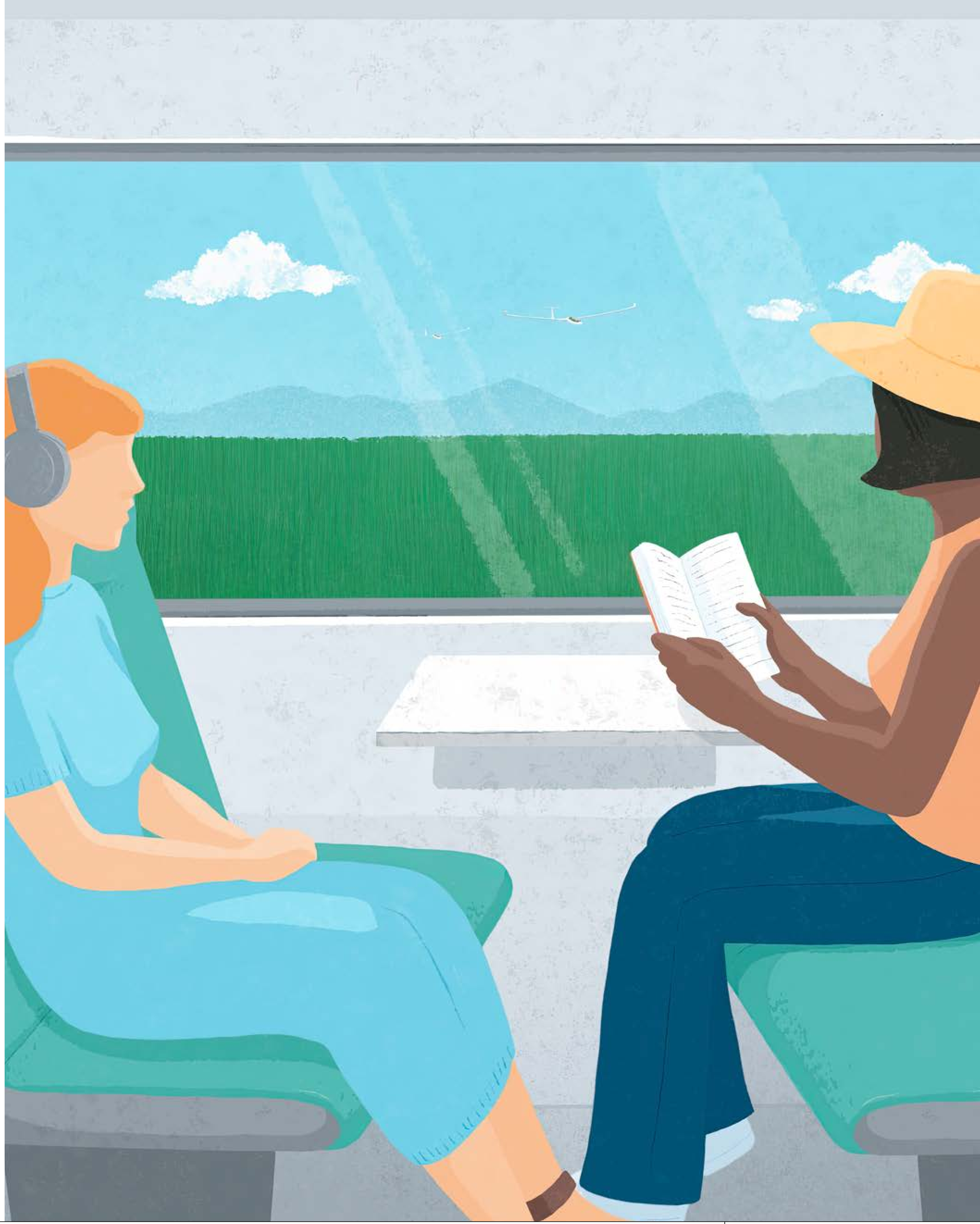
Last year, BNP Paribas signed a 10-year corporate power purchase agreement with EDF Renouvelables to purchase energy supplied by 12 photovoltaic farms. This energy will **cover 25% of our annual electricity consumption** in France, helping to further lower our operational CO_2 emissions.

