

BNP Paribas AM's alignment with the Towards Sustainability (“TS”) Quality Standard



INTRODUCTION

Material changes introduced by the Central Labelling Agency as of 2024 relate to:

- Exclusions: Normative screening is defined in further details, Exclusion Policy on Oil & Gas & Unconventional Oil & Gas is reinforced and thresholds are increased for Coal, Power Generation, Tobacco and Weapons
- ESG approaches:
 - o New 25% selectivity threshold for BIC/Universe: The 'ESG negatively screened universe' shall on average be reduced by 25% as a result of the application of mandatory exclusions, normative screenings and best-in-Class/ Universe selection.
 - o Defined framework for Impact Investing: Funds must implement 4 'Core Characteristics of Impact Investing' as formulated by the OPIM or GIIN
 - o Sustainable Investment Theme (no change)
 - o Reinforced “Beat the Benchmark” rule on 1 ESG KPI: BTB replaced by at least 15% BTB for a non ESG benchmark, or at least 5% BTB for an ESG benchmark or at least equal to B for an QS aligned ESG benchmark
 - o BTB: New 2 additional BTB (PASI3 GHG scope 1 et 2) and (PASI13 board gender diversity)
 - o Extended Engagement (with engagement in elevated risks sector) and voting constraints (50% in high risks sector) & disclosure



BNP PARIBAS
ASSET MANAGEMENT

The sustainable
investor for a
changing world

I. GOVERNANCE

BNP Paribas Asset Management ("BNPP AM")'s Sustainability Centre drives the firm's approach to sustainability. This dedicated team of ESG experts is responsible for developing and implementing the firm's [Global Sustainability Strategy](#) (GSS), ESG Integration Principles and Guidelines, stewardship policy and implementation, and Responsible Business Conduct Policy. The Sustainability Centre plays a crucial role in measuring, tracking and reporting on BNPP AM's progress on sustainability. It provides investment teams with research, analysis and data at issuer and sector levels. It also supports investment teams in their efforts to integrate sustainability-related risks and opportunities into their investment strategies. Our Global Head of Sustainability who oversees our Sustainability Centre, reports to BNPP AM's Chief Investment Officer.

Our sustainable investing approach is managed by a company-wide governance framework which ensures our sustainability-related policies and practices are embedded and implemented appropriately throughout our business, and that all new initiatives are well-conceived, properly structured and delivered effectively.

Our governance system ensures board and executive level oversight of the implementation of the GSS and our business strategy. At an operational level, we believe it is an effective mechanism to ensure that our policies and processes align with our ambition and that there is continuous communication among stakeholders.

BNPP AM EXECUTIVE BOARD			BNPP AM EXECUTIVE COMMITTEE	
Strategic oversight of overall business Chair: CEO			Strategic oversight of sustainability approach Chair: CEO	
SUSTAINABILITY COMMITTEE	INVESTMENT COMMITTEE	STEWARDSHIP COMMITTEE	GLOBAL PRODUCT COMMITTEE	EXECUTIVE CSR COMMITTEE
Oversees and validates our approach to sustainability	Approves sustainability methodologies and monitors ESG integration	Reviews voting and engagement implementation	Approves sustainability characteristics of products	Oversees the implementation of our approach to Corporate Social Responsibility
Chair: CEO	Chair: Global Head of Investments	Co- Chairs: Equities CIO & Global Head of Sustainability	Chair: Global Head of Products and Strategic Marketing	Chair: Head of Corporate Social Responsibility
OTHER ESG-RELATED PROGRAMMES OR COMMITTEES				
SUSTAINABLE REGULATION PROJECT	SUSTAINABLE METHODOLOGY OVERSIGHT COMMITTEE*	ESG INTEGRATION STEERING COMMITTEE	ESG DATA PROGRAM	
Oversees the development and implementation of regulatory related methodologies, definitions, disclosures and processes.	Oversee and validate ESG methodologies that are linked to regulatory/label frameworks	Manage the scoring evolution process and ensure deepening implementation of our ESG integration Guidelines	Support the development and deployment of various research methodologies and internal data capabilities to support investment analysis, portfolio construction & measurement and reporting	
Co- Chairs: Global Head of Products and Strategic Marketing & Global Head of Sustainability	Sustainability Centre, Quantitative Research Group, digital and IT *sub-Committee of the Sustainability Regulation Programme	Sustainability Centre, Investments and Quantitative Research Group	Sustainability Centre, Quantitative Research Group, digital and IT	
	<ul style="list-style-type: none"> • Implementation is monitored by our internal control systems • Integrated into BNP Paribas Group Sustainability 			

II. SUSTAINABILITY APPROACH

A. ESG screening

ESG screening is done through norms-based screening and sectoral exclusions.