Our total energy consumption has decreased significantly with our ongoing implementation of a flex-office environment, which requires less office space, and moving into office spaces with higher levels of energy efficiency. The most notable changes include moving our Paris head office to a smaller, more energy-efficient building, and moving our offices in Belgium to a passive building.

We continue to implement energy efficiency measures in our Paris head office, and we succeeded in reducing its energy consumption by an additional 4% in 2024 versus 2023.

24%
total energy consumption from renewables

2.1 tCO_2e
operational footprint per employee



DIVERSITY, EQUITY AND INCLUSION

We believe that Diversity, Equity and Inclusion are our collective responsibility every day. These principles are levers to unlock our full potential, to contribute to a high-performance work culture, and to differentiate us as an outstanding asset manager. We strive for a work ethic based on the principle of opportunity and translate this belief into concrete policies and initiatives that are central to our success and to driving change, both internally and externally.

A solid foundation in diversity, equity and inclusion

As an international asset manager with locations in 34 countries, diversity is part of our DNA. Not only in our workforce and the communities we are present in, but also through the clients we serve, the end beneficiaries they may serve, and the many other stakeholders we interact with on an ongoing basis.

Through our Code of Conduct – including a 'respect for colleagues' section – we are committed to providing a safe and respectful workplace for all employees. A global workers agreement signed in 2018, aligned with the laws of the countries we operate in, provided a common framework for addressing social issues with respect to our employees across the world. In November 2024, BNP Paribas and UNI Global Union, an international trade union federation, signed a new agreement that strengthens the fundamental rights of our employees and elevates the floor for social issues. It builds on the positive practices observed since this initial signing and incorporates new challenges facing the financial services sector and society.

Women in the asset management industry

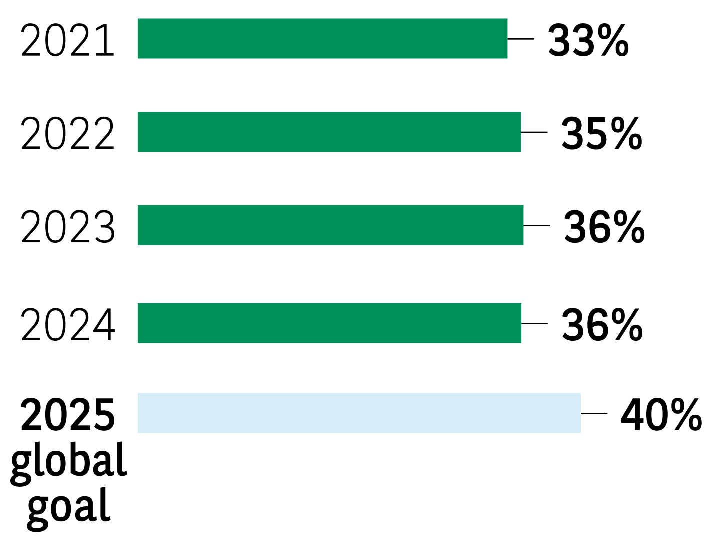
We operate in a highly competitive market and the demand for talent – specifically mid-level and senior women in fund management positions – is high and increasing.

- We monitor the number of women we hire, and in 2024, among employees who joined BNPP AM, 40% were women.
- Last year, we made significant progress in hiring talent – our leadership pipeline – into our investment platform as 40% of recruits were women, setting the stage for a more inclusive and diverse future.
- We offer leadership development programmes tailored to women to support their career growth, stretch themselves and develop their competencies and abilities so that they can reach senior leadership roles in our company. These include:
  — 'Authentic leading women'
  — 'AMbition to lead' for emerging women talent
  — 'AMazing leaders' for senior managers and experts

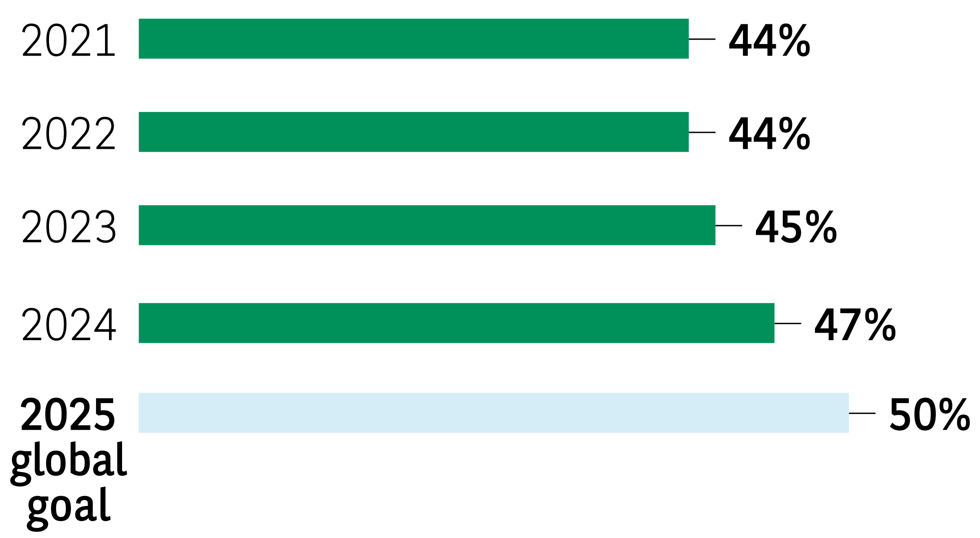
These programmes are complemented by external seminar opportunities and online content via iLearn, our award-winning in-house learning platform.

- All members of our Executive Committee have a Diversity, Equity and Inclusion ambition formalised in their yearly objectives.
- We pay particular attention to gender pay gaps, and in jurisdictions where required, we conduct detailed studies and put action plans in place.
- We put in place various initiatives to support new parents when they return from parental leave.

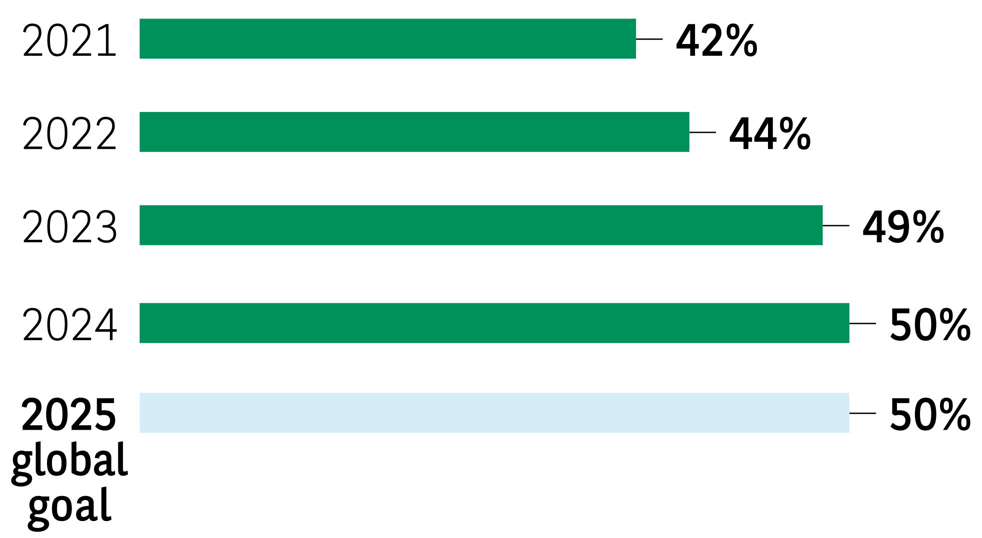
Women in senior management positions



Women on internal boards



Women in talent programmes (leadership pipeline)



Diversity is the mix, inclusion is making the mix work

Our people have always come from many different backgrounds and cultures: we are based in 34 countries and our employees are drawn from 75 nationalities as of the end of 2024. Their countless perspectives and experiences make us stronger and fuel our shared commitment to a better future.