1. Norms-based screening

Verify whether investee companies are not involved in (structural, repetitive and severe) controversies or violations of Minimum Safeguards of the EU Taxonomy Regulation, especially:

- The UN Global compact
- The UN Guiding Principles on Business and Human Rights (UNGPs)
- The OECD Guidelines for Multinational Enterprises (as far as relevant)
- The ILO Conventions

Actively spreading misinformation is part of a controversy screening. Disinformation campaign (e.g., minimising climate change or human right violations) or irresponsible lobbying has a substantial impact on the issuer's eligibility.

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

a. United Nations Global Compact:

We use BNPP AM's exclusion list for violation of UNGC principles (updated twice a year and validated by the Sustainability Committee) which is a shared framework, recognized worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

b. The OECD Guidelines for Multinational Enterprises ("MNE"):

Our second approach for norms-based screening is based the OECD's MNE guidelines which are a similar and detailed shared framework also used for our Responsible Business Conduct policy.

c. Other Standards

The UNGP and the ILO conventions are also covered by our norms-based screening.

BNPP AM applies above mentioned requirements defined in the Quality Standard.

2. Sector exclusions

a. Tobacco

Scope:

- Production of tobacco, tobacco products or e-cigarettes
- Wholesale trading of tobacco products or e-cigarettes
- Classification GICS 30203010; ICB 451030; TRBC 54102030; NACE 01.15, 12, 46.35

Eligibility:

The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable. AND The company shall derive less than 5% of its revenues from activities in Scope.

The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities in Scope.

BNPP AM applies above mentioned thresholds defined in the Quality Standard using sources:

- Data provider(s): BNPPAM uses providers and variables to conduct its tobacco screening
- Second opinion: ESG Analysts at Sustainability Centre

- Final approval: Sustainability Centre

b. Weapons:

a) Activities in scope

- *Manufacture of weapons or tailor-made components*
- *Sale of weapons Indicative sector/industry and activity classifications Aerospace & Defence / Weapons: GICS 201010; ICB 502010; TRBC 521010; NACE 25.4, 30.4*

b) Eligibility criteria for companies performing activities under a)

- *i. Governance The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable*
- *ii. Transition of operations:*
 - *The company shall have no activity of manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons such as: anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical or nuclear weapons.*
 - *The company shall derive less than 5% of its revenues from activities under a).*

c) *Eligibility criteria for companies enabling activities under a) • The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities under a)*

BNPP AM applies above mentioned thresholds defined in the Quality Standard using sources:

- Data providers: Entities failing screening per the above are excluded from TS Labelled funds.
- Second opinion: ESG Analysts at Sustainability Centre
- Final approval: Sustainability Centre

c. Coal:

a) Activities in scope

- *Thermal coal prospecting or exploration*
- *Extraction/mining of thermal coal*
- *Processing of thermal coal*
- *Transportation of thermal coal Indicative sector/industry and activity classifications for Coal: GICS 10102050; ICB 60101040; TRBC 501010; NACE 05, 19*

b) Eligibility criteria for companies performing activities under a)

- *i. Governance: The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.*
- *ii. Non-expansion of adverse impact*
 - *The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.*
 - *The company's absolute coal production or capacity for activities under a) shall not be increasing.*
- *iii. Transition of operations: The company shall meet at least one of the following criteria:*
 - *Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.*

- *Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from activities under a). For transportation, the revenue threshold is 10%.*
 - *Have less than 10% of CapEx dedicated to activities under a) and not with the objective of increasing revenue*
 - *Have more than 50% of CapEx dedicated to contributing activities*
- c) Eligibility criteria for companies enabling activities under a)
- *The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities under a)*
- d) Comply or explain • See 3.1 d), esp. Global Coal Exit List (GCEL)

BNPP AM complies with above mentioned requirements defined in the Quality Standard using sources:

- Data providers: Entities failing screening per the above are excluded from TS Labelled funds.
Second opinion: ESG analysts at Sustainability Centre
- Final approval: Sustainability Centre

d. Unconventional oil and gas:

a) Activities in scope

- *Unconventional oil and gas prospecting or exploration*
- *Extraction of unconventional oil and gas This includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling. Indicative sector/industry and activity classifications Unconventional oil & gas: TRBC 5010202015, 5010301015*

b) Eligibility criteria for companies performing activities under a)

i. Governance • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.

ii. Non-expansion of adverse impact

• The company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.