- In 2024, we produced and launched a new tailored DE&I training for all employees covering the 5 pillars of our framework: Belonging; Disability and Health at Work; Gender Equity; Multiculturalism; and Intergenerational. At the end of 2024, 89% of staff had completed it.
- We continue to educate and enhance awareness on issues of Diversity, Equity and Inclusion through conferences on a variety of topics. We organise events every quarter in both English and French focused on elements of inclusion, with around 200 attendees at each session. Examples of events we hosted are:
  - A session on thriving in a multicultural workplace.
  - Two sessions on disability and health.
  - An interactive theatrical play focused on gender and parenthood.
  - An in-person conference on intergenerational interactions at work.
  - A session on neurodiversity in the workplace.
- We celebrated the strength and richness of our multicultural teams with a series of four short, inspiring videos from some of our colleagues who have made significant contributions to our global workforce. Through their experiences, we aim to highlight the diverse perspectives, talents and advantages that multiculturalism brings to our company.
- We supported numerous professional networks that play an active role in promoting Diversity, Equity and Inclusion within the Group, such as All Abroad, Afrinity, CulturALL, Pride@AM, WeGenerations and WeLevelUp. In addition, we sponsored WE@AM, a community of executive women in BNPP AM France, who established this community after sharing a customised learning journey, building a place for self-development and to generate a positive impact on female leadership for the benefit of the firm.

Women in Investment

We have been participating in the CFA Young Women in Investment Program since 2022, offering six-month internships in our London offices. During the internship, interns take on specific projects, gain real work experience, and develop professional skills while exploring their interests. This opportunity provides extensive 'on-the-job' training in the Investment Management industry, helping them acquire the skills and experience necessary for career advancement.

In total, through three cohorts, we have had 14 interns and last year, we were able to secure two of these interns in permanent positions with us.

Ruth-Maria Wanninger
ESG Analyst & CFA (UK)
Young Women in Investment Programme Alumni

"The programme offered the opportunity to not only gain valuable hands-on industry experience but also exchange ideas with and learn from leading colleagues within the industry. What stood out to me was everyone's openness to share their knowledge and experience, which has helped me accelerate my career."

HELPING YOUNG PEOPLE OVERCOME SYSTEMIC BARRIERS TO SUCCESS

Our goal is to help young people facing systemic barriers to success. Concretely, that means helping them gain confidence through mentorships and enabling them to acquire the vital job experience they need through internships. While our volunteer efforts are wide-ranging, we focus many of them on helping young people. Volunteering also helps us develop both professional and personal skills while better connecting us with our colleagues and society.
It is a very tangible and meaningful way to have a positive impact on the world around us. That's why we encourage our employees to volunteer at least two days a year during working hours at a community organisation of their choice.

Our commitment to mentoring young people

We embarked on an ambitious journey to harness our employees' knowledge and experiences and turn them into mentors for young people. Our goal is to help our employees help young people:

- We leveraged BNP Paribas' many partnerships with mentoring organisations in France to encourage employees to participate in mentoring with Article 1, NQT, P-Tech, Telemaque, Working Out and l'Institut de l'Engagement.
- We had a total of 15 employee mentors in France at the end of 2024, meeting the objective BNP Paribas set for us in their Ambition 1000 Mentors initiative.

3,903
hours volunteered by our employees

Our employees took part in a number of other initiatives throughout the year designed to help young people overcome systemic barriers to success:

- We continued our partnership with the Financial Industry Collective Outreach (FINCO) in **Malaysia** through the FINCO Reads programme, where our employees facilitated reading and game sessions with students at a local primary school with the aim of bettering students' proficiency in English. In addition, we organised a half-day visit at the Dignity for Children Foundation and participated in a series of activities, ranging from getting to know the organisation, attending an art workshop conducted by alumni of Dignity and repainting the classroom walls.
- Through BNP Paribas's partnership with JINC, we provided post-secondary students in **Amsterdam** training on how to apply for jobs, teaching them how to impress a potential boss. In addition to this, employees act as career coaches to young people just entering post-secondary education, bringing a different perspective to this important time in these young peoples' lives.
- We participated in a number of programmes in **Italy** to help young people, including helping to raise funds for scientific research for rare diseases in children, collection of medicine for children in Haiti and working with our colleagues at BNP Paribas Cardif to launch their programme to tackle obesity in young people.
- We have a long-term partnership with The Switch, which helps children in the Tower Hamlets neighbourhood of **London** to better prepare for their future. A number of our employees participate in the Writing Partners programme, where they exchange letters with students to help improve their reading and writing and get them curious about work life.
- We partnered with UNESCO in **Indonesia** to provide over 300 small communities with training and mentorship on business planning, financial literacy, storytelling, digital marketing, and cultural heritage preservation. A key feature of the programme was to include over 200 university students in sessions on cultural preservation and heritage safeguarding.