• The company's absolute production of unconventional oil and gas or capacity for activities under a) shall not be increasing.

iii. Transition of operations

• The company shall meet at least one of the following criteria:

o Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.

o Derive less than 5% of its revenues from activities under a).

o Unconventional oil and gas production is less than 5% of total oil and gas production.

o Have more than 50% of CapEx dedicated to contributing activities.

c) Eligibility criteria for companies enabling activities under a) • The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities under a)

d) Comply or explain • See 3.1 d), esp. Global Oil & Gas Exit List (GOGEL), companies having unconventional production > 5% or having any short-term unconventional expansion.

BNPP AM complies with above mentioned requirements defined in the Quality Standard using sources:

- Data providers: Entities failing screening per the above are excluded from TS Labelled funds.
Second opinion: ESG analyst at Sustainability Centre
- Final approval: Sustainability Centre

e. Conventional oil and gas:**a) Activities in scope**

- Oil or gas prospecting or exploration

Extraction of oil or gas

- Processing or refining of oil or gas (except oil to chemicals)
- Transportation of oil (not distribution) Indicative sector/industry and activity classifications Energy: GICS 101010, 101020; ICB 601010; TRBC 5010; NACE 06, 09.1, 19, 35.21

b) Eligibility criteria for companies performing activities under a)

i. Governance • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.

ii. Non-expansion of adverse impact • The company shall currently not be involved in exploration, and not be involved in exploitation or development of new oil or gas fields.

iii. Transition of operations

- The company shall meet at least one of the following criteria:

o Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment

o Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO₂e/MJ in 2023, or other science-based alignment assessment)

o Derive less than 5% of its revenues from activities under a).

o Have less than 15% of CapEx dedicated to activities under a) and not with the objective of increasing revenue

o Have more than 15% of CapEx dedicated to contributing activities

c) Eligibility criteria for companies enabling activities under a) • The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities under a)

d) Comply or explain • See 3.1 d), esp. Global Oil & Gas Exit List (GOGEL), companies having any IEA NZE Expansion Overshoot or having any Exploration CapEx (3-year average).

BNPP AM complies with above mentioned requirements defined in the Quality Standard using sources:

- Data providers: Entities failing screening per the above are excluded from TS Labelled funds.
- Second opinion: ESG analyst at Sustainability Centre
- Final approval: Sustainability Centre

f. Electricity generation

a) Activities in scope • Generation of power or heat from non-renewable energy sources Indicative sector/industry and activity classifications Utilities (Power generation): GICS 551010, 551020, 551030, 55105010; ICB 651010; TRBC 5910101012, 5910101013, 5910102011, 5910102013, 59102010; NACE 35.1

b) Eligibility criteria for companies performing activities under a)

i. Governance • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.

ii. Non-expansion of adverse impact

- The company shall currently not be involved in building new coal-fired power stations.

• The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5 GW. The non-expansion criteria can temporary be ignored in case of national legal obligations in the context of energy provision security.

iii. *Transition of operations* • The company shall meet at least one of the following criteria:

- o Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- o Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO₂e/MWh in 2023, or other science-based alignment assessment)
- o Derive less than 5% of its revenues from activities under a)
 - o Derive more than 50% of its revenues from contributing activities
 - o Have more than 50% of CapEx dedicated to contributing activities

c) *Comply or explain* • See 3.1 d), esp. Global Coal Exit List (GCEL)

d) *Phase-out margin*

Some companies performing activities under a) currently do not yet meet the transition-related eligibility criteria in b) iii. but are nevertheless within the best of their peer group in transitioning their business model. A sustainable financial product can finance these companies selectively and to a limited extent, under the following conditions:

- The total portfolio exposure to non-compliant companies is < 5%. This margin will decrease by 1pp (percentage point) per year as of 1/1/2023. [Note: When QS23 enters into force on 1/1/2024, the margin will be 3%]
- Additionally, companies in this margin shall be subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition.
- Companies in this margin shall still meet the governance and non-expansion eligibility criteria in b) i & ii.
- Portfolios using the phase-out margin, shall reduce it to 0% by 30/6/2025.

e) *Grandfathering Until 2025*, electricity utilities with a carbon intensity lower than the annual thresholds below and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible:

	2019	2020	2021	2022	2023	2024	2025
Max. gCO ₂ /kWh	429	408	393	374	354	335	315

BNPP AM complies with above mentioned requirements defined in the Quality Standard using sources:

- Main Data providers: Entities failing screening per the above are excluded from TS Labelled funds.
- Second opinion: ESG analyst at Sustainability Centre
- Final approval: Sustainability Centre

B. ESG Integration

ESG integration reflects the principle of double materiality. For each position in the portfolio an ESG due diligence result shall be present. This does not mean that an (external) ESG rating should be available for each position. The appropriateness of specific positions within the applied sustainability strategies can also be evaluated by using internal models. The ESG evaluation of positions can take the form of a quantitative (or qualitative) analysis based on different ESG data/indicators. An extensive and formal ESG investment case for each single holding is not required, however, potential ESG risks and/or ESG opportunities should be identified.

We believe that analysing investments using ESG criteria helps us account for a wider set of risks and opportunities and better understand the role of companies in driving systemic risks and addressing the challenges of the transition towards a more sustainable and inclusive economy. This helps us make better-informed investment decisions in line with our fiduciary duty. We accomplish this through the application of our [ESG Integration Principles and Guidelines](#) and the development of proprietary sustainability research.

Our approach to ESG integration embraces the double materiality principle – that the sustainability characteristics of an investment are a two-sided coin:

- Sustainability risks and opportunities, e.g., financial risks posed by the investment because of its particular characteristics (such as a financial loss incurred by a company because of a heatwave)
- The externalities of an investment, i.e., negative or positive impacts on the environment or society from the activities of an investee entity (such as soil pollution associated with building an industrial plant).

We score and integrate ESG factors across a wide range of investment strategies through investment research, universe screening, idea generation, security valuation, portfolio construction, risk management, asset allocation and scenario analysis. This process is guided by our formal internal ESG Integration Principles and Guidelines as well as regulatory and/ or voluntary (e.g., sustainability label) requirements.

We have integrated ESG scores into our investment process so that portfolio managers have a view on the ESG risk of the portfolio on a constant basis.

Integrating ESG at various stages of the investment process

- Investment beliefs and universe screening: Investment strategies are guided by our underlying beliefs, which influence investment teams in developing investment strategies and managing portfolios.
- Idea generation and security valuation: Integrating ESG factors at the idea generation stage allows our investment teams to include or discard opportunities based on ESG considerations. For example, some strategies identify the highest rated ESG entities in a universe as a priority for additional financial analysis, while some exclude the lowest-rated ESG entity from their universe (e.g.: best in class). Other strategies are explicitly structured around a sustainability theme (such as the energy transition).
- Portfolio construction and risk management: ESG factors can be used at the portfolio construction stage to screen companies, overweight or underweight positions, or tilt portfolios. As per our ESG Integration Guidelines, for a wide range of strategies, we monitor the ESG score and/or carbon footprint of some investments versus their benchmarks (or investment universe). We report on these two KPIs to clients where they are available. For eligible strategies/products, such as our funds with the Towards Sustainability label aim to integrate ESG characteristics in ESG strategy (including additional strategy) or to integrate Better the benchmark approach on GHG intensity and board gender diversity indicator.
- Post-investment (monitoring engagement, voting, performance, reporting): 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 led by this team, while investment teams also include ESG topics in their ongoing company meetings. All commitments linked to sustainability-related indicators at the fund level (as stated in the legal documentation of each fund), are monitored continuously by the portfolio managers and by an independent team.

Please refer to our [ESG Integration Principles and Guidelines](#) for further details and our [Global Sustainability Strategy](#) for on our firm-wide approach and prospectuses for details at product level.

C. Best-in-class/universe selection/Selectivity

A best-in-class or best-in-universe strategy shall select from the 'ESG negatively screened universe' only the issuers with the highest ESG ratings, evaluated per industry/sector/region (best-in-class) or evaluated on the level of the universe as a whole (best-in-universe). The ESG ratings can be based on a quantitative or qualitative ESG rating scale. The issuers selection threshold can be relative (top percentile) or absolute (minimum rating). The investable universe, as defined by the manager, shall at least be reduced by 25%, as a result of the combined application of mandatory exclusions, normative screening and the best-in-class/universe selection.

In the selectivity approach, BNPP AM reduces/excludes of the investment universe a minimum of 25% of the worst-rated issuers which can be expressed in market capitalization or number of issues/issuer. 25% are to be understood as the sum of the exclusions linked to sustainability (Responsible Business Conduct Policy and/or label exclusion lists) increased up to 25% as a result of worst rated approach.

D. Sustainability themed investing

A sustainability themed investing strategy shall select investments using one or more well-defined themes based on relevant frameworks, recognized by the CLA, to measure contribution to sustainability factors (EU Taxonomy, SDGs, EU Green Bond Standard, ICMA Social Bond Principles, etc.). Additionally, it shall comply with at least 1 of the following: a) At least 70% of the assets in the portfolio (measured by company or by AUM) are related to the theme(s). An investee company is considered related to a theme if at least 50% of its revenue is related to the theme. b) At least 50% of the total portfolio (by AUM) is invested in economic activities contributing to the theme. c) The portfolio uses a best-in-universe strategy selecting the top 25% highest rated issuers ('leaders') based on an ESG rating appropriate to the theme. d) The portfolio classifies as an SFDR art. 9 portfolio and has sustainability themed investing as a strategy.

BNPP AM complies with above mentioned requirements defined in the Quality Standard.