David Vaillant
Global Head of Finance, Strategy and Participations

"Supporting young people over time enables them to gain the confidence and self-esteem they need to succeed in life, and we are very pleased to be able to guide them in this reflection. We have long encouraged our employees to volunteer as it is an enriching experience that enables them to broaden their horizons and use their skills in new and unique ways."

Volunteering

Volunteering is not only a great way to give back to the community, but also a way for our employees to learn new skills and spend meaningful time with each other outside of the work environment. Some of our initiatives related to volunteering include:

- We encourage our employees to volunteer at least two days a year during working hours; in some countries, it can be more.
- In 2024, we held our 2nd annual global employee volunteer event, Community Impact Week. Over the course of a week in May, almost 900 employees in 23 of our offices contributed over 3,700 hours of their time to causes that were near and dear to their hearts. In total, 64 charitable organisations were helped with activities that ranged from beach and park clean-ups, to work helping at food banks or community homes, to working with young people. We were very pleased with the outcome of Community Impact Week and we will expand it to two weeks in 2025.

ABOUT THIS REPORT

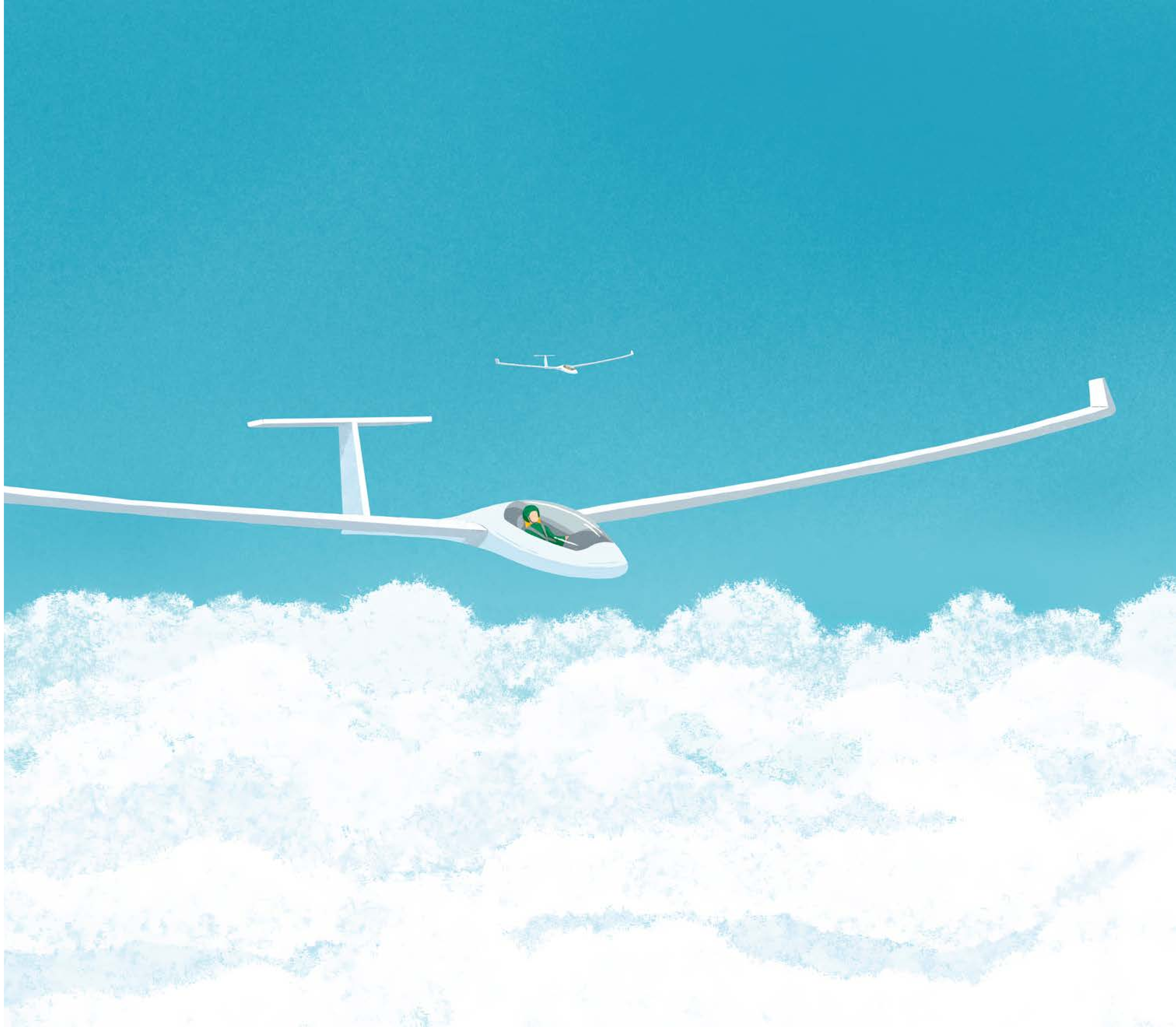
This report is produced annually by our Brand and Communications department and our Sustainability Centre, along with contributions from various departments throughout the organisation.