E. Objective to do better than a benchmark on one or more ESG indicators

The manager shall designate and disclose:

- A benchmark appropriate to the portfolio.

- ESG-relevant KPI(s) that will be used to measure the portfolio's improvement vs the benchmark.

[Note: When GHG Intensity and/or Board gender diversity are designated as ESG indicators, this would also fulfil expectations under 1.1. c) and/or d)]

The manager shall formulate a target for the portfolio to perform on the selected KPI(s):

- At least 15% better than the benchmark if it concerns a non-ESG benchmark.
- At least 5% better than the benchmark if it concerns an ESG, not QS-aligned benchmark.
- At least equal to the benchmark if it concerns a QS-aligned benchmark, an EU PAB or CTB benchmark, or a thematic ESG benchmark determined by the manager in line with the ESG objective of the portfolio. The manager shall describe to the CLA how the designated benchmark is representative of the portfolio's investment policy and focus (asset classes, geography, sector, company capitalisation, theme), and does not create an intrinsic bias to circumvent labelling criteria.

BNPP AM complies through the following methodologies.

a. Indicators expressed in absolute value

Weighted average Portfolio ESG Score improved by at least 15% compared to its benchmark or investment universe.

For instance, when a portfolio selects absolute "GHG emissions" or "GHG footprint", it makes sense to decrease the impact of the indicators by at least 15% which means that the target GHG intensity of the targeted portfolio has to be equal to 85% of the GHG intensity of the benchmark or Investment universe. If the selected indicator is a "pass fail" indicator, it makes sense to target for the portfolio 115% of benchmark/investment universe value.

b. Indicators expressed in non-linear distribution

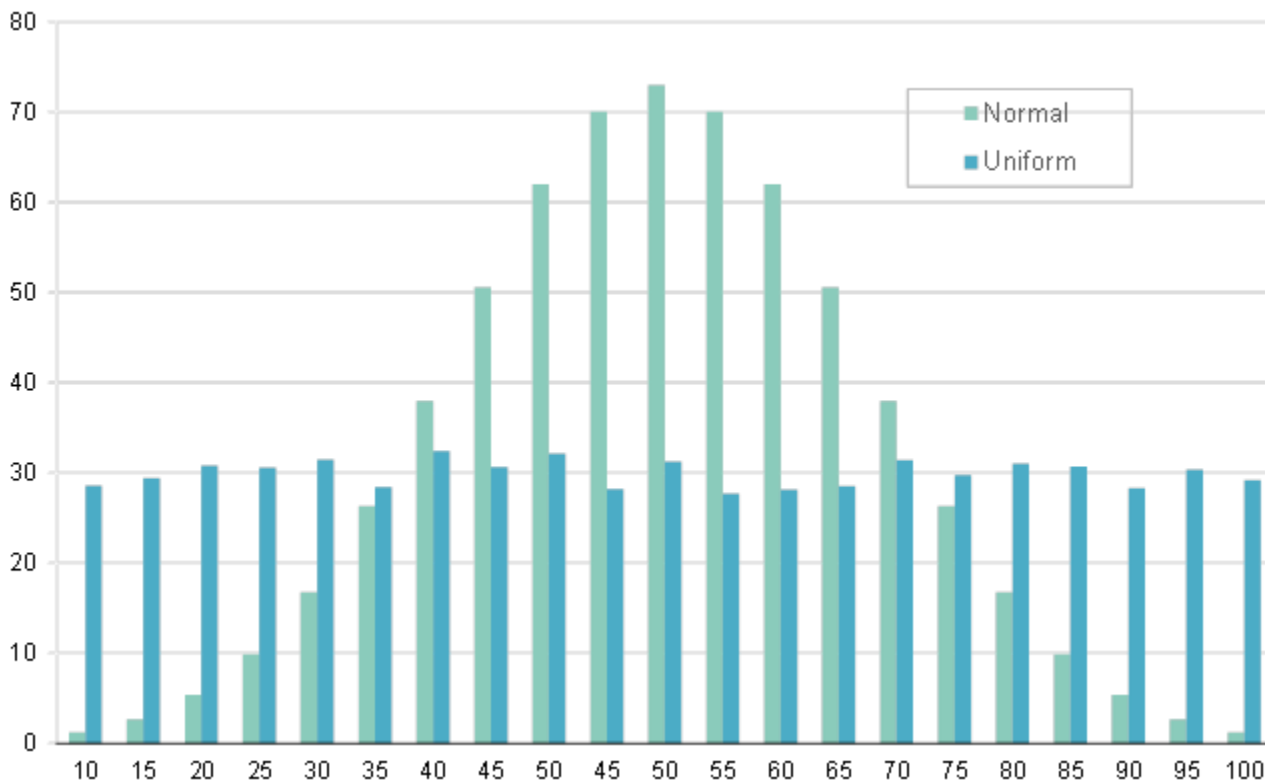
Weighted average of Portfolio ESG Score better than a reference index minus 15% of worst performers (expressed in market capitalization)

Our objective is to improve the ESG profile of the portfolio by a significant margin. One way to do it could indeed be to improve the ESG score relative to the benchmark by a given %. However, given that ESG scores are based on a proprietary methodology, it is not straightforward to illustrate what x% improvement in score means.

To illustrate this, the chart below shows 2 different examples of distributions for individual ESG scores, one similar to a normal distribution and one equivalent to a uniform distribution. Looking at this chart, improving the portfolio ESG score from 50 to 60 is not the same effort for the uniform distribution than for the normal distribution.

- In the uniform distribution example, a bond with a score of 50 will be around the 50th percentile (i.e. the median) and a bond with a score of 60 will be around the 60th percentile.
- In the normal distribution example, a bond with a score of 50 will also be around the 50th percentile, but a bond with a score of 60 is around the 72nd percentile

What this means is that improving the ESG score by a given percentage will not have the same impact depending on how ESG scores are distributed.



Source: BNPP AM, x axis = ESG ratings, y axis = number of issuers

This is why we choose to use the methodology of computing the ESG score of the universe from which the worst x% ESG issuers have been removed and target a score that is at least equal to this reference. This is completely independent on the ESG score distribution.

F. Stewardship - Corporate engagement and shareholder action

a) Engagement policy

Engagement efforts shall be based on a formal engagement policy. This policy shall at least describe:

i. Engagement objectives and priorities • These should be clear, detailed and actionable focused on effecting change • How engagement topics are selected

ii. Escalation procedure

- Detailing the actions that the manager will undertake if engagement milestones are not met.
- These actions should be specific, measurable, achievable, realistic, and timebound and include timelines for reviewing engagement progress and maximum timelines for taking escalation steps when engagement milestones are not met.
- If the engagement strategy varies across regions or asset types, this should be articulated.
- Escalation steps may include:
 1. AGM questions and/or voting against management at AGMs
 2. Letters to, and meetings with, boards of directors
 3. Public statements including pre-declaring voting intentions, filing shareholder resolutions, and open letters
 4. Changing capital allocation, divestment or refusal to purchase new debt

iii. How engagement is organised in practice

- Individual or collective/collaborative. If collaborative, which role is played (Lead, participant, supporter)
- Types of engagement: letters, e-mails, meetings iv. How engagement efforts are monitored e.g.:

- Status: e.g., 'ongoing', 'escalated', and 'closed'
- Outcome: e.g., 'with success', 'without success', etc.

Voting policy Exercising voting rights is a form of engagement and shall be included in the engagement policy or have a separate voting policy. The manager is encouraged to:

- Improve transparency on proxy voting by publishing voting policies, voting records, and voting rationales in a manner that is timely and user-friendly

Vote at all AGMs, regardless of geography or the level of holdings.

- Pre-declare voting intentions for important and/or contentious ESG resolutions to encourage others to vote and to increase understanding of the issues at hand.

b) Topics for engagement Topics to be addressed in engagement efforts, as far as material to the sector:

- Social – Human rights and labour rights
- Governance – Gender diversity
- Environment – Decarbonisation and 1.5°C alignment
- Environment - Natural resource use/impact, esp. water and biodiversity
- Environment - Pollution/waste, esp. single-use plastics d

) Reporting The manager shall publish an annual engagement report. The manager is encouraged to include in this report, as far as not commercially sensitive:

- The approximate number of issuers engaged (multiple engagements with a single issuer count as one) and the proportion of firm-wide holdings that this figure represents
- The approximate total number of engagements (multiple engagements with the same issuer on different topics count separately). • Type of engagement (top-down thematic-driven vs bottom-up issuer-driven)
- Sectors engaged with
- Asset classes engaged with
- Method of engagement (letters/emails/meetings).

Our approach to engagement and voting

We are committed to being a 'future maker', using our investments and our influence with companies, policymakers and standard setters, to contribute to the transition to low-carbon, environmentally sustainable and inclusive economies. To ensure our Stewardship activities are effective, consistent and support our objectives and duties as fiduciaries, they are detailed in our [Stewardship Policy](https://docfinder.bnpparibas-am.com/api/files/c0ba61da-9b99-4567-84af-8b6ac312fa67) (available here: <https://docfinder.bnpparibas-am.com/api/files/c0ba61da-9b99-4567-84af-8b6ac312fa67>) and are reviewed annually, revised as needed and approved by the Stewardship Committee.