The management teams of both departments review the report and the board of directors of BNP PARIBAS ASSET MANAGEMENT Europe, which includes the CEO of BNP Paribas Asset Management, is responsible for approving it. BNP Paribas Asset Management is the source for all data presented in this document, presented as at 31 December 2024, unless otherwise specifically indicated. All strategies, policies and approaches described in this report apply to BNP Paribas Asset Management entities including BNP Paribas Asset Management UK (Limited). Certain Joint Ventures and Affiliated Entities may not apply all policies or may apply their own customised versions.

The content of this report on BNP Paribas Asset Management's approach and corporate philosophy is only for information purposes and does not constitute an offer to buy or sell any services, products or investments. These statements apply differently to each BNP Paribas Asset Management product, the characteristics of which, including those relating to sustainability, are described in the legal documentation of the funds, available on BNP Paribas Asset Management websites according to your country of residence and investor profile.

Voting and engagement section

The securities mentioned are for illustrative purposes only; they are not intended as solicitation of the purchase of such securities, and do not constitute any investment advice or recommendation. While we set out changes to company practice and disclosure that were in line with our expectations and/or recommendations, we acknowledge that these changes in many cases may not have resulted from our engagement alone, as companies take input from many other investors and stakeholders.



MAPPING TO KEY STEWARDSHIP CODES

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

PRINCIPLE	UK (2020)	EFAMA (2018)	ICGN (2024)	HONG KONG (2016)	MALAYSIA (2014)	JAPAN (2017)	PAGE NUMBERS IN THIS REPORT
Purpose, strategy and culture	1	1	1,6	-	5	1,2	4, 6, 9-10, 12-15, 92-100
Governance, resources and incentives	2	1	1,2,7	1	-	1,5,7	16-18
Conflicts of interest	3	1,5	1,5	7	4	2	19
Promoting well-functioning markets	4	-	4,6	-	5	-	15, 17, 24-27, 36, 40, 50, 52-53, 64, 67, 70, 73, 75, 81-82
Review and assurance	5	-	1,2,7	-	-	3,7	20
Client and beneficiary needs	6	6	3,6,7	6	-	5,6	3, 8, 21-22, 33
Stewardship, investment and ESG integration	7	1	3,6	-	5	3	14, 24-27, 34, 36-38, 43-45, 48-49, 59, 78-81, 84-90
Monitoring managers and service providers	8	6	1,2,5	-	-	1,5	46-47
Engagement	9	1,2	4	1,2	3,2	4	34, 52-53, 59-82, 90
Collaboration	10	4	4	1,5	-	4	52, 59-60, 66, 68-70, 74-77, 81-82
Escalation	11	3	4	1,3	-	4	53, 55, 57, 68, 71, 75-76, 78
Exercising rights and responsibilities	12	1,5,6	5,7	1,4	1,6	5,6	34, 52-58, 61-63

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