Our engagement policy is included within our stewardship policy. It covers notably:

- our engagement objectives, priorities, and scope
- our engagement approach (including how engagement is organised and themes/Topics covered by our engagement)
- our escalation process.

Our voting policy is also detailed in our [Stewardship Policy](#).

On an annual basis, we report the results of our engagements and significant voting decisions, including an annual record of all of our proxy votes. Since 2019, we have published an annual Sustainability Report which details our voting and engagement activities for the year. Lastly, voting records of individual agenda items at company meetings are publicly available in a searchable database on our website (<https://vds.issgovernance.com/vds/#/MTC3MQ==/>).

Our voting and sustainability report are publicly available on our website: <https://www.bnpparibas-am.com/en/sustainability-bnpp-am/sustainability-documents/>

III. CLIMATE CHANGE

For several years, a strong component of our strategy has been our pledge “to make a substantive contribution to the low-carbon energy transition”, and one of the ways to do so was by encouraging our investee companies “to align their strategies with the goals of the Paris Agreement.” We bolstered this pledge by signing up to the Net Zero Asset Managers (NZAM) initiative in 2021, an international group of asset managers committed to supporting the goal of net-zero GHG emissions by 2050 or sooner. In 2022, we published our [Net Zero Roadmap](#), our long-term plan to achieve net zero portfolio emissions by 2050 or sooner. This roadmap covering the progressive alignment of our investments with the goal of reaching net zero emissions, together with associated efforts across stewardship activities and operations. BNPP AM's Net Zero Roadmap is based on [10 commitments](#) targeting net zero portfolio emissions by 2050.

These commitments build on the work done by BNPP AM over the past years. BNPP AM has been actively involved in ESG investment since the launch of its first SRI fund in 2002, and in 2015 it committed to contributing to achieving the Paris Agreement goals. Since then, the scientific evidence for the human-induced causes and potentially dire effects of global warming of just 1.5°C above pre-industrial levels has strengthened substantially and it is now accepted that reaching global net zero emissions by 2050 is essential to prevent irreversible and massive damage from climate change. In 2019, BNPP AM formalised its approach towards sustainable investment with the publication of its Global Sustainability Strategy, in which it pledged ‘to make a substantive contribution to the low-carbon energy transition’. In November 2021, it reinforced this pledge by becoming a signatory to the NZAM.

BNPP AM's initial commitment covers EUR 250 billion (50%) of its assets under management, and it has the twin aims of increasing the proportion of AUM included in its net zero commitments and strengthening its targets to ensure it reaches net zero by 2050 or earlier.

Our net zero roadmap is available here: <https://docfinder.bnpparibas-am.com/api/files/F5EE3377-26CE-4DFD-B770-DBD29323D78B>

IV. OTHER ESG ISSUES

See details at [Sustainability documents – BNPP AM Corporate English \(bnpparibas-am.com\)](#)

A. Eligible countries

We use the list of eligible states updated once per year and provided by the CLA. Concerning funds managed by the teams of BNP Paribas Asset management the exclusion is managed ex-ante and ex-post. Concerning the exchange-traded funds the exclusion is managed ex-post.

B. Corporate Taxation

Our proprietary ESG scoring methodology assesses companies' governance issues, including tax-related issues. Our 'Governance' assessment includes a category dedicated to 'Business Ethics Preparedness'. This theme seeks to evaluate a company's approach to promoting and supporting ethical business conduct for both internal operations and interactions with external stakeholders. Within this theme, depending on the sector, we look at specific indicators. If we assess taxation as a material issue to the sector, we will use specific metrics such as 'Tax Disclosure' that is included in our ESG scoring framework. This indicator provides an assessment of corporate transparency with regard to taxes paid and the possible use of tax shelters. Tax fairness is an important topic as the perception that taxes are treating individuals and corporations fairly is a cornerstone of public support for the tax system and for the government more broadly. There are also growing stakeholder concerns on the excessive use of tax shelters by companies, which can lead to both tax liability risk and reputational issues for companies. Corporate tax disclosure is the best means available for knowing whether each corporation is treated fairly—and that corporations as a group are paying their fair share of taxes. More information on our ESG scoring framework to be found here: <https://www.bnpparibas-am.com/en/esg-scoring-framework/>

Corporate tax is covered in our Stewardship activities. In our Proxy Voting policy, we also consider taxation when voting on 'Corporate Restructuring' items. We could vote against or abstain considering potential tax and regulatory advantages. Votes concerning corporate restructuring are considered non-routine and evaluated on a case-by-case basis. Issues that will be taken into account include spin-offs with potential tax and regulatory advantages. More details here: <https://docfinder.bnpparibas-am.com/api/files/c0ba61da-9b99-4567-84af-8b6ac312fa67>. In our engagement with companies, we will raise this topic when relevant. We believe widespread corporate tax avoidance – or even the appearance of aggressive tax practices – undermines faith in taxation and ultimately societal resilience.

C. Biodiversity

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

- [Sustainable by Nature](#) : Our roadmap for Biodiversity (including Water, Waste)
- Palm oil: [Responsible Business Conduct Policy](#) page 9 – 13
- Wood Pulp: [Responsible Business Conduct Policy](#) page 14 – 18
- Areas of focus for the upcoming year: [Global Sustainable Strategy](#) pages 23-25

D. Water use

Water is a more complex environmental theme to capture than carbon, due to its local and temporal dimensions. The effects of water over-use and pollution vary depending on the time of the year and the vulnerability of ecosystems, local populations and businesses. For more information, please refer to our biodiversity roadmap: [Sustainable by Nature](#) and in our latest [Global Sustainable Strategy](#).

E. Pollution & waste (e.g., plastics)

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

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

F. Gender & diversity

Inequality of opportunity occurs when people's place of birth, gender, ethnicity or parental background determine to a significant degree their access to education and the qualifications they obtain, their access to work and the type of job they get; and, ultimately, their level of income. There is significant inequality of opportunity across world populations. Through our voting policy we target companies that lack diversity on their board, and we apply criteria around diversity in the social pillar of our ESG methodology. For more information, please refer to [Global Sustainable Strategy](#) page 26-28.

G. Forward contracts on agricultural commodities

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

V. DATA PROVIDERS

BNPP AM's ESG research process and scoring is our own independent assessment. Our ESG research analysis and findings are based on a wide variety of sources not limited to ESG data providers. We use a number of external sources to collect the material needed to undertake effective research; however, our research is carried out internally. They include the knowledge we gain from participating in various investment forums and communities, our relationships with academic institutions and other aspects of civil society.

VI. OTHER DISCLOSURE OF POLICIES

- BNPP AM's "[Global Sustainable Strategy](#)" 2023-2025.) addresses how climate change and Paris alignment are taking into account, as well as gender, diversity and water use principles (pages 20-25).
- BNPP AM's "[Responsible Business Conduct Policy](#)" (English version) further discloses our company's policies in multiple domains (please note that more stringent exclusions will apply to our funds with the Towards Sustainability Label, in line with the Quality Standard):
 - Controversial weapons: page 28-29
 - Coal: page 23–24
 - Unconventional oil & gas: page 26-27
 - Power generation, incl. nuclear power generation: page 19–21, 23-24
 - Tobacco: page 31
 - Forward contracts on agricultural commodities: page 22
 - Asbestos: page 30
 - Palm oil (biodiversity): page 9–13
 - Wood pulp (biodiversity): page 14 – 18
- Our [Biodiversity Roadmap 'Sustainable by Nature'](#) provides BNP Paribas Asset Management's principles on water use, pollution and waste (e.g. plastics) and details our plan to embed biodiversity considerations across all the pillars of our sustainable investment approach.
- Our [Net Zero roadmap](#) presents our 10 net zero commitments across our investments, stewardship and operations .
- Our [Stewardship policy](#) details our voting, engagement and public policy advocacy activities. It ensures that our activities are effective, consistent and support our objectives and duties as fiduciaries. This policy is reviewed annually and approved by the Stewardship Committee. We also report yearly on our stewardship activities in our annual sustainability report.

Documents mentioned are regularly updated and made available at [Sustainability documents - BNPP AM Corporate English \(bnpparibas-am.com\)](#)

VII. IMPLEMENTATION OF THE EXCLUSION LIST IN THE FRONT OFFICE TOOL

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

DISCLAIMER

BNP PARIBAS ASSET MANAGEMENT Europe, Belgian Branch an activity of management company for undertakings for collective investment in transferable securities and of manager of alternative investment funds in Belgium, approved by the French regulator Autorité des marchés financiers ('AMF') and the Belgian regulator Financial Services and Markets Authority ('FSMA'); it is constituted as a Belgian branch of a simplified joint-stock company under French law and located Warandeborg 3, 1000 Brussels, Belgium.

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

This material is produced for information purposes only and does not constitute an investment advice.

Opinions included in this material constitute the judgement of the management company at the publication date of the material and may be subject to change without notice. The management company is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax questions prior to investing in the financial instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for an investor's investment portfolio.

Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the financial instruments may have a significant effect on the results portrayed in this material.

"The sustainable investor for a changing world" reflects the objective of BNP PARIBAS ASSET MANAGEMENT to integrate sustainable development into its activities, without all funds of BNP PARIBAS ASSET MANAGEMENT belonging to articles 8 or 9 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). For more information, please see www.bnpparibas-am.com/en/sustainability.